

The impact of global commodity prices on the Wilson government's attempted CAP reform, 1974–1975

by William A. Loux

Abstract

After winning the 1974 general election, the new Labour government under Harold Wilson embarked on the renegotiation of the United Kingdom's terms of membership in the European Community. Renegotiation partly centred on the Party's pre-election vow re-make the Common Agricultural Policy as a less budgetarily burdensome programme that would maintain low food prices for British consumers through greater openness with third countries. However, by the time the renegotiation concluded, little was accomplished. This essay will argue that the UK government failed to achieve any of its initial goals on reforming the CAP, because at the exact moment that the negotiators looked to remake the programme, global food prices temporarily spiked well above European prices. Believing higher world prices were only the 'foothills in the mountains ahead', the Labour government thereby concluded it would be more cost-effective – both for the Exchequer and the British consumer – to maintain the status quo rather than structurally reform the programme even as the opposite proved to be true.

In 1974, Harold Wilson's Labour Party returned to power with grand plans to remake the European Community (EC). Most prominently, Labour sought fundamental revisions in the financing and expenditure of the EC and its flagship programme, the Common Agricultural Policy (CAP), both of which – due to Britain's status as a 'latecomer' – had been instituted without regard to the United Kingdom's (UK) interests.

For Britain, arriving late to the EC meant that the CAP functioned in a fundamentally different way than it was accustomed and seemingly to its disadvantage. Through regular meetings of agricultural ministers in Brussels, the European Commission set intervention prices for key agricultural commodities. Essentially, the Commission would commit to buying excess product at the targeted price level, and thereby place an artificial floor on the market, which had the added effect of increasing costs to the consumer. To dispose of the excess production, the Commission then subsidized the exportation of the intervention stocks to developing nations at world market prices. This made for a tremendously expensive farm support system. To pay for and maintain the system, a common Community tariff higher than the intervention price protected European producers from external competition while also creating the primary source of revenue for the Community. Importers of agricultural products then bore the brunt of paying for the CAP while the major producers received the benefits.

The UK, on the other hand, operated in a consumer-centric manner prior to joining the CAP. Rather than force the consumer to pay higher prices for foodstuffs to support farm revenue, food prices were dictated by the global market as the UK imported foodstuffs came from around the world at the lowest price, though trade traditionally came from the Commonwealth nations that maintained preferential market access. Producers were supported by British taxpayers as the government paid direct subsidies to producers, or deficiency payments, which were calculated as the difference between world market prices and a higher target price necessary to support farm income. The deficiency payments ensured farmers were supported while still allowing the market to dictate the price to consumers.

Understandably, joining the CAP was then a rough transition for the UK. As 74 per cent of British agricultural imports came from outside the European Economic Community, the market and budgetary impact of moving into the EC was immediately evident.¹ Consumers had to pay higher prices for food, and the government had to pay a greater amount into the Community budget than most of the other member states. Although the UK government anticipated trade patterns would evolve to accommodate this new environment, the Cabinet estimated that Britain would contribute 24.5 per cent of the total budget by 1980, the second-highest behind West Germany. This was despite the UK having the second-lowest gross national product per capita, which fed into the perception that Britain paid more than its fair share.² Compounding this, with its relatively small and efficient farming sector, the UK also failed to reap the fiscal rewards of the Community, wherein agricultural support represented nearly 80 per cent of total costs.³

Therefore, one can clearly understand the desire of Wilson and the Labour Party to reform the CAP to lower consumer prices and reduce the drain on UK finances. When Wilson entered Number 10 in March 1974, his government immediately embarked on an effort to remedy the imbalance on both sides of the ledger through a reform of the CAP. As the Labour Manifesto declared, '[n]either the taxes that form the so-called "own resources" of the Communities, nor the purposes, mainly agricultural support, on which the funds are mainly to be spent, are acceptable'.⁴

However, despite the grand ambitions at the beginning of the Labour government's tenure, by the time the renegotiation concluded in 1975, seemingly little was achieved. The Commission conceded an allowance of guaranteed access to 140,000 tons of New Zealand butter to the British market until the end of 1980, and a separate agreement was reached on ensuring adequate supplies of sugar from the Commonwealth, but the structure of the CAP remained intact.⁵ Price floors remained the primary method for supporting farm income, no mechanism existed for avoiding surpluses, and the high external tariff and levy system survived. A fundamental reform to these pillars, as promised in the party's Election Manifesto, never materialized.

Indeed, by the end of the decade, the problems Labour agonized over while campaigning in 1974 came to fruition despite the renegotiation.⁶ Intervention and subsidy costs nearly

¹ Ministerial Committee on European Community Strategy, 'ECS(74)10: The Common Agricultural Policy' (22 Apr. 1974), TNA, CAB 134/3745, Annex II.

² Ibid.

³ Edmund Neville-Rolfe, *The politics of agriculture in the European Community* (1984).

⁴ Harold Wilson, 'Labour Party Election Manifesto:

Let us work together – Labour's way out of the crisis' (Feb. 1974).

⁵ The European Council, 'Community takes political decision in Dublin: agreed texts', European Community Background Note No. 9/1975 (11 Mar. 1975).

⁶ Commission of the European Communities, *The*

quadrupled within six years, overwhelming the Community's budgetary correction mechanism, and surplus food production exploded. Even the European Commission warned that without fundamental reform, the situation would worsen, because it anticipated even greater 'butter mountains' and 'wine lakes'.⁷ So why then did Labour, when it came to power with the explicit mandate to reform the CAP, struggle to make any structural changes to the agricultural regime during its renegotiation that could have averted the problems later in the decade?

Fundamentally, this article argues that the Wilson government failed to restructure the CAP or even institute safeguard mechanisms, like quotas or expenditure caps, on the programme during the 1974–75 renegotiation, because world prices for most agricultural commodities were higher than European levels from 1973 to 1975. Thus, an overhaul of the CAP appeared unnecessary or even counterproductive to the government's primary goals of keeping food prices low, avoiding expensive overproduction, and maintaining flexibility to support its domestic industries. At the exact moment of the renegotiation, moving outside of the CAP, or even staying as a member of a free-trading CAP, was deemed more expensive to the Exchequer and the consumer than to maintain the status quo. The primary decision-makers – Wilson, James Callaghan, the Secretary of State for Foreign and Commonwealth Affairs, and Fred Peart, the Minister of Agriculture – all agreed that minor revisions to the institution through normal Community business was the best way to achieve their political objectives.⁸

To demonstrate this argument's validity, this article will consider the international agricultural markets, outlining the unique price situation coinciding with renegotiation. This will make clear that Cabinet decision-makers and Ministry of Agriculture, Fisheries and Food (MAFF) officials, although ultimately incorrect, were rational at the time to believe the CAP would be more advantageous to British consumers and the budget than navigating the global market. This will be followed by an examination of the archival evidence primarily drawn from internal files to demonstrate that it was not only rational, but also that policymakers were indeed swayed by the price advantages of the CAP. From this conviction, the article will show how British negotiators downgraded their stance from a fundamental reform, as envisioned by the party's Manifesto, to minor revisions. To conclude, the article will draw out the importance of this episode in Anglo-European relations and the transferability of the lessons drawn to trade agreements generally.

