EEC problems for British agriculture

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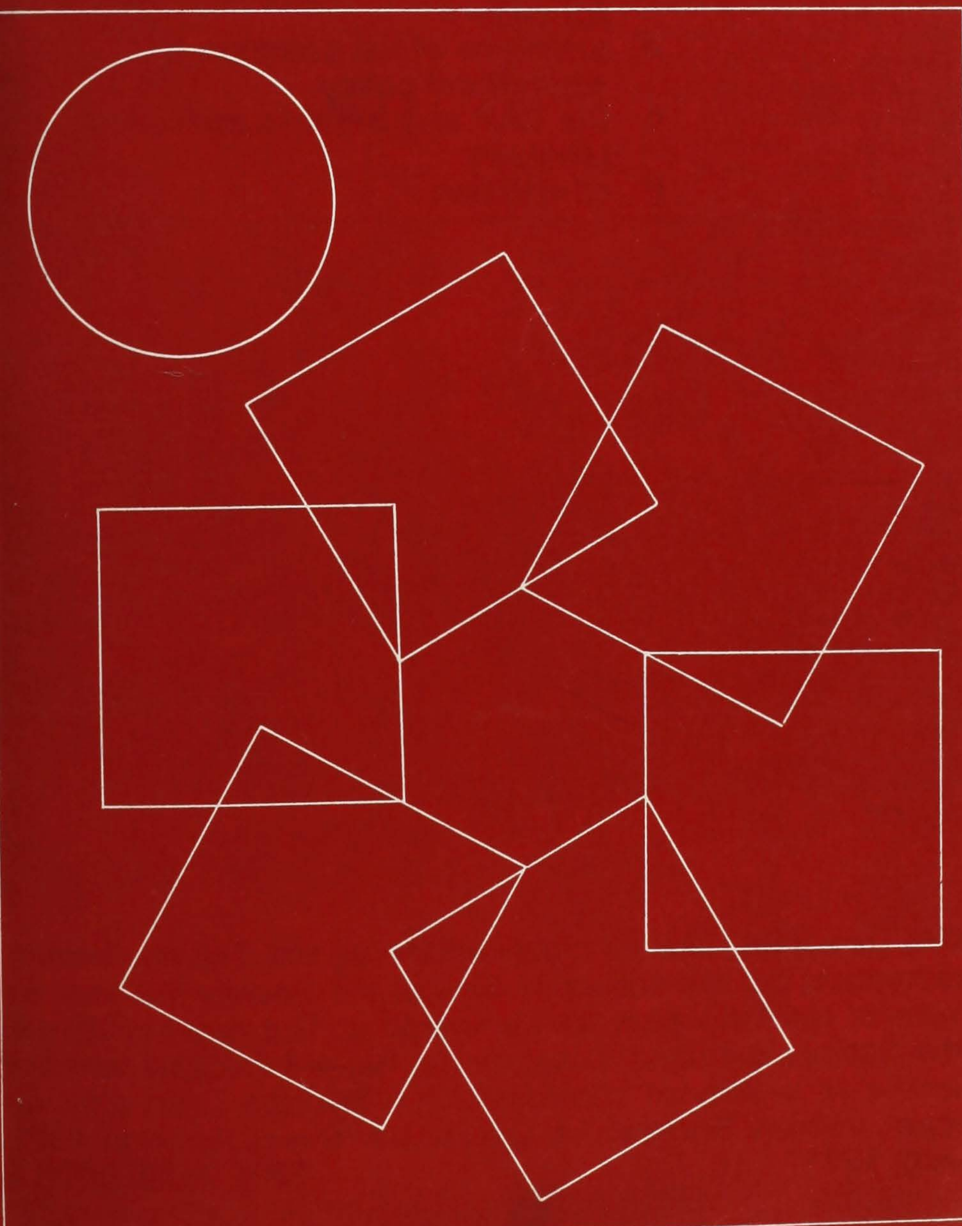

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1. introduction

In the confused debate about the United Kingdom's application for entry into the European Economic Community (EEC), a great deal has been said about the agricultural problem. The discussion has been concentrated on three issues: first, how the balance of payments would be affected by British acceptance of the common agricultural policy (CAP); second, how the CAP should be altered when the UK can influence agricultural policy as a member of the EEC; third, the effects of British membership on world agricultural trade. Since complete acceptance of the CAP had already been conceded by the government before the negotiations began, the effects on British agriculture of adopting the CAP have not been analysed in great detail, except in farming circles. Most economists have taken the line that on balance there could be a slight increase in net farm income but that some types of agricultural production would fare better than others. This assessment is echoed in the government's two white papers (Cmnd 3274 of 1967; Cmnd 4289 of 1970).

The general conclusion of most of the experts who have deigned to look at the subject is that since British farms are generally much bigger and more efficient than their continental counterparts, this advantage would stand them in good stead when facing competition from Europe. Table 1 shows the trend towards fewer and larger agricultural holdings in Great Britain. It should be noted that similar trends emerge if the criterion of standard man days is used. Table 2 shows the trend towards concentration by type of enterprise. Similar gains, varying in degree, have occurred in Scotland and Northern Ireland. The average size of British farms is more than double that of EEC farms. Figures of gross product per person employed in agriculture, fisheries and forestry show that the British figure was £1,665 in 1969 compared with an EEC average of £1,000 (Hansard 10/5/1971 c.42). The figures are subject to certain qualifications but do provide a broad indication of relative output per person.

The brushing aside of agriculture as a matter of little or no account in the negotiations, is typical of the low public esteem for British agriculture and its achievements. In spite of publicity by the National Farmers' Unions (NFU), agriculture is still seen as a sideshow, when compared with the rest of industry. There are some well informed, technical farming programmes on radio and television, but general comment about agriculture and its problems

TABLE 1
AGRICULTURAL HOLDINGS IN GREAT BRITAIN

	total holdings	holdings up to 50 acres	percentage of total	holdings over 300 acres	percentage of total
1951*	451,800	290,200	64.2	14,700	3.2
1955	442,500	281,500	63.6	15,200	3.4
1960	406,200	249,300	61.4	16,500	4.1
1966	366,700	218,700	59.6	18,700	5.1
change between 1966 and 1951	−18.8 per cent	−24.6 per cent		+27.2 per cent	

*1950 for Scotland
Source: tables 6 & 8: *A century of agricultural statistics* (Ministry of Agriculture 1968)

TABLE 2
AVERAGE ANNUAL INCREASE IN SIZE OF ENTERPRISE 1960/9 IN ENGLAND AND WALES (per cent per annum compound)

enterprise	1960-5	1965-9	1960-9
dairy cows	4.5	6.8	5.5
beef cows	2.5	5.7	3.9
breeding ewes	2.7	3.6	3.1
breeding pigs	8.4	9.9	9.1
laying fowls*	10.3	12.4	11.2
broilers	32.5	13.2	23.6
wheat	7.6	5.1	6.5
barley	5.4	7.7	6.4
potatoes (main crop)	5.3	6.0	5.6

* in 1960 fowls six months old and over ; in 1965 and 1969, fowls laying eggs for eating.
Source: " the changing structure of British agriculture," C. J. Brown *Agriculture*, November, 1970.

rarely rises above the level of petulant criticism based on a complete misunderstanding about the nature of the taxpayer's support for agriculture. From time to time our leading economic journal writes about agriculture in such an offhand and biased fashion that it is often necessary for the misconceptions put forward to be corrected by letter in the next issue. Perhaps the main reason why so many people have a blind spot about agriculture is that the UK is a highly urbanised nation whose pre-occupations have naturally been those common to any crowded industrial society. Whatever the explanation, anyone wishing to defend British agriculture and to explain its vital interests in the outcome of the common market negotiations, risks boring his audience unless he can show that the interests of the whole community are affected by what happens in agriculture.

We must begin with a few basic facts. British agriculture had a forecast total output in 1970/71 of £2,364 million, which makes it one of Britain's largest industries. Although employing only 3 per cent of the total working population, it has made a significant and expanding contribution to national prosperity both by virtue of import saving (we now produce nearly 70 per cent of our consumption of temperate zone food compared with 50 per cent before the second world war) and by virtue of its productivity record (over the past ten years double the rate of improvement achieved in manufacturing industry). These notable achievements have been based on the system of guaranteed prices and production grants, paid for by taxation, which have cost on average over the past ten years £275 million *per annum*. For this expenditure the British consumer has had the benefit of the cheapest food in any industrial nation. These facts are set out, not to show that everything is right with British agriculture today, it is not, but to show that its record as an industry is second to none and compares more than favourably with other sections of British industry (protected by tariffs or subsidies) which usually receive the accolades of economists. Comparisons are odious, but one cannot help pointing out that if the record of the car industry, protected behind its massive tariff barriers, had been as good as that of agriculture since 1947, this country would be in a much stronger economic position than it is today.