The CAP was not the only area in which the Wilson government sought modifications to Britain's terms of entry. Greater flexibility in the conduct of national industrial policy and maintenance of parliamentary sovereignty were major negotiating objectives for many within the party, especially for the leading anti-marketeers in government: Tony Benn, Peter Shore, and Michael Foot. However, the CAP's predominance over the Community budget, the electoral importance placed on retail food prices, and relevance for Commonwealth relations made it the ideal cornerstone of renegotiation. As such, this article will focus primarily on the CAP renegotiation as it related to the budget and the food prices.

Note 6 *continued*

agricultural situation in the Communities: 1979 Report (8 Feb. 1980), COM(80)11.

⁷ *Ibid.*, pp. 92–105.

⁸ Ministerial Committee on European Community Strategy, 'Minutes of a meeting held at 10 Downing Street on Thursday 25 April 1974 at 11:00 am' (25 Apr. 1974), TNA, CAB 134/3745.

I

While this is not the first look at European agricultural policy in the 1970s, the focus on Britain's renegotiation as it relates to the CAP is relatively untrodden ground. There is significant work on renegotiation broadly as well as the subsequent referendum campaign, especially in recent years with the opening of government archives and renewed interest following the buildup and aftermath of the second renegotiation and referendum campaigns in 2015 and 2016. However, focus on the CAP, potentially due to its technical nature or peripheral importance to the 2016 referendum, within the broader historical discipline is lacking. Alternatively, within histories of European agriculture, the 1974 renegotiation was frequently condensed to an unimportant footnote. Scholars focused on the periods of action, such as the founding of the system in the early 1960s or the reforms in the 1980s that reduced the butter mountains. In doing so, the 1970s received the short straw. 1970s agriculture is reduced to a period of crisis: soaring inflation, extravagant stockpiles of excess production, ballooning budgets, and an overall period of 'stagnation'. However, doing so overlooks the opportunities for reform as well as the programme's periods of relative success.

Within the historiography, there remain two general pitfalls into which scholars often fall, as it relates to agriculture and the British renegotiation. First is the danger of simplifying the renegotiation process to solely an exercise in domestic politics. This originated from a recognition of Harold Wilson's prioritization of party unity. Heavyweights like Roy Jenkins, Peter Shore and Tony Benn simultaneously pulled Wilson towards incompatible poles – towards Europe, out to sea, or inward to Britain's industrial heartland.⁹ In the standard telling, rather than being pulled apart, Wilson held the party together through adopting 'no entry under Tory terms' and vowing to renegotiate the agreement. Doing so ensured the allegiance of anti-marketeers and kept those favourable to Europe satisfied it was not an open rejection of membership. Thus, to Wilson and Callaghan, the renegotiation and referendum kept the backbenchers in line while the result settled the debate.

Certainly, this narrative is broadly accurate. Maintaining party unity was fundamental to Wilson, and he was never an enthusiastic European.¹⁰ However, the danger arises from ascribing solely domestic Machiavellianism to the renegotiation whereby the outcome was irrelevant to Wilson. To Sean Greenwood, 'renegotiation was a sham'.¹¹ Stephen George considered the affair little more than a 'tactical device'.¹² And, Dominic Sandbrook's famous volume on Britain in the 1970s declared the whole affair a 'sideshow' with the talks as 'nothing more than a gigantic public relations exercise designed to mollify the Labour left and prepare the ground for the referendum campaign'.¹³

Yet, it does not follow that initiating the renegotiation for party reasons meant that Wilson or Callaghan were not also firmly committed to revising the terms of membership. Archival

⁹ Roger Broad, *Labour's European dilemmas* (2001), pp. 72–103.

¹⁰ *Ibid.*, p. 74.

¹¹ Sean Greenwood, *Britain and European cooperation since 1945* (1992), p. 100.

¹² Stephen George, *An awkward partner: Britain in the European Community* (1998), p. 77.

¹³ Dominic Sandbrook, *Seasons in the sun: The battle for Britain, 1974–1979* (2013), pp. 315, 321.

evidence, as will be shown throughout this dissertation, clearly demonstrates that the key figures – Wilson, Callaghan, and Peart – genuinely sought changes to British membership. For instance, Callaghan declared in a private meeting of British ambassadors that their European partners ‘must not be allowed to think that renegotiation was not a fundamental question’.¹⁴ In response to rumours that Paris believed Labour ‘could be bought off [their] objectives by a few months’ grace on food prices’, the Foreign Secretary adamantly declared that ‘nobody must think that this would be enough’.¹⁵ Renegotiation was not simply a show put on to quieten Tony Benn nor did the government pursue their objectives half-heartedly, but rather they fully intended to achieve a better deal for Britain.

The second trap into which historians can fall is over-emphasizing the power of other countries in blocking CAP reform. In this telling, Continental members, led by France, were entrenched in protection of their European project. Agriculture’s perceived importance domestically in the post-war order, the enticement of continued common funding for net beneficiaries and general agreement that agriculture required special provisions to alleviate an income lag compared to their industrial counterparts pushed European powers towards the maintenance of the status quo. Compounding this, the specific structure of annual price reviews incentivized higher prices through haggling over individual commodities. Under this structure, each country sought to protect their at-risk farms, thereby pushing intervention prices – which set the market floor but raised costs to the programme through the purchasing and export subsidies required to maintain the price – higher to accommodate the least efficient farmer. This further exacerbated the CAP’s budgetary problems and market distorting tendencies. Thus, when Britain sauntered into the Community vowing to remake the CAP in their image as a free-trading, deficiency-payment programme for the benefit of the consumer and the Exchequer’s balance sheets, their European partners scoffed at the suggestion, which held few benefits for them. With a governance structure mandating unanimity, aspirations for overhauling the protectionist, price support-based welfare programme went nowhere.

Once again, essential elements of truth exist within this explanation. Certainly, France, Denmark, Ireland and others pursued policies to increase prices as well as protect the CAP from structural reform that would harm their farmers. However, the danger is to assume these incentives meant reform was impossible. For instance, Martin Smith authoritatively declared that Continental intransigence and Community structure ‘made it impossible for British Ministers to reform CAP’.¹⁶ Edmund Neville-Rolfe fell into this trap as well. While he considered the British renegotiation unserious from the outset, ‘fundamental reform’ would have faltered anyway because the ‘aspects of the CAP of particular concern in the UK ... have not aroused wide public interest elsewhere in the Community’.¹⁷

However, two problems arise in accepting this interpretation wholesale. First, even in the minds of contemporaries, the system was flexible to the interests of members. Throughout the negotiations, Britain repeatedly sought dispensation for special subsidies, price restrictions or avoiding green rate devaluation and routinely received it. The government did not find their

¹⁴ ‘Meeting of Ambassadors to EEC Countries’ (20 Mar. 1974), TNA, PREM 16/72.

¹⁵ Ibid.

¹⁶ Martin Smith, *The politics of agricultural support in Britain* (1990), p. 174.

¹⁷ Neville-Rolfe, *Politics of agriculture*, p. 318.

European partners unreasonable, but rather, as the Cabinet concluded upon completion of renegotiation, 'in real life, the Community is much more sensitive to the national interests of its members than it might seem to be from the outside'.¹⁸ British agricultural negotiators were so successful that even Ministry of Trade officials hostile to the CAP and pessimistic about the prospects for change, admitted that Peart's deputy, 'Freddy Kearns, and his helpers have a close knowledge of the Community agricultural Mafia and have shown considerable ingenuity in dealing with them'.¹⁹ Second, far from fundamentally reforming the CAP, Britain never sought to do so. As will be shown in this article, decision-makers believed early on that their goals could be achieved through the existing structure. Thus, to say that European intransigence doomed Britain's CAP reform in 1974–75 is disingenuous. While skepticism towards the potential for enacting structural change is warranted, leadership chose not to seek it.

This is not to say that all scholars have fallen into one or both of these traps. Indeed, Robert Saunders' recent examination of the 1975 referendum in *Yes to Europe* carried nuance with the political dimension to the European debate while simultaneously recognizing the change in the global food situation that pushed British voters into the Community.²⁰ However, his focus on the public's perceptions of food prices rather than decision-makers' makes his work tangential to determining why the Wilson government pursued the CAP deal it did in 1974–75. Still, few have examined contemporary food prices, and none have properly connected global agricultural markets to the renegotiation.

The article will emphasize some of the areas that have been neglected and seek to avoid the pitfalls of over-emphasis listed above by focusing on the government's view of the CAP reform process as it related to the government balance sheet, consumer prices, and Commonwealth interests, which were of primary concern to voters and the government in their reform efforts. Together, this will demonstrate that global economic factors convinced UK decision-makers its agricultural goals were better served within the CAP than on world markets, thereby pushing their proposals away from fundamental reform and toward minor revisions within the existing structure. Together, this will create a more holistic framework for studying Britain, Europe and the CAP.

II

When the UK initiated its renegotiation in 1974, the international agricultural market was in flux. The 1960s and early 1970s food situation had been relatively predictable. Due to economies of scale, export subsidies, and avoidance of price-based farm support, world commodity prices were consistently lower than the EEC's.²¹

Prior to joining European Community, the UK relied on cheap supplies from the Commonwealth: Canadian grain, Australian beef, New Zealand dairy, and Caribbean sugar

¹⁸ Memorandum by the Secretary of State for Foreign and Commonwealth Affairs, 'EEC: Renegotiation Stocktaking' (14 Mar. 1975), TNA, CAB 129/182.

¹⁹ Denman to Cubbon, 'Renegotiation' (June 18, 1974), TNA, PREM 16/74.

²⁰ Robert Saunders, *Yes to Europe: The 1975 Refer-*

endum and Seventies Britain (2018).

²¹ Vincente Pinilla and Raul Serrano, 'Agricultural and food trade in the European Union, 1961–2000', in Kiran Klaus Patel, *Fertile ground for Europe? The history of European integration and the Common Agricultural Policy since 1945* (2009), pp. 298–9.

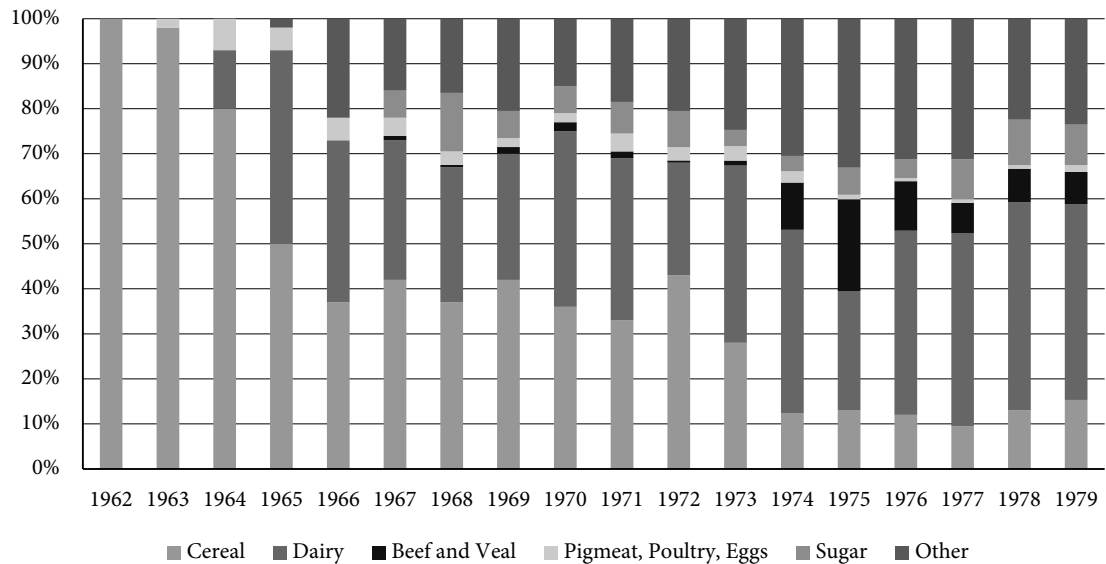


FIGURE 1. European Agricultural Guidance and Guarantee Fund (FEOGA) expenditure by commodity group
 Source: Data from Edmund Neville-Rolfe, *The politics of agriculture in the European Community* (1984).

cane. These could also be supplemented with American imports to ensure their consumers received food at the lowest price.²² While in practice this meant the burden for domestic farm support simply shifted to the taxpayer instead of the consumer, low food prices maintained a mythical status among British politicians, who felt any rise in costs jeopardized their electoral chances.²³ Thus, one of the biggest costs in joining the EC, both economically and electorally, was higher food prices for consumers. It therefore made perfect sense that Labour's Election Manifesto emphasized reorganizing the CAP to open access to third country imports and thereby reduce retail prices.²⁴

However, because of poor cereal harvests in Kansas, an oil crisis sparking increased energy costs, a drought in the Soviet Union that prompted the USSR to buy an unprecedented 10 million tons of grain from the United States, and strong output from the Community, the expected relationship flipped on its head.²⁵ World prices suddenly spiked above European levels across nearly every CAP-regulated commodity, which had never happened prior to 1973. For brevity's sake, let us concentrate on the two most important examples: cereals and sugar.

Long after the contentious negotiations in 1964 over the grain price, cereals remained at the heart of the CAP. Firstly, cereals were traditionally the largest budget item in European Agricultural Guidance and Guarantee Fund (FEOGA) (see Figure 1), only ever challenged by

²² ECS, 'Common Agricultural Policy' (22 Apr. 1974), Annex I, II.

²³ Saunders, *Yes to Europe*, p. 279.

²⁴ Wilson, 'Labour Party Election Manifesto'.