An industry like agriculture which has served the nation well does not deserve to have its interests neglected in negotiations for entry into the EEC. Moreover, it is not in the national interest that a major British industry should be offered up for sacrifice on the altar of European unity. Some of the interests of agriculture have already been abandoned by the government's declared intention to accept the CAP and the system of financing the community budget. This unconditional acceptance of the CAP in principle is a serious mistake and it will be one of the main purposes of this pamphlet to explain why this is so.

It has been argued that drawing up balance sheets of advantages and disadvantages for agriculture is not helpful, because the CAP will have to be altered both to accommodate a group of ten nations rather than six and to deal with problems, such as agricultural surpluses, which have so far proved intractable. The point made by pro-marketeers is that the UK could influence the development of the CAP in the right direction after joining the common market. They accept that the CAP is not a good one but they emphasise the persistence of the calls for reform even within the EEC. What is implicit in their view is that the CAP can be radically altered so that it becomes less burdensome to the British economy and more encouraging to British farmers. However, it can be argued with equal force that to enter the common market in hope that the CAP will be greatly improved, is to allow wishful thinking to triumph over the facts of agricultural policy in the EEC since 1958. The policy may not be changed radically ; it may not even be changed in ways which would benefit British farmers. The one thing that will not happen is that the basic principles of the CAP will be abandoned. These are first, common prices for the main products ; second, protection at the external frontiers against cheap food imports from the rest of the world ; third, priority to internal production. As long as these principles persist, the EEC can never be an outward looking body on agricultural matters, taking account of the interests of farmers in other countries, and of world agricultural trade.

Any reform of the CAP will be of minor significance as long as its basic principles remain sacrosanct. It is true that there are pressures for change but not for any radical change. In paragraphs 14-16 of the European commission's revised opinion on the membership applications (published in October 1969), reference is made to " grave problems created by developments on the agricultural market, both where farmers and the consumers are concerned and from the financial point of view." These problems require " measures to deal with the structure of production and marketing and . . . a new approach to policy on markets and prices." However, even on the tenuous assumption that the CAP will be changed, no one knows what directon a revised CAP would take within an enlarged EEC. For example, will producer prices be increased, decreased or perhaps left unchanged? The future of western European agriculture depends very much on the answer to this question. The recent decision to raise agricultural prices in return for some small encouragement to older farmers to retire, shows the strength and nature of the forces ranged against radical changes in the CAP. Higher prices are a more than adequate *quid pro quo* for structural reform, for they have an immediate impact on production, whereas the wheels of structural reform grind very slowly. In any event, it is doubtful if structural reform will solve the long term problem of surplus production.

We must accept that current speculation about future price levels serves no useful purpose, except perhaps to allow a let out to supporters of British membership of the EEC, who are increasingly conscious of the absurdities of its agricultural policy. Furthermore, the theories of distinguished economists about future levels of agricultural prices are no more authoritative than those of anyone who works in agriculture ; wishful thinking is a dangerous exercise when the future of a successful British industry is at stake. While it is true that we do not know what CAP price levels would be at the end of a transition period, we do know what they are currently, and it is these prices that have to be used in analysing the effects on British agriculture. Furthermore, our political leaders have accepted the CAP in principle, no matter what its merits or demerits, and so it is quite fair when estimating its impact to look at the CAP as it exists.

It is vitally important that farmers and farm workers should know how adoption of the present CAP will effect them. For this purpose they will be less interested in the macro-economic view (the "average farmer" is a mythical creature) and more interested in the effects of the CAP on particular commodities. They will also want to assess its relevance to the problems they face. Moreover, it is not just those directly engaged in agriculture who will be concerned ; the many industries dependent on agricultural prosperity are also involved. To name only a few ; feeding stuffs firms, fertiliser manufacturers, farm machinery manufacturers, seed merchants, transport contractors, fuel suppliers, slaughterhouse operators, meat factories, by-product plants, butchers, grocers and the food trades generally. All these without mentioning the biggest farm customer of all : the consumer, who will be vitally interested in changes in the pattern of food supplies and prices.

Although most farmers are dissatisfied with the present system of agricultural support, they are sensible enough to look very closely at any radical alternative to it. What they have been looking for in recent years is first, a greater opportunity to expand agricultural production and thereby contribute substantially to import saving ; and second, a better return, mainly out of market prices so as to lessen the amount of subsidies from the government. Farmers have felt strongly that the treasury, which holds the subsidy purse strings has only one aim ; to ensure that the financial cost of farm support does not exceed the budgetary limits laid down, and that these limits should not increase substantially from year to year. The success of this policy is shown by the fact that exchequer support for agriculture in 1958/59 was £241.4 million and the forecast for 1970/71 was only £269.4 million. The result of this treasury philosophy is that net farming income does not keep pace with rising costs. The position became particularly acute in 1970. Table 3 shows how net income as a percentage of total revenue has been falling. In order to escape this squeeze between higher costs and static income, the NFUs have suggested combining a deficiency payment system with the phasing of imports and home production, so as to ensure that market prices are kept at a high level throughout the year. They have emphasised that such steps are essential if British farmers are to continue to expand production. Such

TABLE 3
U.K. FARMING ESTIMATED NET INCOME (£ MILLION)

	1938/9	1947/8	1951/2	1955/6	1960/1	1966/7	1970/1 (forecast)	percentage increase 1947/48 1970/71
total revenue	299.5	762	1159	1448	1655.5	2006.5	2632	245
total expenditure	246.5	530.5	820.5	1097.5	1261.5	1534.5	2043	285
farm net income	53	231.5	338.5	350.5	394	472	589	154
net income / total revenue (as a percentage)	17.7	30.4	29.2	24.2	23.8	23.5	22.4	

Source: table 32: *A century of agricultural statistics* (Ministry of Agriculture 1968) Cmnd. 4623, March 1971.

expansion, they claim, would not only save foreign exchange, it would also help reduce the burden of the CAP if the UK entered the common market.

Dissatisfaction with the present system of agricultural support has encouraged the Conservative government to begin a complete change over in the system, so that levies on imports become the main factor in keeping market prices at a satisfactory level, with a fall back guarantee at a lower level. This new policy is not unlike the CAP if we regard the fall back guarantee as being akin to the CAP intervention price. In fact the new Conservative policy goes a long way to preparing British agriculture for adoption of the CAP. However, there are many snags to be overcome before the new policy can be fully implemented, particularly for commodities where the UK has international commitments and for those commodities where it is more or less self sufficient. To take only one example, pigmeat will present serious problems. The UK is virtually self sufficient in fresh pigmeat, so levies on non-existent imports will be useless in maintaining market prices at a reasonable level. Imports of bacon, at present providing some 60 per cent of domestic consumption, come mainly from Denmark on a duty free basis. Levies could not be imposed unilaterally without breaking obligations to EFTA partners.

The new policy is foreshadowed in the 1971 white paper, *Annual review and determination of guarantees* (Cmnd 4623). Reference is made to the review being held " on the threshold of significant changes in the system of agricultural support." At the same time as the annual review was published, details were announced of interim levy schemes for beef and veal, mutton and lamb, milk products (other than butter and cheese) and modifications in the existing scheme for cereals. These details show the likely form of a full scale import levy scheme, although there is as yet no information about how fall back guarantees will operate. Official farming reactions to the new system have been cautious but not hostile. The council of the NFU of England and Wales called the inception of the interim levy schemes " a positive move in the direction of more effective regulation of imports, an objective long sought by the union." However, the council was " concerned that these schemes, which could result in some weakening of the guarantees, should have no damaging effect on longer term confidence."

In spite of this official caution, some farmers are so fed up with what they regard as the iniquities of the present system that they have welcomed the new levy system and also the prospect of the CAP. They argue that the aims of the CAP and of the 1947 and 1957 agriculture acts are similar in that both seek to secure a more prosperous and efficient domestic agriculture. This similarity of aims suggests to them that the interests of British agriculture would be well served under the CAP. They point to the similarities between UK and EEC agriculture, with farmers on both sides of the channel facing the same problems. Western European farmers do have some problems in common, especially in relation to agricultural production in other parts of the world, which have certain natural advantages. Agricultural production in western Europe is achieved at a high cost for climatic and geographical reasons, because of the higher wages that have to be paid to farm workers to compete with industrial wages, because of the high price of land (farming is in competition with industry, urban expansion and recreational development for the use of land), because of the lesser degree of specialisation possible in farming units which are small by comparison with those in New Zealand, Australia, Argentina and North America, and because more capital is necessary than in other countries to contain unit costs of production. Therefore, if domestic agriculture is to be encouraged for social, economic or strategic reasons, some degree of protection from cheaper and more efficient overseas competition in agricultural products is necessary. In this respect the CAP is probably more effective than the British system, since there is no possibility of domestic market prices being undermined by cheaper imports as has happened in the UK from time to time. We do have a procedure for dealing with dumped agricultural products (those sold below their cost of production) but this has not proved very satisfactory in operation.

All this appears to confirm that there could be considerable advantages for British agriculture in adopting the CAP; indeed, this is how some farmers react to the debate on agriculture. The NFUs have naturally been more cautious, because they have to consider the interests of all their members, and because they are not prepared to pronounce on the CAP until they know the exact terms of entry, insofar as they relate to agriculture. However, they have expressed doubts about the effect on their members of a change from the present system of agricultural support to the CAP, even if these doubts have been muted in public so as to avoid rocking the boat for a Conservative government. Nevertheless, it is time that the probable impact of the CAP was examined in detail. We shall therefore begin by analysing the effects of the CAP on the major agricultural commodities produced in the UK. Then we shall examine the concessions the government claims to have won in the negotiations. However, we cannot stop at this stage since the CAP itself may embody certain features which will affect the general progress of British agriculture. Furthermore, it is also necessary to consider the problems facing farmers to see whether or not the CAP could make an effective contribution to helping solve them. The next four sections will deal respectively with these issues.

2. results of adopting the CAP in the United Kingdom

It is as well to begin by echoing the words of Cmnd 4289 (para. 25): ". . . any assessment of the effects of adopting the CAP must depend upon a whole range of assumptions and be subject to a substantial range of possibilities." Accurate assessment is impossible but some assessment must be made, and this is more likely to be within a reasonable range of possibility if it starts from the effect on individual commodities.

Livestock: the UK has guaranteed prices for cattle, sheep and wool and production grants for hill sheep and cows, beef cows and calves. Feed costs have been relatively low, partly because cereals are subsidised. The CAP would mean no guaranteed prices, and the future of the production grants for calves, hill cows and beef cows would be uncertain.

There would be target prices for cattle and calves, supported by a system of duties and levies and by support buying arrangements, but not for sheep. Feed costs would rise substantially. Producers of cattle and calves would be better off because the CAP target price is much higher than the guaranteed price and feed costs would probably not rise as much. However, there would be a much stronger veal trade than at present, which would increase the cost of bought in calves for fattening. Producers of sheep and lamb would be worse off because their only protection would be a 20 per cent import duty (even this might not apply if concessions are given to New Zealand lamb exports) and there would be no guaranteed price for wool or subsidy for hill sheep. It can be argued that there is a vast potential market for lamb in the EEC (see table 6, Page 11) but to change continental eating habits would require a sustained and expensive advertising campaign, which the British producers could not afford to finance.

Pigs: The UK has guaranteed prices for pigs, related to feed costs and forecast marketings, and a system of stabilising arrangements for bacon curers (a government subsidy at certain times, payments to the government at other times) which enables them to pay competitive prices for bacon pigs even though these are not justified by returns on the bacon market. Feed costs (approximately 70 per cent of the cost of pig production) are relatively low because cereals are subsidised. Northern Ireland has a Pigs Marketing Board (PMB) which gives producers security of market at reasonable prices. The CAP would mean no guaranteed prices and much higher feed costs. There would be some degree of market support, mainly through levies on imports and occasionally by means of support buying, resulting in higher market prices than those currently in force in the UK. The stabilising arrangements for bacon curers would disappear (as would subsidies to the Danish bacon pig industry) because they contravene the community's rules of competition. The bacon market sharing understanding would have to be abandoned and imports allowed freely from Denmark and Eire. The PMB in Northern Ireland could not continue in its present form, because its operations contravene the community's rules of competition. Since an enlarged EEC would usually be more than self sufficient in pig meat production, there would be a recurrence of the notorious pig cycle (the classic text book example of rapid increases in production causing prices to fall steeply, leading to a steep decline in production, followed by an increase in prices which causes increases in production) this time on a western European basis, with consequent instability in the industry. This would affect the British pig industry more than others because it is more specialised and intensive than most other EEC pig industries, particularly in the sphere of bacon pig production, which would be hard hit by substantial fluctuations in price levels. In this economic climate, producers would be reluctant to continue present policies of investment in better breeding stock, feed, buildings and management. Bacon production plays no part in the pigmeat economy of the EEC, and British bacon curers might well find themselves starved of raw material as some bacon pig producers opt for fresh meat production within an enlarged EEC. Such a move could overload the pork market and keep prices down. Bacon prices would need to rise substantially to allow curers to compete with other outlets for pigs, but this could bring about a decline in bacon consumption, which has in any case been static for several years past. Therefore most producers of pigs, especially bacon pigs, would be worse off under the CAP.

Cereals: The UK has guaranteed prices for wheat, barley, oats and rye, The CAP would mean no guaranteed prices but there would be target prices (adjusted for transport cost in relation to distance from the area of greatest deficiency) for wheat, barley and rye. The target prices are much higher than present guaranteed prices and are supported by a system of variable levies. Even after allowing for the loss of the fertiliser subsidy, producers of cereals would be much better off under the CAP.

Milk: The UK has a guaranteed price for milk, subject to a standard quantity arrangement. Production is geared to the liquid market, with less than 25 per cent going for manufacture. Feed costs have been relatively low. The CAP would mean the replacement of a guaranteed price by a target price. Producer prices, however, have not always reached the target price level. Dairy by-product prices will rise because EEC production is geared to a highly protected manufacturing market, with only some 20 per cent going to the liquid market which is not yet covered by a CAP regulation. The general over supply problem of milk and milk products in the EEC will not be alleviated by UK entry, if longer term concessions are made to New Zealand dairy products. There could be less efficient plant utilisation because of the imbalance between summer and winter milk production ; this would weaken the competitive position of the UK producer *vis-à-vis* his continental competitors, since they are geared to producing for a much bigger manufacturing market. Feed costs would increase, partly because of higher cereal prices, and partly because on larger farms grassland for milk production would be in competition with grassland for beef production and grassland for cereals. Fertilisers would cost more. The effect of increased costs will vary widely, depending on the ratio of each producer's output to purchased feed cost. There would be higher prices for calves and culled cows, which could provide an incentive to increased production. The Milk Marketing Board would probably have to change those of its operations which contravene the community's rules of competition (particularly the pooling of transport costs). Some producers of milk, especially those in remote areas, would therefore be worse off under the CAP but those producers favourably situated in relation to the liquid market should do at least as well as at present.

Eggs: The UK's present guaranteed prices for hen and duck eggs are being phased out, as are centralised market support operations. Feed costs have been relatively low. The CAP has no support arrangements for eggs, though there are levies on imports. Feed costs would be much higher. The producer of eggs would be worse off under the CAP by virtue of higher feed costs.

Poultry: The UK has no guaranteed prices but feed costs have been relatively low. The CAP has no support arrangements for poultry, though there are levies on imports. Feed costs would be much higher, so producers would be worse off under the CAP.

Potatoes: The UK has a guaranteed price, but acreage is restricted by the Potato Marketing Board which also undertakes support buying. The CAP has no support arrangements for potatoes. The board's main functions could not continue since they contravene the community's rules of competition. Producers of potatoes would be exposed to free market conditions and could therefore be worse off under the CAP.

Sugar Beet: The UK has a guaranteed price for sugar beet. The CAP has a target price, together with a guaranteed minimum price for specified quantities. CAP prices are similar to those in the UK. Producers of sugar beet would therefore be better off under the CAP in terms of opportunity to expand, since sugar imports would be subject to tariff.

Wool: The UK has a guaranteed price for wool and the Wool Marketing Board (WMB) undertakes price stabilising operations. The CAP has no support arrangements for wool, which is treated as an industrial product. The WMB's main marketing and price support functions could not continue since they contravene the community's rules of competition. Producers of wool would therefore be worse off under the CAP.

Horticulture: The UK has no guaranteed prices for such products but tariffs on imports give some protection. There are also certain government grants. The CAP has no support arrangements for horticultural products. There would be no tariff against imports from EEC members, and the future of governments grants would be uncertain. There are surpluses in the EEC, especially of apples and pears, which could drive prices down to an uneconomic level. Tomatoes and early vegetables would be adversely affected by competition from areas with better climatic conditions. Thus horticultural producers would be worse off when the CAP is applied in full, at the end of any transitional period.

TABLE 4

commodity	estimated British farm output 1970/71 £ million	percentage of total farm output
fat cattle and calves	373	15.8
fat sheep and lambs	91	3.8
fat pigs	280	11.8
cereals	307	13.0
milk and milk products	498	21.0
eggs	191	8.1
poultry	141	6.0
potatoes	108	4.6
sugar beet	44	1.9
wool	13	0.5
horticulture	286	12.1
sundry output	33	1.4

Source: *A century of agricultural statistics* (Ministry of Agriculture) Cmnd. 4623 March 1971, table 12.