²⁵ Christian Gerlach, 'Fortress Europe: The EEC in

the World Food Crisis, 1972–1975', in Kiran Klaus Patel, *Fertile ground for Europe? The history of European integration and the Common Agricultural Policy since 1945* (2009), p. 242.

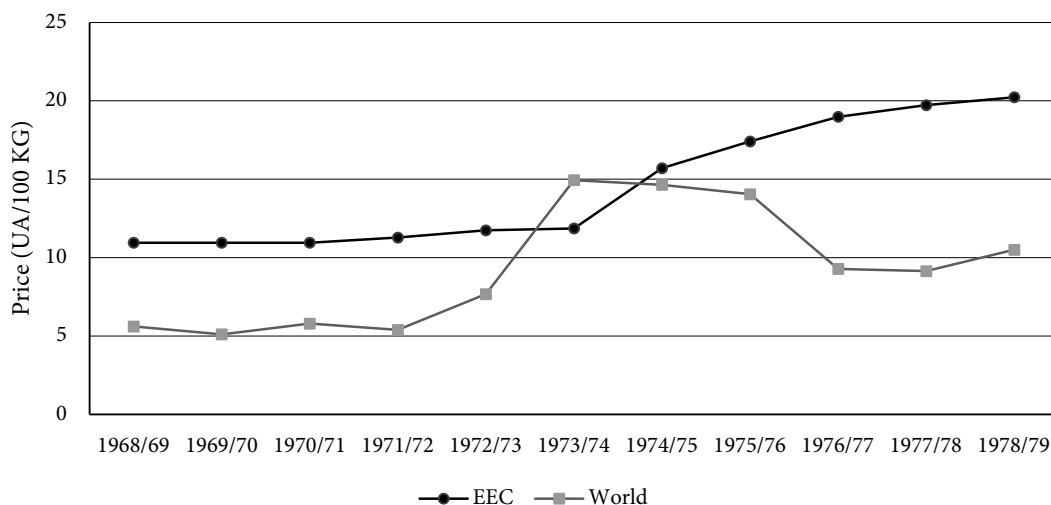


FIGURE 2. Soft wheat price comparison

Source: Data from European Commission. 'Agricultural Situation in the Community: 1974 Report' for data between 1968/69 and 1973/74 and 'Agricultural Situation in the Community: 1979 Report' for data between 1974/75 and 1978/79.

dairy. This reflects the industry's size, the wide variation of efficiency within the Community and that production outstripped consumption thereby necessitating export subsidies to dump surplus. Secondly, cereals were not just an important primary good to be used for consumer products, but also an intermediate good as feed for beef, pork, and dairy. Thus, when prices were high, grains had a double impact upon on the CAP – as a finished good and an input cost pushing up prices for other commodities. But when prices were low, this could be doubly beneficial. Such was the case in 1974.

As shown in Figures 2–4, the spike in world prices caused by the contraction in American wheat supply combined with drastically increased demand from the Soviet Union can be clearly identified during the 1973/74 and 1974/75 fiscal years. Across each of the cereals, world prices either exceeded or converged to European ones.

Although hindsight makes clear this phenomenon was an aberration, policymakers in Westminster, Brussels and other European capitals were working from data that ended with the 1973/74 fiscal year. Instead of the blip in Figures 2–4, agricultural economists saw something resembling an exponential function (Figure 5), causing many influential economists to believe higher world prices was the beginning of a new norm.²⁶ Using percentage differences between European and world prices to equalize prices across commodities, the graph demonstrates that extrapolation to a new market norm – one where world cereal prices exceeded, or at the very least were more closely aligned with, European ones – was a reasonable conclusion based on the data available.

²⁶ Simon Harris, 'The world commodity scene and the Common Agricultural Policy', *Centre for European Agricultural Studies* (1975), p. 27.

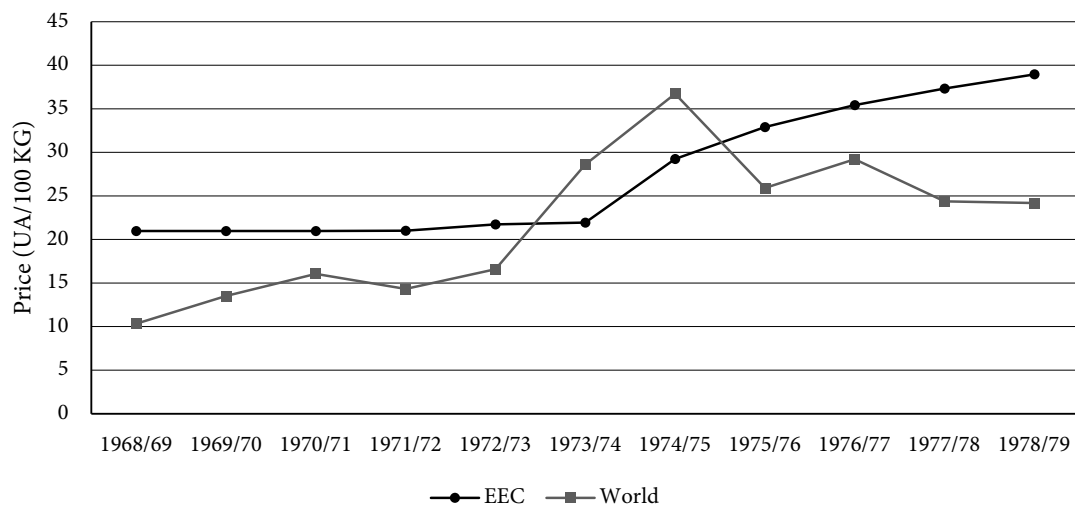


FIGURE 3. Oilseed price comparison

Source: Data from European Commission. 'Agricultural Situation in the Community: 1974 Report' for data between 1968/69 and 1973/74 and 'Agricultural Situation in the Community: 1979 Report' for data between 1974/75 and 1978/79.

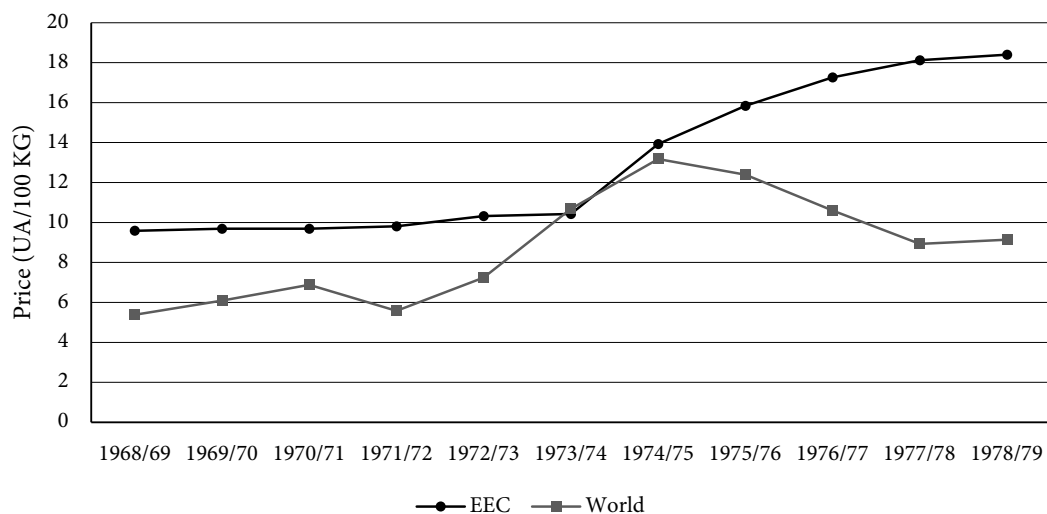


FIGURE 4. Maize price comparison

Source: Data from European Commission. 'Agricultural Situation in the Community: 1974 Report' for data between 1968/69 and 1973/74 and 'Agricultural Situation in the Community: 1979 Report' for data between 1974/75 and 1978/79.