TABLE 5
CURRENT BRITISH AND EEC PRICES 1970/71

	UK guaranteed prices in £ 1971/2	EEC target or equivalent prices in £ 1970/1
fat cattle (per cwt.)	12.35	14.40 (a)
wheat (per cwt.)	1.63	2.25 (b)
barley (per cwt.)	1.45	2.02 (b)
rye (per cwt.)	1.08	2.06 (b)
milk (per gallon)	0.221	0.20 (c)
pigs (per score deadweight)	2.93	2.92
sugar beet (per ton)	7.60	7.15 (d)

Source: *1971 annual review* (MAFF) Cmnd 4623, and European commission.
(a) increased by 6 per cent for 1971/2.
(b) cereal prices were increased by between 1 and 5 per cent for 1971/2.
(c) increased by 6 per cent for 1971/2.
(d) increased by 5.7 per cent for 1971/2.

This brief survey has covered the major farm commodities produced in the UK. Table 4 shows the relative importance of each one, within the context of total farm production. Table 5 compares British guaranteed prices with EEC target or equivalent prices for the major commodities. These figures show that gross receipts for most commodities will increase but it must be emphasised that for many farmers such increases will be wholly or partly offset by increased costs of production and marketing.

general effects on British agriculture

The recent white paper on the costs of British entry into the EEC estimated that net farm incomes would rise between 3 and 10 per cent. These average figures should not be considered in isolation. Producers of cattle, calves, cereals and sugar beet (approximately 31 per cent of the value of farm output) would be much better off than at present; producers of other commodities would be no better or worse off. The present balance between arable and livestock production could well be upset with incalculable consequences, since milk, beef, veal, cereal and grassland production are all closely related. Two examples will suffice to illustrate this point. It will be much more expensive to feed cereals to livestock, so more efficient grassland management will be imperative; but grassland farmers with favourable soil and climatic conditions will be under great economic pressure to replace grass by cereals. It seems inevitable that cereal production, at present only a small percentage of UK total farm output, will expand, probably at the expense of livestock production (using bought in cereals) and milk production, in areas where cereals are a feasible alternative to grass.

There would at present appear to be considerable scope within an enlarged EEC for expanding production of cattle, calves, barley and sugar beet (barley and beef at the expense of milk production, veal at the expense of beef production). Opportunities for such a scale of expansion would probably not exist for other commodities, however, because, even though the UK does not produce all its temperate zone food requirements, in some cases British farmers would initially have to accept that the shortfall would be made up by surplus production in the other nine member countries of the enlarged community. For sheep and lambs the prospects of expansion are limited by consumer eating habits in the EEC (see Table 6) and by the economics of mutton and lamb production, for even under the system of guaranteed prices the breeding flock has been in decline, particularly in lowland areas. The CAP offers no assurances to mutton and lamb producers and is therefore unlikely to provide incentives for increased production. For milk producers the prospects of expansion are nebulous. An enlarged EEC would not be self sufficient in butter and cheese but it is generally assumed that concessions will be made to enable New Zealand to continue sending butter and cheese to the UK. The effect of such concessions would be to provide some limited scope for expanded production in the UK. Much depends on whether there would be an increase in milk consumption and the extent of reduced consumption of manufactured dairy products caused by higher prices.

For pigs the short term outlook is very different. Pig herds both in the UK and in western Europe have been expanding because the relative cheapness of pigmeat compared with beef and veal has led to increased consumer demand. This favourable economic factor should continue in an enlarged EEC, but in due course there will be considerable over production, Market prices will fall. Support buying on the scale required to maintain market prices will be too expensive and unwieldy to operate effectively. The notorious pig cycle will recur, leaving the future of pig production in the hands of producers with strong enough nerves or big enough capital investment to remain in business until the next phase of the pig cycle. It it tragic that British producers whose own pig cycle has been tamed by the operation of the flexible guarantee arrangements, should have this safeguard taken away from them under the CAP.

The EEC has no mechanism to limit pigmeat production ; indeed, it seems to regard the pig cycle as an act of God. This is not a good prospect for pig producers,

TABLE 6
MEAT CONSUMPTION IN EEC AND THE FOUR APPLICANT COUNTRIES (pounds per head per year)

	beef and veal		pork		mutton, lamb, goatmeat		total (incl. horsemeat)	
	average 1961-5	1969	average 1961-5	1969	average 1961-5	1969	average 1961-5	1969
Belgium & Luxembourg	53	59	52	64	1	1	113	131
France	63	66	51	59	5	6	124	135
West Germany	48	52	70	81	1	under 0.5	120	133
Italy	36	45	19	26	2	2	60	73
Holland	44	42	52	61	under 0.5	under 0.5	99	107
U.K.	57	54	58	60	25	23	140	137
Denmark	37	41	90	74	1	1	129	117
Norway	33	32	33	38	10	10	78	81
Eire	30	38	55	60	24	23	95	121

Source : *Livestock and meat*, FLM 1-71, US Dept. of Agriculture.

It is important in considering the prospects for expanding British agricultural production to bear in mind the estimated rise in retail food prices of between 18 and 26 per cent. Even this official estimate must be treated with reserve, since it is based on theoretical calculations and not on actual prices in shops. It allows only a very low mark up for distributive margins, though experience suggests this is too optimistic an assessment. A report in the *Financial Times* (30.12.1969) gave the results of a shopping survey by Associated Industrial Consultants (the only wide ranging survey carried out by an impartial organisation) which concluded that " common market countries pay from between 22 and 58 per cent more for British style food than the equivalent cost in the UK." Since that time the gap between UK and EEC retail food prices has narrowed. Nevertheless, adoption of the CAP would still mean steep increases in the retail prices of beef, veal, pigmeat, sugar and manufactured dairy products, which would have serious repercussions on the pattern of domestic consumption. British farmers will want to know consumption trends in the light of higher prices, before they can decide on their prospects of a profitable existence under the CAP. Useful evidence on this point could be obtained if the price elasticity of demand for the products in question was known. Information would also be needed about income elasticity of demand for various products because, if personal incomes increase as the result of entry into the common market, more money might be available for spending on food. In the absence of reliable statistical information on these points, we must use such evidence as is available.

So far as beef is concerned, the rise in retail prices in the past two years has led to a check in the growth of consumption and a move to increased consumption of pork and poultry, which have been relatively cheaper. This process could be accentuated by the much bigger retail price increases likely under the CAP. Table 6 shows how meat consumption patterns differ in the UK, the EEC countries, and the other applicants. For bacon the market is highly inelastic. Retail prices have been rising slowly but demand has been static, even though bacon is still one of the cheapest meats available to the consumer. As a popular breakfast food, bacon is competitive with eggs and cereal products. To the extent that its price rises faster than such competitive foods, there is likely to be a reduction in demand. For milk and manufactured milk products, the position under the CAP has been assessed by the Milk Marketing Board. Milk production under the CAP would be cheap in summer and expensive in winter. Higher consumer prices in winter could reduce milk consumption without any guarantee of higher consumption than at present in summer (though it is possible that summer milk prices could fall slightly). For butter, the MMB estimate is a drastic decline in consumption of between 20 and 25 per cent. This itself may be an under estimate in the light of experience in Holland, where butter consumption per head per year has declined by almost 40 per cent between 1958 and 1969. For cheese the MMB has estimated a drop in consumption of 12.5 per cent.

Those farmers who applaud the CAP would do well to give careful consideration to future patterns of domestic food consumption under it. To the extent that consumption of important farm products and staple foods like beef and butter is adversely affected by steep price increases, British farming will itself be affected. It is inevitable that retail price rises of between 50 and 100 per cent for beef and butter must lead to drastic decreases in consumption and an insistence on lower priced products ; pork and poultry instead of beef, margarine instead of butter. Such decreases in themselves would be evidence of a reduction in living standards, which could affect the prosperity of British agriculture, and reduce the scope for expanded production.

So far we have been dealing with general considerations, which will affect farmers indirectly. Of much greater importance are changes in the system of agricultural support which will affect them immediately and directly. The first major result of adopting the CAP would be loss of the annual price review, whereby there is statutory consultation between the government and the farmers' unions. Under the CAP there is no statutory general review of farm income and production prospects. The EEC is to begin an annual review, but this could not be as effective as the present UK procedure. Consultation with farming organisations is informal. Furthermore, there is a marked lack of reliable statistical information about farm production, costs and incomes in the common market. Where commodities have target or guide prices, these are settled at different times of the year. As the NFU of England and Wales has emphasised (*British Farmer* 19.11.1966): "The UK annual review procedure is the best way of ensuring that policy decisions for basic commodities are made as part of an integrated and balanced policy for agriculture as a whole related to the needs of producers and consumers."