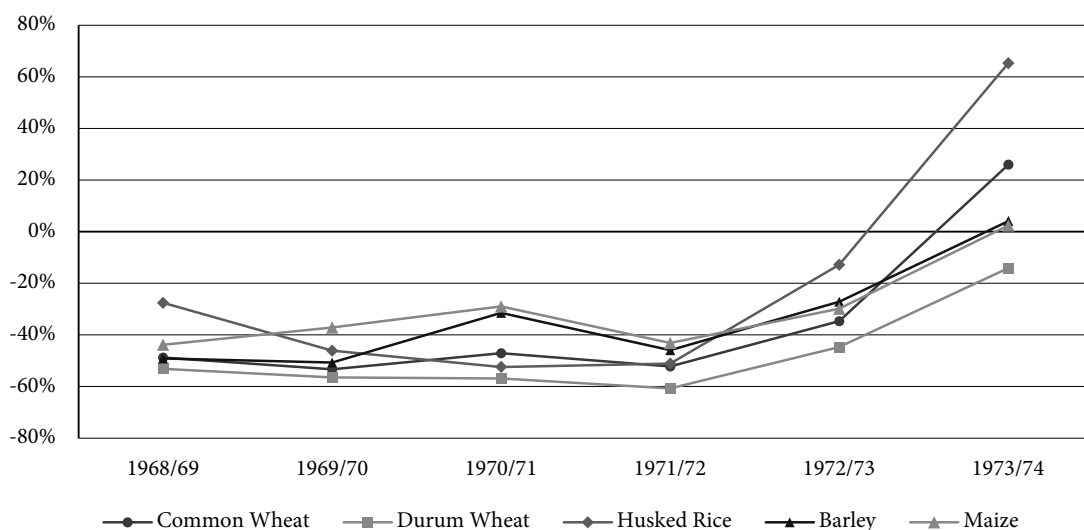


FIGURE 5. Percentage difference between EEC and world cereal prices

Source: Data from European Commission, 'Agricultural Situation in the Community: 1974 Report'. Calculations by the author.

The second crucial commodity that impacted the perspective of British policymakers was sugar. While sugar could not compete with the size or ripple effects of cereal, it exemplified the potential economic security and price benefits of joining the EC. When Wilson returned to Downing Street in March 1974, the gulf between British sugar prices and global ones was unsustainable. Prior to accession, Britain received most of its sugar from international suppliers under the Commonwealth Sugar Agreement (CSA). In exchange for guaranteed purchases and access to the British market, Commonwealth producers agreed to fixed prices for their sugar cane exports.²⁷ In many cases, this meant British consumers bought sugar at below world market levels.

Yet, the system was under strain. First, with Britain's move towards Europe, the CSA would expire in February 1975. Thereafter, a quota would be established, capping the quantity of importable sugar from the Commonwealth at CSA's preferential prices. Second, in 1974, there was a worldwide sugar shortage due to a dramatic increase in demand out of Middle Eastern countries looking to re-invest greater than expected oil revenues in agricultural commodities, the Soviet drought impacting their sugar beet production, and sugar cane producers having held back growth for the past decade after a supply glut following the suspension of US sugar imports from Cuba in the 1960s. All of these factors resulted in drastically increased global prices in 1973/4.²⁸

²⁷ 'International Sugar Agreement of 1958', CMND 1146 (1 Dec. 1958), Ch. I, Art. I.

²⁸ Isadore Barnum, 'Soaring sugar costs arouses

consumers and U.S. inquiries', *New York Times* (15 Nov. 1974).

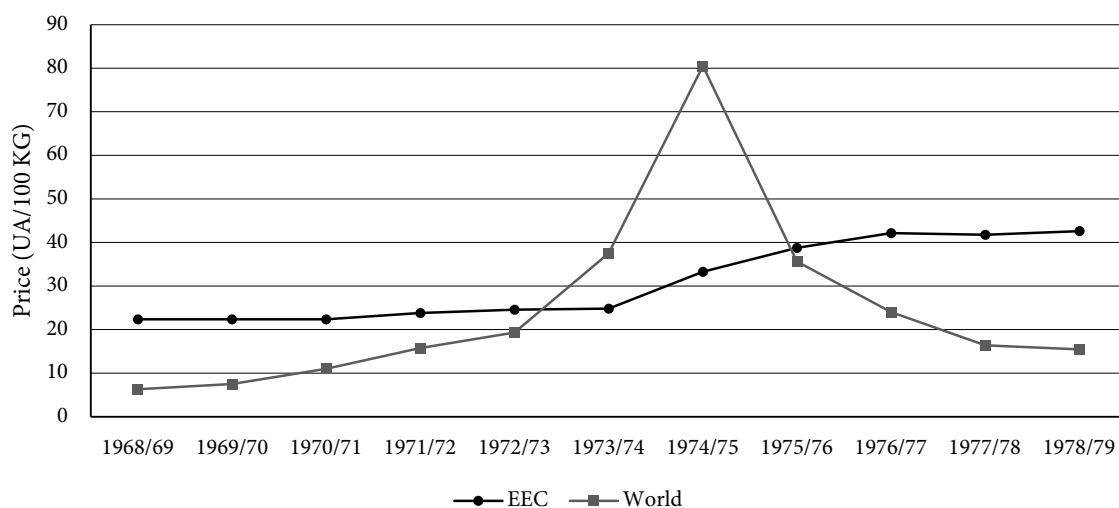


FIGURE 6. Sugar price comparison

Source: Data from European Commission. 'Agricultural Situation in the Community: 1974 Report' for data between 1968/69 and 1973/74, and 'Agricultural Situation in the Community: 1979 Report' for data between 1974/75 and 1978/79.

Under the CSA, Britain imported refined white sugar cane at an estimated £120/ton, but, with the shortage, the market price was nearly double that at £220/ton.²⁹ While this was immensely favourable to the UK in the short-term, Commonwealth producers could not deliver sufficient supplies to fulfil demand. More importantly, the Commonwealth producers felt no compulsion to reach a new deal with Britain guaranteeing supplies at below market prices when selling their sugar on the world market would be far more lucrative. British attempts were repeatedly rebuffed without higher prices, wherein Peart attributed their recalcitrance to 'very high prices currently obtainable on the world market and their expectation that high world prices will continue'.³⁰

Simultaneously, European sugar beet markets offered a better deal for Britain than world prices. The EC set an intervention price at £111/ton.³¹ So long as global prices were higher than the EC intervention price, European sugar would be much cheaper than what Britain could expect on the open market. Figure 6 demonstrates this divergence clearly. Although, similarly to cereals, the spike in world prices was only temporary, this was not clear to policymakers, and in the short-term at least, compared to the Commonwealth sugar cane, European sugar beets offered better prices and a secure supply.