In spite of some soothing noises from Brussels and Westminster, there seems little chance that the politicians and bureaucrats of the common market will want to institute meaningful consultative procedures. They claim that the EEC fixes target prices for the market, which directly affect the economy in general. Therefore, any official consultation could not be restricted to farming organisations. If this point is valid, it is an argument for instituting wider consultations when agricultural prices are fixed, rather than for not undertaking any formal consultation at all. However, common market agricultural politics are so complex that radical changes in consultation procedure are very unlikely. It is therefore difficult to avoid the conclusion that the British farmers' unions, representing some 3 per cent of the working population, would have a much reduced influence in the context of common market agricultural politics. Consequently, British producers would have less say in the political decisions affecting them than under the 1947 and 1957 agriculture acts (which would of course have to be repealed).

A further consequence of the change from a statutory British annual review of agriculture to an EEC review, is that British farmers would lose their safeguards about the inclusion of cost increases from year to year in the annual review determinations. Increased costs are an important element in farming profitability. After allowing for the efficiency factor in the annual review, British farmers can expect something near full recoupment of their increased costs of production. Thus higher transport, fuel and wage costs can be met knowing that they will be taken into account at the following review. Under the CAP, there is no automatic recoupment of increased costs ; indeed, such costs are not worked out on an EEC basis. Small wonder that EEC farmers should have demonstrated earlier this year after four years of rising costs and static commodity prices. Apart from the fact that the increased prices granted do not recompense the cost inflation of four years, British farmers should note that prices are unlikely to be increased further in future years, since the emphasis is very much on structural reform to improve farm incomes. Not a happy prospect for the UK where there is only limited scope for doing this.

The abandonment of guaranteed prices and deficiency payments would remove much of the relative stability of price and market which has characterised agricultural progress in the UK since 1947. Farmers would be exposed to wide seasonal and supply/demand fluctuations in prices for all commodities where the enlarged EEC would be self sufficient or over supplied. Target prices (where they exist) may not be achieved. Levies on imports will work to keep up domestic prices only when there are imports. Even the intervention prices fixed at a lower level cannot be regarded in the same light as guaranteed prices, because in theory they are maintained by market management and support buying. Market management in agriculture is a difficult operation when there is a free market. Support buying is a costly business, especially for meat. Moreover, support buying becomes even more burdensome when there is over production. The concept of support buying as a vital element of the CAP could be put to its severest test in 1971/72 with the western European pig population expanding towards a cyclical peak. We must therefore conclude that there is as yet little evidence to suggest that such measures can take place quickly enough and on a large enough scale to ensure that market prices for particular commodities at particular times in different parts of the EEC do not fall below the intervention price level.

It can be argued that British farmers do have some advantages over their EEC competitors ; greater farm size is an obvious one. Nor should we neglect the technical progress in pig production and, to a lesser extent, in livestock breeding generally, where developments in the past decade have given the British producer better feeding, breeding and management techniques. However, these advantages can be applied only through investment ; putting up more efficient buildings, using a more costly ration, culling and replacing breeding stock, adopting new methods of management control. Investment depends on cash and confidence. Unfortunately, under the CAP there would be such a loss of price and market stability, together with disruption of the British production pattern, that producer confidence would be undermined; and such confidence is essential if producers are to invest as the basis for continuing improvement in agricultural productivity. Confidence in agriculture is as much a matter of psychology as of rationality. Each farmer makes his own production and investment decisions but not always on a rational economic basis. The bandwaggon effect seen in the infamous pig cycle shows this very clearly. Furthermore, it must be emphasised that farmers are producing against an uncertain future, when free market conditions apply. Using normal production methods it takes over two years to produce a steer or heifer for beef production. Why produce a steer if the selling price in two years time could be below the cost of production or at a level giving an insufficient return on capital ?

The psychological value of the system of guaranteed prices has been very important. Even though the guaranteed prices have only been for one year at a time, the assurances in the 1957 act about the limited extent possible for reductions from year to year have been sufficient to give producers the longer term confidence essential if they were to undertake expenditure on fixed and working capital for expanded production and for improved quality. Even before the 1947 act wartime regulations had applied to give security of price and market and before 1939 the agricultural marketing legislation of the 'thirties had attempted to provide a similar security. There has not been a free market system in operation for the major agricultural products for over 30 years ; in fact, a whole generation of British farmers has grown up, without experience of the free market conditions in operation in British agriculture between the first and second world wars. Those who survived the traumatic experiences of that period will not want to return to them. Consequently the changeover from a system which (whatever the current criticisms) has served agriculture well, to a completely different one, is likely to lead to a reappraisal and curtailment of investment plans, against an uncertain future. Since investment and confidence are the keys to agricultural production and productivity, the transitional period before the CAP fully applies could see many producers marking time on further investment until they have discovered if they can cope with free market conditions. Such a situation would weaken the competitive position of British agriculture.

3. negotiations with the EEC on agriculture

The British government accepted the CAP before any negotiations began, so there has not been any question of negotiating on the fundamental principles of the CAP. The government, however, stated that there were certain matters on which assurances would be sought in the negotiations. These were the special problems of pigs, eggs and milk, the procedure for an annual community review of agriculture, the future of aids to hill farmers and the position of producer marketing boards. In addition, the length of the transitional period, the phasing of the stages for the adoption of community preference and an easing of horticulture's problems during the transitional period were also matters for negotiation. The solutions found for each problem will be examined to see if they make any real contribution to dealing with the difficulties facing British agriculture within an enlarged EEC.

pigs, eggs, milk

On 29 October, 1970, Geoffrey Rippon reported to the House of Commons (Hansard vol. 805 c. 440) :—" At previous meetings, we expressed some concern whether the communities' existing arrangements would be adequate, in the circumstances of the enlarged community, to ensure stability in the markets for pig meat and eggs and to allow adequate supplies of liquid milk. On 27 October, the community recorded its agreement with our understanding of the possibilities that will be open to us and which would ensure the provision of adequate supplies of liquid milk to meet consumer demand throughout the country and throughout the year ; they accepted our views on the importance and characteristics of the bacon market in an enlarged community and the need for keeping the situation under careful review during the transitional period and thereafter ; and they recognised the desirability of stability for pig meat and eggs. We concluded, therefore, that no further points need be raised on these items during the negotiations, except in the general context of transitional arrangements."

So far as pigs and bacon are concerned, this so called agreement is not worth the paper it is written on. Nothing is said about how stability in the pigmeat market is to be preserved, a matter of some importance since the British flexible guarantee arrangements for pigs, which have helped preserve relative stability of market, will have to disappear with the phasing out of deficiency payments. The fact is that the CAP has no effective system for combatting the pig cycle and these vague assurances give no indication that it has either the willpower or the acumen to develop one. With regard to the bacon market, the words used can mean anything or nothing. If we ask how the situation is to be kept under careful review, we are told that the mechanics of doing so have not yet been settled because it is too early to do so (parliamentary answer 8 December, 1970). Since everything depends on the mechanics, bacon pig producers and bacon curers may legitimately doubt if the common market countries are aware of what needs to be done to preserve the special characteristics of the bacon market. Indeed, when they realise that the bacon market sharing understanding and the bacon stabilisation scheme have not yet been safeguarded, even during the period of transition (parliamentary answer 30 November, 1970), they may well despair of their future in an enlarged EEC.

Stability in the market for eggs may be too much to hope for, because of the way the CAP operates, but since the phasing out of the guarantees is likely to produce similar conditions in the UK, egg producers can hardly have expected more than this wishful thinking to emerge from the negotiations. Milk is a matter of great importance to British agriculture. The prospects for producers and consumers are bound up with any final agreement that may emerge from the negotiations on dairy products, including the opportunities for continued imports from New Zealand. There is no EEC regulation for liquid milk so the government's assurance that there is a joint understanding with the EEC about the possibilities which will be open to us, may or may not be a worthwhile one. The EEC has accepted that one aim of the CAP should be to use as much milk as possible for liquid consumption, and that the policy should not be applied so as to impede this aim. However, much will depend on there being a sufficient differential between the price of milk for liquid consumption and the price of milk for manufacture. The differential need not be fixed but whether it will be sufficient no one can say at this stage. It should also be borne in mind that there is no mechanism envisaged to ensure that British winter milk production remains at its present level and to correct the imbalance in an enlarged EEC between supplies of summer and winter milk. The negotiations have therefore clarified some issues but left a number of other problems unresolved. Producers and consumers are being asked in effect to wait and see.

community review of agriculture

Geoffrey Rippon made the following statement on 29 October, 1970 (Hansard vol. 805 c. 440) :—" We were able to reach agreement on procedures for an annual review of the economic conditions and prospects of the agricultural industry in the enlarged community. The commission will draw up this review for the council of ministers on the basis of all the relevant information and after contacts with the agricultural organisations. These arrangements will ensure effective contacts with producers." The statements speak of contact, not consultation, but it may be that consultation is intended. Mr. Rippon speaks of " adequate contacts " but Jim Prior, the Minister of Agriculture, speaks of " effective and meaningful consultations with producer organisations " (Hansard vo. 809 c. 1324). There will be an annual review in the UK, but the arrangements for this will not be given statutory force (unlike the present system). This review will not of course deal with prices. At community level there will be a review of " economic conditions and prospects by the commission, in consultation with member states." The information to be used in this review is uncertain ; and there is no assurance that the trend of net farm income or cost increases since the last review will be taken into account (as under the present British system). The phrase " all the relevant information " might be held to cover these points, except that not all community countries have this information to the extent that it is available in the UK. Farmers should also remember that if costs are taken into account, these will be assessed and used on a community, not a national, basis. The community review procedure ought to cover prices, but there is as yet no assurance that this will be the case. In short, the community review will fall far short of what British farmers have been used to since 1947. It is small consolation to realise that such a review, however inadequate, is a considerable advance on what has gone before.

Production *grants for hill farmers* are considered to be a matter for negotiation with the EEC since they conflict with the principle that subsidies and barriers to free competition must be removed. Since these grants account for a very high percentage of the net income of hill farmers, it is essential to obtain assurances about their future, even though there is no specific EEC prohibition of any present British aids to hill farmers. Such farmers might qualify for aid if the EEC had a centrally financed regional policy, but such a development is not in prospect. All that can be hoped for is that the common agricultural fund may be prepared to provide some assistance and that present British grants can be converted into a legitimate form of aid for difficult areas. No assurances on these points are likely until after a decision has been taken on the issue of entry.

producer marketing boards

The future of these boards, which play a vital part in maintaining British agricultural prosperity, has been discussed in the negotiations. The Minister of Agriculture said (Hansard vol. 809 c. 1323/4) : "... a non-governmental producer organisation, provided that it acts within the provisions of the treaty and secondary legislation deriving from it, may engage in the direction of supplies, the pooling of returns and seasonal pricing. Thus our understanding is that the Milk Marketing Board as a non-governmental producer will be able to continue the essential features of our present milk marketing arrangements. Likewise, we believe that the other marketing boards will continue to play an important rôle in the efficient production and marketing." This statement would provide some assurance to farmers, if it was not for the use of the words "our understanding" in connection with the future of the Milk Marketing Board and the words "we believe" in connection with the other marketing boards. The use of "our understanding" suggests that the commission or other EEC countries may have a different understanding, and that the government is merely trying to reassure producers without having obtained an agreement with the EEC that the marketing boards could continue all their present functions, except those directly stemming from the present guarantee arrangements. These doubts are confirmed by a parliamentary answer by Jim Prior on 20 April, 1971 :— "It has been established that the marketing boards will be able to carry out certain of their functions, and I very much hope (this is founded on the interest which, in my experience, people in France and Germany have shown in the efficiency of our marketing boards) that we shall be able to carry over many of the functions."

Hope is a poor substitute for definite assurances. It is now quite clear that there is no clear cut agreement about how many of their present functions the marketing boards will be allowed to carry out. (There must now be grave doubts as to whether price fixing and pooling of transport costs are permissible.) It should be noted in this connection that the EEC places great reliance on the development of producer groups but these are in no way a substitute for marketing boards. British experience shows clearly that marketing groups are not the answer for most producers, whereas marketing boards have proved their worth. If the future of agricultural marketing in the UK depends on groups, then that future is a very bleak one.

problems of the transitional period

Geoffrey Rippon dealt with these matters in his statement on 17 May, 1971 (Hansard vol. 817 c. 884) when he said that : " . . . we would adopt the mechanism of the common agricultural policy at the beginning of the transitional period, but our transition to community prices would be achieved by six even steps spread over five years. The deficiency payments system would be phased out gradually during that period. British producers and consumers and third countries should thus have time enough to make the adjustments which in many cases would be necessary . . . The community recognised that we had a special problem over horticulture. Here it was agreed first that tariff adjustment for horticultural products should proceed at a slower rate ; second, that no move on horticultural tariffs should take place until a year after our accession ; third, that there should be provision for flexibility in the adjustment of horticultural tariffs to permit some modifications of the process if necessary ; and, finally, that for apples and pears, where there is a special problem arising from surpluses in the community, we should replace our quota arrangements at the beginning of transition by a system of compensatory levies, thus offsetting the difference between British and community prices. These levies would be gradually phased out during the transition period as British and community prices come into line. Taken together, these measures should ensure that British horticulture gets the exceptional treatment which it needs."

No comment seems to be called for about purely transitional arrangements, since at the end of the five year period British farmers will have to face the full rigours of the CAP. The more we examine ministerial statements on the negotiations about agricultural matters, the more difficult it becomes to avoid the conclusion that these negotiations have been concerned with window dressing, rather than with securing effective and definite safeguards for some, but not all, of the problem areas of British agriculture in the event of membership of the EEC.

4. criticisms of the common agricultural policy

The CAP has been criticised on a number of grounds by those who have to live with its deficiencies. Nevertheless, the British government, in its application to join the EEC, has made it clear that the CAP is fully acceptable, subject to certain minor points. This approach certainly weakens the British negotiating position since all it has been able to do is to suggest minor modifications to meet specific problems raised by British entry. The more rewarding approach would have been to have stated that the CAP would need adaptation, both because of the problem caused by enlargement of the EEC, and because of its own inherent deficiencies. It could have been argued that entry negotiations should be used to work out between members and applicants a radically revised agricultural policy which would try to reconcile the interests of all member states. It is ironic that just as the UK has accepted the CAP, warts and all, the would be architect of agricultural reform in the EEC, Dr. Sicco Mansholt, has forecast that the common market may have to accept the British system of supplementing farm income within the next two years (*The Guardian* 27/3/1971).

Since the UK has accepted the CAP it is essential for those concerned about the future of British agriculture to be fully aware of the criticisms which have been made about the CAP. It is not the purpose of this pamphlet to suggest ways in which these criticisms can be overcome. [For details of desirable reforms, see 1. H. Walston—*Farm gate to Brussels* (Fabian research pamphlet 288); 2. J. Southgate—*Agricultural trade and the* EEC (Fabian research pamphlet 294); 3. J. S. Marsh—*British entry to the European Community: implications for British and North American agriculture* (British North American Committee); 4. Various authors—*A future for European agriculture* (Atlantic Paper 4).]

The United Kingdom will have a voice in the shaping of the CAP in future, but we should bear in mind that the basic CAP principles are unalterable and it is these which make the policy so difficult to accept. Changes in the detailed application of the policy will be only marginally helpful to our farmers. Furthermore, the likelihood of radical reform of the CAP will lessen with the advent of British membership, for this will offer an ideal chance for EEC surpluses to be disposed of at economic prices.

Until British producers win a full share of their own market, the costs of disposing of CAP surpluses will diminish, and these have provided the only effective impetus to reform in the past. Furthermore, the big British contribution to the community budget will reduce the financial burden on other members and therefore reduce still further their pressure for radical reforms.

There are eight major criticisms to be made about the CAP. *First*, farm prices were initially fixed too high for political reasons. The combination of high prices in a protected market with no production controls (except for sugar) has meant greatly increased production for most commodities, without regard to trends in consumption and in spite of the loss of over 5 million workers from the land. Consequently there have been huge surpluses of dairy products with smaller surpluses of sugar, soft wheat and poultry; other surpluses can be foreseen, pigmeat being a notable example. Table 7 shows how EEC grain production has expanded in the past decade, protected from cheaper overseas supplies. The production of surpluses is an inevitable consequence of the CAP, which distorts normal supply/demand relationships to such an extent that surpluses do not mean automatic cuts in commodity prices.

TABLE 7
EEC GRAIN PRODUCTION (million metric tons)

year	wheat	other cereals	total
1958-59/ 1961-62 average	24.3	27.0	51.3
1962-63	29.5	28.3	57.8
1963-64	24.4	32.3	56.7
1964-65	29.2	30.2	59.4
1965-66	30.4	29.8	60.2
1966-67	26.3	31.7	58.0
1967-68	31.2	37.0	68.2
1968-69[1]	32.3	37.4	69.7
1969-70[1]	31.5	38.2	69.7

[1] Preliminary.
Source: *Foreign agriculture*: US Department of Agriculture, 24.8.70.

There is no machinery to bring supply and demand into reasonable balance. Instead official intervention agencies buy up the surpluses, store them and export them to the outside world at subsidised prices well below the cost of production. The costs of support buying, storage and export subsidies are already running at some £700 million per year. Although these costs have risen steeply in recent years, the rise has been halted temporarily mainly because climatic conditions have led to reduced production of cereals and the policy of slaughter premiums for cows, together with unchanged prices throughout four inflationary years, has led to a reduction in dairy production, and butter stocks.