Through an examination of the cereals and sugar market situations, one should recognize that British policymakers entered the renegotiation of the CAP in an uncertain agricultural

²⁹ Ministerial Committee on European Community Strategy, 'Agricultural Council Meeting of 21/22 March 1974: Memorandum by the Minister of Agriculture, Fisheries and Food' (Mar. 1974), TNA, CAB 134/3745.

³⁰ Ministerial Committee on European Questions,

'Renegotiation Objectives: Imported Commonwealth Sugar: Memorandum by the Minister of Agriculture, Fisheries and Food' (2 June 1974), TNA, CAB 134/3752.

³¹ ECS, 'Agricultural Council Meeting of 21/22 March 1974'.

market. The phenomenon of global supply shortages and correspondingly high world prices existed across commodities, not just cereals and sugar. Thus, forced to extrapolate from global supply shortages, the data demonstrates that MAFF officials and Cabinet members were reasonable to be skeptical that a free-trading CAP or purchasing from the open market would lead to lower prices for consumers.

As one caveat, butter persisted as the exception to the trend. However, British policymakers did not view it as a dangerous outlier. Firstly, skimmed milk powder (SMP) prices in Europe and world markets remained closely aligned, making it seem as though the Commission's large butter stockpiles and dumping on the global market was the cause of the price disparity, not disequilibrium in the dairy market as a whole.³² Secondly, although Community butter prices remained above world levels, US prices were greater than Britain's. This incentivized New Zealand to shift its exports to the more profitable American market and remain hesitant towards guaranteeing supply to Britain at the low prices the London consumer previously enjoyed. The importance of this will be discussed later when addressing why Britain placed such a premium on guaranteeing New Zealand butter access in the renegotiation. However, again the point must be made that UK policymakers were rational to believe Europe offered secure supplies and potentially lower prices than Britain could expect on the global market. Therefore, it appeared advantageous to accept the status quo with minor revisions rather than pursue a fundamental reform of the CAP during the 1974–75 renegotiation.

III

With international market data making clear that such a position was reasonable, archival evidence verifies that MAFF officials and decision-makers within the Cabinet – namely Wilson, Callaghan and Peart – believed a new global situation was at hand, which pushed the government to downgrade its negotiation objectives. To demonstrate this systematically, the section breaks down Britain's renegotiation into three phases: preparing the groundwork from March to June 1974; negotiations under normal business from June 1974 to March 1975; and the negotiation's conclusion in Dublin and its ripple effects from March 1975 onwards. The breakdown reflects the government's different aims for each phase. From March to June 1974, the Wilson's Cabinet determined its desired outcomes and strategy for the renegotiation. From June 1974 through March of the following year, led by Callaghan and Peart, the British actively engaged with the Community in pursuit of its agricultural objectives. Finally, with the conclusion of Dublin Council, renegotiation formally ended, and the Wilson government transitioned to selling its achievements. In each phase, the global price situation convinced Britain to downgrade its objectives from fundamental restructuring to minor reform of the CAP.

³² Under the CAP, dairy price setting used 'milk equivalents' in butter and SMP, as SMP is the natural by-product of butter production and both are shelf-stable products enabling intervention storage and export. So, in 1974, when the Commission held large butter stockpiles but relatively small SMP stocks, it meant that the combined milk equivalent price remained relatively manageable and therefore the perception that the producer price was 'under control'.

Almost immediately, negotiations with Europe took centre-stage for the newly formed Labour government. Wilson's Cabinet had less than three weeks to determine their strategy before the first Agricultural Council of Ministers meeting, which set prices for the 1974/75 fiscal year. Compounding this time constraint, Callaghan was scheduled to lay out British objectives at the first Council of Foreign Ministers on 1 April. Questions on whether to participate in these meetings, what to seek and whether to move towards tariff equalization, as mandated in the Accession Treaty, needed to be decided swiftly.³³

To structure decision-making, Wilson made clear that Callaghan as the Foreign and Commonwealth Secretary 'was to be in charge of 'all negotiations' relating to the European Community'.³⁴ However, to corral the divided Cabinet, with its pro-, anti-, and pragmatic marketeer factions, Wilson set up two Cabinet working groups: the Committee on European Community Strategy (ECS) and the Committee on European Questions (EQ). Wilson chaired the ECS, which dealt with high level strategy, while Callaghan chaired the EQ, which focused on technical issues and negotiating tactics. Throughout the renegotiation, these committees remained the primary means of deciding policy towards the European Community and therefore provide the historian the clearest insight into British positions.

For the first test, the 21–22 March Agricultural Council meeting, British policy centred on delaying any major negotiations until the Cabinet agreed to a firm strategy. As the ECS agreed, refusal to co-operate in price negotiations or abide by the Accession Treaty 'would risk a premature confrontation and would deprive us of the ability to influence the general level of CAP prices'.³⁵ Thus, instead of a confrontation, Callaghan and Peart permitted increases in Community intervention prices in direct contradiction to the Manifesto, because global market conditions insulated the consumer from feeling the effects.³⁶ Although this was only intended as a stopgap while Britain sought its 'fundamental renegotiation', it set the precedent that the outcomes for the consumer mattered more than literally applying the Manifesto.³⁷

Once the agricultural council ended, the British immediately moved onto strategizing more broadly, climaxing with an ECS meeting on 25 April. In preparation, Wilson charged relevant ministers with developing briefing papers outlining potential renegotiation objectives in their disciplines to be decided at the meeting.³⁸ Peart, naturally, was tasked with the internal structure of the CAP, Shore was assigned Commonwealth trading privileges and the Community's tariff policy, while the Chancellor of the Exchequer, Denis Healey, dealt with matters involving the budget. Although Wilson and the attending ministers recognized circumstances would evolve, the 25 April meeting set concrete objectives for the renegotiation.³⁹

³³ Ministerial Committee on European Community Strategy, 'The government's approach to the Agriculture Council on 1974/75 prices' (12 Mar. 1974), TNA, CAB 134/3745.

³⁴ 'European Community: Current Policy Approach' (11 Mar. 1974), TNA, PREM 16/72.

³⁵ Ministerial Committee on European Community Strategy, 'Minutes of a meeting held at 10 Downing Street on Wednesday 13 March 1974' (13 Mar. 1974), TNA, CAB 134/3745.

³⁶ ECS, 'The government's approach to the Agriculture Council on 1974/75 prices'.

³⁷ Ibid.

³⁸ Ministerial Committee on European Community Strategy, 'Agenda: Meeting to be held at 10 Downing Street on Thursday 25 April 1974 at 11.00am' (Apr. 1974), TNA, PREM 16/73.

³⁹ James Callaghan to Harold Wilson, 'Renegotiation: Next Stage' (24 Apr. 1974), TNA, PREM 16/73.

Records from this meeting make explicit the global price situation's impact on British negotiators. Both Peart's policy memorandum and the meeting's discussion clearly identified that Britain benefited from membership in the Community when world prices exceeded CAP prices.⁴⁰ As the report reminded the ministers:

for most major commodities covered by the CAP the world price is higher, in some cases far higher than the full Community price, let alone the lower transitional prices applicable to the UK. It follows, therefore, that for the time being the UK could not buy cereals, sugar and some dairy products from third countries except at prices higher than we are paying as members of the Community.⁴¹

Thus, as the committee accepted, 'the future movement of world prices is crucial to decisions about the most effective negotiating position'.⁴² Perhaps most enlightening, Wilson's briefing notes declared, 'the long-term relationship between world and CAP prices is the key factor in determining the cost of the CAP to the United Kingdom both in budgetary and resource-use terms'.⁴³ Wilson clearly agreed as he echoed this sentiment during the meeting.⁴⁴ Fundamentally, the Cabinet recognized that with high world food prices, the CAP was beneficial to the British consumer, and change was no longer urgent.⁴⁵

However, Peart, Wilson and others in the committee acknowledged predicting commodity markets was an imprecise science. Peart recognized 'production and prices fluctuate considerably according to harvest conditions and many other unpredictable factors'.⁴⁶ Wilson went into the meeting with the understanding 'there can be no reliable assessment beyond the next year or so'.⁴⁷ Yet despite acceptance they could not predict the market, the 1973/74 price fluctuation sufficiently convinced the committee a new era had begun.⁴⁸ To Downing Street, the economic situation proved it was 'no longer safe to rely on the availability on world markets of cheap food as a basis for agricultural policy'.⁴⁹ To Peart, it was 'legitimate and sensible to consider how far there may have been a permanent shift'.⁵⁰ Indeed, extrapolating from recent market trends, he concluded 'it is only realistic to conclude that EEC and world prices are likely to be much closer together for the foreseeable future'.⁵¹ Thus, to Labour leaders, rather than the primary agricultural question being how could Britain ensure access to cheap food from global suppliers – as it was before the international price jump – Wilson and others asked, 'would our prospects of protecting our consumer and promoting the well-being of our own agriculture be as good outside as inside the Community?'⁵²

Clearly, policymakers recognized that the global market situation would play a major role

⁴⁰ ECS, 'Common Agricultural Policy' (22 Apr. 1974).

⁴¹ *Ibid.*, p. 2.

⁴² *Ibid.*, p. 3.

⁴³ 'Renegotiation Objectives: The Common Agricultural Policy' (24 Apr. 1974), TNA, PREM 16/80.

⁴⁴ ECS, '10 Downing Street Meeting Minutes on Thursday 25 April 1974'.

⁴⁵ *Ibid.*

⁴⁶ ECS, 'Common Agricultural Policy' (22 Apr. 1974), p. 3.

⁴⁷ 'Renegotiation Objectives: CAP'.

⁴⁸ ECS, '10 Downing Street Meeting Minutes on Thursday 25 April 1974'.

⁴⁹ 'Renegotiation Objectives: CAP'.

⁵⁰ ECS, 'Common Agricultural Policy' (22 Apr. 1974), pp. 3–4.

⁵¹ *Ibid.*, pp. 3–4.

⁵² Con O'Neill, *Britain's entry into the European Community* (2000), pp. 58–9. 'Renegotiation Objectives: CAP'.

in determining whether the CAP was advantageous for Britain or not, but how did this practically change the renegotiation? First, the committee agreed 'the balance of advantage for the consumer ... appeared to lie in our remaining within the CAP but to seek realistic changes and where possible to press for better arrangements for third country supplies – provided these were likely to be available at advantageous prices'.⁵³ Although the downgrade in terminology from 'fundamental' to 'realistic' changes in less than a month reflects the reality that the Manifesto was primarily a political document, the diminution also demonstrates that relevant policymakers believed a leaner CAP with minor revisions would be sufficient to achieve cheap food for consumers in light of world price trends. Second, in his summation of the meeting's outcome, Wilson declared that in recognition of 'apparent secular change in price relativities ... our approach should be to negotiate changes from within the CAP'.⁵⁴ 'From within the CAP' represented a major downgrade from pre-election promises.⁵⁵ Britain would neither hold the CAP hostage through an 'empty chair' nor seek an opt-out on agricultural goods, but instead sought incremental changes during normal business. Although still relatively ill defined by 25 April, the objectives became securing sugar supplies and market access for New Zealand dairy, greater national flexibility, inflation restraints, and expenditure reduction. Importantly, none of these challenged the structure of the system.

Once the government moved from strategizing to implementation, Britain was no longer the only player. This article does not delve into the positions or motivations of the various European actors, because it instead seeks to understand the renegotiation from the Labour government's perspective. However, one should note the UK tapped into a preexisting perception regarding the reversal of world and CAP price levels and potential benefits for consumers. For instance, the Commission's bulletin, 'European Community', featured its argument in favour of the CAP for Britain. Fundamentally, it asserted the 1973/74 global price spike was a harbinger of a future norm, declaring authoritatively that 'world prices will never again drop much below the support levels set by the CAP'.⁵⁶ Instead, with the change in supply and demand situation, the EC will be 'in a strong position to protect its consumers'.⁵⁷ Essentially, with the rise in world prices 'only the foothills of the mountains ahead', British consumers were better served in the CAP than on the free market.⁵⁸ Indeed, these sentiments were echoed in other widely read publications, such as the Overseas Development Institute's impact analysis of CAP entry, *Farmers and foreigners*, the European Commission's '1974 Report on agriculture in the European Community', or agricultural economist, Simon Harris's article on the world commodity scene and the CAP.⁵⁹ All agreed the jump in world prices reflected 'the rule rather than the exception'.⁶⁰

⁵³ ECS, '10 Downing Street Meeting Minutes on Thursday 25 April 1974', p. 9.

⁵⁴ Ibid., p. 11.

⁵⁵ 'Statement by James Callaghan' (1 Apr. 1974), European Commission.

⁵⁶ Michael Berendt, 'The CAP is beginning to fit', *European Community* (n.d., c. Apr. 1974), copy in TNA, PREM 16/80.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Overseas Development Institute, *Farmers and foreigners: Impact of the Common Agricultural Policy on the Associates and Associables* (1973). Commission of the European Communities, *The agricultural situation in the Community: 1974 report* (1974). Harris, 'The world commodity scene'.

⁶⁰ Ibid., p. 21.

Admittedly, the journals and reports are far from comprehensive in explaining CAP defenders' motivations. However, they do demonstrate that the economic situation led to widespread optimism towards the CAP on both sides of the Channel in 1974. With faith that the global price situation rendered participation in the Common Market advantageous to the British consumer, the Labour government downgraded its demands in two areas. First, in international trade where UK reduced its goals from open trade and low tariffs to instead market access for two commodities: sugar and dairy. And second, in the internal structure of the CAP, where national flexibility downgraded to a modified beef regime, while previously sought after reforms like institutionalized price constraints and expenditure restrictions were abandoned.