There is no evidence that the tendency to over production has been permanently halted. This is not surprising since the protectionist nature of the CAP must eventually lead to increased production. To aim at self sufficiency in agricultural production is absurd, because a policy designed to achieve self sufficiency in agriculture must inevitably produce large surpluses in the long run.

Second, in spite of the elaborate and expensive machinery of agricultural protection, farm incomes in the EEC have fallen further behind those in industry. This has happened in spite of the unrealistically high prices paid to EEC farmers in order to give them a subsistence income. Many of the EEC farmers are very small, many are part time, and some 75 per cent would fail to pass the British viability test of standard man days. The CAP has not succeeded in promoting agricultural prosperity within the EEC. As a group of distinguished economists has pointed out (Atlantic paper 4, Atlantic Institute, *op. cit.*), high farm prices do not necessarily mean high farm incomes.

Indeed, the chances are that incomes in agriculture will continue to lag behind other sectors of the economy because any further increase in commodity prices must be ruled out because it would be likely to worsen the problem of over production. The very existence of surpluses means a constant threat to farm prices, as can be seen by the price proposals put forward in the first Mansholt plan to amend the CAP. Although it is unlikely that prices will actually be decreased because of the widespread opposition to such a move, the probability is that commodity prices will be left unchanged after the small increases in March 1971. As their value is steadily eroded by inflation and cost increases, this will put much greater pressure on EEC farmers to increase their efficiency or get out of farming. They are having to recognise that, whatever alterations are made to the CAP, little can be done by agricultural measures alone to narrow the gap between farm and non-farm incomes. It must be realised that in many parts of the EEC (as in the UK) farm incomes are a social problem as well as an agricultural one. The record of agricultural politics in the common market shows that social problems cannot be successfully treated as if they were agricultural ones.

In this context, it is tragic that the Labour government's experiment with rural development boards has been abandoned by the Conservatives. These boards were an imaginative concept, designed to take into account rural amenities, rural transport services, tourist prospects and farm amalgamation. The CAP has proved incapable of thinking of anything as farsighted.

Third, measures such as those the EEC has recently adopted to achieve structural improvements by creating larger and more efficient farming units, will not in themselves solve the problem of surpluses, though they may succeed in increasing average farm incomes. The injection of capital into large farms will strengthen their ability to take advantage of scientific and technological developments and lead to even bigger increases in production and improvements in productivity; and consequently even greater surpluses. Gradual decreases in commodity prices could have the same effect, with producers increasing production in order to keep down unit costs and maintain income. The only solution to this problem is to remove resources from agriculture, by taking land out of agricultural use altogether. The second Mansholt plan, submitted to the EEC council of ministers in May 1970, placed greater emphasis on the restructuring of production. This is a better policy than that of seeking to improve farm incomes by means of the price mechanism. Nevertheless, the new policy places greater responsibility on member countries to bring about structural improvements in agriculture, with the EEC acting as coordinator of national policies. Although politically desirable, this approach is a departure from the community approach previously adopted. It is doubtful if even the truncated version of the second Mansholt plan recently approved by EEC agricultural ministers could be properly carried out by national governments depending to a great extent on the agricultural vote (although this is gradually declining in importance). Moreover, there are deficiencies in the Mansholt approach to structural improvement. For example, one Mansholt scheme gave incentives to milk producers to give up production. Many producers who might otherwise have gone out of milk production held on to their cows until the slaughter bonus became effective. Before sending in cows for slaughter undoubtedly many producers would have first exchanged their best dairy cows with cows culled from neighbouring herds. Therefore, although the immediate effect of the cow slaughter programme has been to halt the rise in milk production, the prospects are that average milk yields will gradually increase and raise the problem of surpluses once more.

A policy of structural reform based on the discouragement of smaller units in order to increase farm incomes and reduce surpluses can help farmers contain rising costs, but it will not do more than this unless it is combined with an effective policy for taking land out of agricultural production. The second Mansholt plan does contain proposals for subsidising the conversion of agricultural land into use for forestry or recreation ; but these proposals do not go far enough and have little chance of success, except perhaps in marginal farming areas such as hill farms, where increased output and efficiency are no longer possible. The Vedel plan for the reform of French agriculture proposed much more radical measures in order to take agricultural land out of production. Such a plan on an EEC basis could do much to overcome the problem of surplus production, but this sort of approach stands absolutely no chance of acceptance by the policy makers of the European Economic Community.

Fourth, the CAP (even if amended on the lines of the second Mansholt plan) means a diversion of agricultural resources to the remoter, high production cost areas of western Europe, where production ought to be discouraged. If the aim of EEC is limited to co-ordination of national political and economic policies, this aspect of the CAP would not be worth supporting, since it would mean a diversion of investment resources to areas outside the UK. It could be argued that such a policy would be more appropriate in a United States of Europe, where the UK would be merely one region among others. However, we have to consider the CAP as it is in the present context of national policies. In these circumstances British farmers could fairly ask why they (and the British consumer) should subsidise overseas competitors in the EEC at the expense of home agriculture. As the commission itself pointed out (*op. cit.* para 15): " the drive to improve the structure of production in agriculture and of the relevant marketing system will help the agricultural sector to close the gap beween the situation in the community and the highly efficient agriculture of certain candidate countries." This is confirmation, if any was needed, that under the CAP British agriculture will be expected to bear much of the burden of improving the efficiency of EEC agriculture ! It will be held back (indeed, its competitiveness will probably be undermined) so that its EEC rivals can catch up ! For this reason alone, British agriculture has nothing to gain and a great deal to lose by entry into the EEC.

Fifth, the CAP was intended to be self financing, with income from levies on agricultural imports financing agriculture in the EEC and community exports. This policy has failed completely. In 1968-1969 the cost of the CAP was just over 2,400 million dollars, of which only about 890 million dollars was raised by levies. The balance came from national exchequers. In the last three years the percentage of market support expenditure covered by levies has dropped from 63.3 to 35. Such a development has been inevitable since the expansion of EEC production must reduce the scope for imports. This suggests that the cost of restructuring European agriculture is going to fall increasingly on the taxpayer. Indeed, the agreed method of financing the CAP includes part of the proceeds of the value added tax. Since British agriculture is in a better structural condition than EEC agriculture, our taxpayers will be financing the structural reform of EEC agriculture, at the same time as the position of our agriculture is weakened by the loss of deficiency payments. There will not be a great compensating benefit from the EEC agricultural fund, because there is little or no surplus production to export at subsidised prices and funds for structural improvement would go mainly to the other member countries.

Sixth, the CAP means heavily subsidised exports to the rest of the world. This inevitably results in a distortion of the pattern of world agricultural trade. Whether it is the sale of French wheat to China, Dutch broilers to Switzerland, or French butter to Hongkong, to quote only some examples, traditional suppliers at world prices are upset and eventually forced into retaliatory measures or subsidised exports of their own. Indeed, the USA has already retaliated against the EEC in industrial products, because of levies on US chicken exports to the EEC; it is now subsidising chicken exports to Switzerland to compete on equal terms with the EEC in that market. One little noticed consequence of this policy is that it makes virtually impossible the task of countries like New Zealand, which have been making great efforts to diversify their marketing of butter and dairy products. The conclusion of preferential trade agreements covering agricultural products between EEC and third countries also results in a distortion of world agricultural trade. Traditional suppliers are shut out to make room for EEC exports sold below the cost of production. Such agreements are good examples of the economic imperialism which can be seen more and more in EEC foreign trade policies, apart from the fact that they usually contravene one or more provisions of the general agreement on trade and tariffs (GATT).

Seventh, the whole basis of financial support for agriculture in EEC is regressive. High consumer food prices are the worst form of indirect taxation, worst because unavoidable and because they affect the poorest sections of the community disproportionately. Furthermore, the recent EEC agreement on financing the CAP in future calls for a fixed percentage of the value added tax to be paid into community agricultural funds; thus indirect taxation, whose burden is heaviest on the poorest sections of society, is contributing a great deal to the costs of the CAP. The British system of agricultural support gives the consumer relatively cheap food and is of course financed out of direct taxation.

Finally, the CAP was not designed with the interests of British agriculture in mind. It is absurd to expect that it will serve to protect those interests as well as a policy specifically designed to do so. It may have been necessary to tide over a period when farm efficiency had to be improved in the EEC (though this is arguable) but it is completely unsuited to British agricultural traditions and to the problems facing British farmers. It would be retrograde to adopt a policy not designed for our particular circumstances. Since the policy has been accepted without regard to the needs and interests of British agriculture the likely effect is that the balance of our agricultural production will be completely upset. It would of course be open to our farmers to suggest ways in which the CAP could be altered, but they would merely be one voice among nine or ten. In any event, it is quite clear that the main principles of the CAP are sacrosanct.

5. the CAP and Britain's agricultural problems

The CAP will do nothing to resolve the problems facing British agriculture in the foreseeable future; indeed, its adoption might aggravate them.

First of all, there is the problem of maintaining living standards among producers in remote areas. This is linked with the need to satisfy the growing demand of an urban population in a densely populated country for open air leisure and recreational activities. The problem is not merely one of small farmers, since there are many small farmers (in terms of acreage) who are intensive and efficient producers of pigs, eggs and poultry. The problem is basically one of marginal farmers, not all of them necessarily small. In most cases they are dependent on pigs, eggs, milk or hill sheep, or a combination of these. Unable to obtain capital or unwilling to pay the costs of obtaining it, they are unable to keep up with the trend to more efficient production. Rising costs inevitably mean no increases, and sometimes reductions, in their net farm income. The problem with such producers is basically a social one. Can they be guaranteed a decent standard of living in order to prevent the depopulation of remote areas, which would in turn lead to the abandonment of agriculture and of any hope of conserving the countryside for the leisure needs of an affluent population ? Rural development boards might have been one answer, but we shall not know until the next Labour government re-establishes them. What is certain is that the CAP has nothing to offer.

A problem which has only become apparent in recent years is the slow, but seemingly unavoidable, move by non-farming interests into farming. There are three reasons for this. First, the tax concessions available to owners of agricultural land. Second, the need for assured supplies of raw material of the right quality by food processors, manufacturers and distributors. Third, the need for feeding stuffs firms to ensure sales of their feed in the face of intensive competition. The latter two are forms of vertical integration and, as such, regarded with horror by the National Farmers' Unions, because they undermine the farmer's independence and in some cases reduce him to the status of an employee. However, those of us who have been employees may not feel strongly that this is a fate worse than death, especially if the farmer is thereby assured of a reasonable income. There will be plenty of scope for farmers who wish to maintain their independence, provided that they are willing to accept the challenge of the economic pressures which are leading to changes in the patterns of farm ownership and farm management.

One of the major economic pressures on the present structure of British agriculture is the difficulty of obtaining capital and its high cost, especially for tenant farmers who find sources of credit reluctant to lend unless profits are good. Shortage and cost of capital mean that many producers now have less scope for absorbing cost increases and increasing productivity. In this connection we must not neglect the problem of the growing shortage of skilled labour, especially for the large specialist livestock and pig enterprises. The growing inadequacy of traditional British farms (family businesses) in the face of shortage of capital from normal resources (banks, Agricultural Mortgage Corporation, retained profits) and the disruption caused by death duties, is a problem likely to lead to profound changes in our agricultural structure. The tendency for farmers to turn themselves into limited companies or to enter into sale and lease back arrangements will help in the short term but will strengthen the tendency for non-farm interests to acquire a bigger hold on agricultural production. In the long term this process could make public ownership of land a viable proposition !

The problem of capital is the key to the future of British agriculture, a problem made more complex by the dichotomy between agricultural policy and taxation policy, the former aiming to build up larger units, the latter breaking up larger units. Many farmers would claim that taxation policy needs to be seen as an instrument of agricultural policy, as well as an instrument of social policy. One of the tragedies of the present situation is that there are many bright young people in agriculture, who would make highly efficient farmers, but who have no chance of ever owning their own farms because of their inability to raise the necessary capital. There are many opportunities for them as older farmers retire or as large estates are sold off in lots to meet death duties, but what happens is that such farms are often purchased by neighbouring farmers to complement their own farming operations, at prices which cannot always be justified by the potentialities of the farm as an independent unit. In fact, the capital growth in land values poses problems, not only to would be farmers, but also to farmers who find that their return on capital (at current value) is getting progressively lower. When interest rates are high there is even greater need for capital to yield an economic return. This can only strengthen the trend towards changes in farm structure and ownership.

One of the ways for farmers to assert their independence is for them to work closer together in supply of farm requisites, production and marketing through agricultural co-operatives and, more recently, through producer groups. Agricultural co-operation has never been as popular in the UK as in other countries and it is ironic that at a time when economic pressures are forcing more and more farmers to work together, their co-operation should take the form of group activity instead of strengthening the agricultural co-operatives. There has been a notable growth of producer groups for production and marketing of commodities, where there are no marketing boards, encouraged by the government (as is also the case under the CAP). However, the benefits of grouping are confined to producers favourably situated in relation to their markets. Farmers in remote areas (with the exception of Welsh weaner pig groups, where special circumstances apply) cannot exert sufficient marketing strength, because higher transport costs make their production less attractive to the processor.

Also producer groups can be no less susceptible to take over by outside interests than are individual farmers. If they succeed in improving efficiency of production, they are likely to develop close links with an individual processor in order to secure the maximum return for their efforts, yet such links make them more dependent on the processor whose requirements they are fulfilling. The processor will also be dependent on the group. Sooner or later, closer integration will come to seem inevitable and desirable. For other groups which try to play off one buyer against another, the danger is that they will increase the incentives for processors to go into production in order to safeguard their raw material supplies. It will therefore be seen that grouping is a palliative, not a cure.

As if these problems were not enough, farmers are under increasing pressure from the rest of the community to accept responsibility for dealing with the problems of pollution from effluent disposal (in the case of intensive livestock, pig and poultry units), fertilisers, insecticides and antibiotics (used for both disease protection and better food conversion in livestock and pig production). The problems of conservation (cutting down of hedges, misuse of the soil and so on) are also becoming increasingly important as people learn to appreciate that short term economic considerations may conflict with the interests of the environment. Even animal welfare has become a thorny political issue, and our codes of animal welfare go far beyond anything contemplated in the EEC. These are areas where the interests of agriculture and those of the community appear to be in conflict, a conflict likely to be resolved only by measures which will increase the costs of agricultural production.

Not one of these problems will be resolved by the CAP. On the contrary, it will increase the competitive pressure on farmers to go for short term profits, irrespective of the longer term considerations of pollution and conservation. Admittedly, some of these problems are of more immediate concern in the UK than elsewhere, because they are the problems of an efficient industry in an increasingly technological and competitive world ; but an agricultural policy for western Europe which takes no account of them (perhaps does not even appreciate that pollution and conservation are agricultural problems) is just not good enough for the UK,

The basic trouble with the CAP is that it was designed to deal with very different problems from those facing British agriculture today. The two Mansholt plans have given some indication that the EEC authorities are now aware of the need for structural changes, but their encouragement of group activity and of early retirement are only tentative first steps towards a rational appreciation of agriculture's future rôle and structure. In any event, such measures do not come to grips with the real problems of production control and marketing efficiency. There is only one respect in which the CAP might be thought helpful to British agriculture ; the provision of cheap credit for farming. However, two caveats must be made before farmers become euphoric at the prospect of capital on reasonable terms. First, the provision of cheap credit for western European farms antedates the CAP, and therefore farmers cannot expect cheap credit automatically. Second, cheap credit has to be financed by someone (usually the state) and there would have to be safeguards against it being used for non-agricultural purposes. It is difficult in these circumstances to see any British government changing the present policy of refusing to provide farming with subsidised capital, even in the event of British membership of the EEC.

6. conclusion

The debate about EEC entry and the Conservative government's introduction of an import levy system have concentrated attention on the future of British agriculture. This is all to the good if it means that agriculture will no longer be treated as the Cinderella of industry. The discussion has so far been in economic terms, but it is of importance that agriculture should be considered in social and political terms as well, The questions to be asked are not only about agriculture's rôle in the economy, its effect on the balance of payments and its influence on trade with traditional food producing countries overseas; they should be concerned with the attitude of society to the minorities living in remote areas and with the problem of preserving the countryside while developing recreational facilities. There could be Socialist answers to these questions which would take account of problems of land ownership, taxation of inherited wealth, rising land values, pollution and conservation of the environment, equal opportunities for those who work or live on the land, safeguarding of consumer interests and of the interests of world agricultural trade. The working out of solutions to these problems would require a separate pamphlet but it must be emphasised in this one that the *laissez-faire* approach of the EEC embodied in the Treaty of Rome would make the discussion, planning and eventual implementation of a Socialist approach to agriculture a matter of "pie in the sky."

We must face up to the fact that the CAP is completely irrelevant to the current and future needs and problems of those who work in British agriculture and of the consumer. We do not need the CAP, although it does need us. As long as the EEC remains isolated from the world market, we can import cheap food from traditional suppliers and from the EEC at subsidised prices.

The present situation is much to our economic advantage. The disadvantages of adopting the CAP are extremely serious and the fact that our negotiators have accepted it in principle must be regarded as a blow to all engaged in British agriculture. Minor concessions cannot obscure the fact that the CAP represents at least one step backward for British agriculture, unsettling in its effects and offering no solution to the real problems that have to be tackled in order to ensure reasonable living standards and opportunities for those who want to work on the land.

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