Turning first to opening the CAP to free trade, Peart and Wilson never pursued a general reduction in external tariffs – as called for in the Manifesto – as doing so would increase costs for the consumer, but instead sought sugar and dairy access due to market peculiarities. First, in sugar, as shown in the previous section, Britain wanted supplies at reasonable prices amidst world shortage. With higher global market prices, efforts to lower general trade barriers, as outlined in the party manifesto, would have raised prices for British refiners and consumers. Instead, guaranteed access through bilateral agreements became the objective. Positively for Britain, in November 1974, the Community agreed to accept continuing access for 1.4 million tons of Commonwealth sugar cane imports with a price floor of £140/ton.⁶¹ This allowed the UK to import sugar at the Community's internal price level and should rightly be viewed as a negotiating success.

However, due to the market situation, Commonwealth suppliers, especially sugar cane producers in the Caribbean and West Indies, were reasonably hesitant to supply Britain without a significant increase in price.⁶² Although Australia was initially open to continuing to sell at below-market levels, the quantities offered were insufficient and would only do so in a long-term arrangement.⁶³ By January 1975, producers raised their demands to £290/ton, and Australia took its offer off the table in favour of more lucrative markets.⁶⁴ Thus, while winning access for imports at £140/ton was a substantial victory, it meant little if no one would sell at that price. So, the government's problem of securing supplies at reasonable prices remained.

To resolve this, European sugar beet became an attractive alternative. Firstly, the Commission offered to subsidize Community imports to the UK market up to 170,000 tons.⁶⁵ Although the quantity was less than required to satisfy demand, it offered supplies at a much cheaper price. Secondly, Britain achieved a greater share of Community production, increasing from 900,000 tons to 1.5 million.⁶⁶ Britain saw EC participation would ensure better prices than maintaining its purchasing relationships with the Commonwealth would. Although the Labour government eventually agreed to pay Commonwealth producers £260/ton to cover the

⁶¹ P. D. Nairne to Harold Wilson, 'Cabinet: Foreign Affairs – sugar and beef' (3 Nov. 1974), TNA, PREM 16/82.

⁶² EQ, 'Renegotiation objectives: sugar'.

⁶³ Ibid., p. 3.

⁶⁴ Ministerial Committee on European Questions, 'Minutes of a meeting held in the Large Ministerial

Conference Room, House of Commons on Wednesday 15 January 1975 at 3.00pm' (15 Jan. 1975), TNA, CAB 134/3899.

⁶⁵ Commission of the European Communities, 'Information memo: European Council in Dublin' (Mar. 1975), p. 4.

⁶⁶ Ibid., p. 4.

shortfall not supplied by the Community, it did not specify a quantity.⁶⁷ Instead, the UK would purchase from Europe first, and the Commonwealth second. This was a fundamental shift in British sugar trade, and once again reiterates how the international price situation altered the government's renegotiation from challenging to embracing the CAP.

In dairy, the situation was reversed. As referenced in the previous section, Britain relied on imports to satisfy domestic demand for milk products.⁶⁸ However, rather than global prices exceeding European ones, the opposite was true in butter, which was the primary dairy product for stockpiling, export and import.⁶⁹ Therefore, rather than fight to revolutionize the CAP into an open market for all commodities, Wilson's renegotiation centred on butter – the single commodity where imports were advantageous to the consumer.

Under the transitional arrangements, Britain could import depreciating quantities of butter and cheese duty-free from its traditional supplier, New Zealand, until the end of 1977.⁷⁰ For both the UK and New Zealand, this agreement was insufficient. Wilson wanted long-term assurances of cheap supplies, while New Zealand sought to maintain its market share but at higher prices than previously agreed – 'partly owing to drought and partly to the opening up of a higher priced American quota'.⁷¹ Thus, achieving an extension of the special commodity arrangement became a cornerstone of the renegotiation, because it would satisfy the British consumer and appeal to pro-Commonwealth sentiment.

However, the Community was much less obliging towards butter imports than sugar. First, dairy was a privileged sector for Denmark, France and the Netherlands, where milk producers were politically stronger than beet growers.⁷² Second, whereas imports of sugar and other commodities did not endanger European farmers because Europe was more competitive in 1974, European butter prices were significantly higher than world levels.⁷³ Thus, dairy-producing members were understandably worried that New Zealand imports would displace Community production. Additionally, because of historic ties to New Zealand, which made their demands of greater relevance to the British voter, Wilson's government held firm on New Zealand access that did not extend to other renegotiation issues.⁷⁴ This ensured the issue dragged on until the finale at the Dublin Summit in March 1975, when the Community agreed to accept UK demands for 140,000 tons of butter access through 1980.⁷⁵ Although this achievement is generally mocked in popular discussions of the renegotiation, dairy access was viewed as a significant achievement. It was prioritized over attempting a general trade reform, because dairy was the only sector where third-country imports were cheaper to the British consumer than Community supplies.

⁶⁷ Ministerial Committee on European Questions, 'Imports of ACP sugar' (17 June 1975), TNA, CAB 134/3899.

⁶⁸ European Commission, *The agricultural situation in the Community: 1974 report*.

⁶⁹ Ibid.

⁷⁰ ECS, 'Common Agricultural Policy' (22 Apr. 1974), p. 13.

⁷¹ Ibid., p. 13.

⁷² Neville-Rolfe, *Politics of agriculture*.

⁷³ Ministerial Committee on European Community Strategy, 'New Zealand: Access for dairy products and lamb' (3 Feb. 1975), TNA, CAB 134/3896.

⁷⁴ Ministerial Committee on European Community Strategy, 'Minutes of a meeting held at 10 Downing Street on Wednesday 5 February 1975 at 5.00pm' (5 Feb. 1975), TNA, CAB 134/3896, pp. 2–3.

⁷⁵ 'Session of the European Council: Dublin 10 and 11 March 1975', *Bulletin of the European Communities* 3 (1975), pp. 61–2.

Simply, to Wilson, Callaghan and Peart, the desire to remake the CAP as a free-trading programme was outdated thanks to European prices being lower than world markets for all non-dairy commodities. Instead, they prioritized bilateral exemptions to ensure adequate sugar supply and guarantee the cheapest butter price. This represented a significant downgrade from the Manifesto. When critics in the ECS raised concerns that these arrangements 'would not meet the terms of the Labour Party's February Manifesto, which called for major changes in the Common Agricultural Policy so that it ceased to be a threat to world trade and food products', the committee responded that the Manifesto's objectives 'had been formulated in 1971 and 1972 against the background of the world food surpluses of the 1960s; it was questionable whether they were appropriate to the situation of the second half of the 1970s'.⁷⁶ In the mind of the committee, Europe offered secure supplies at low prices and requesting special sugar and dairy exemptions cost much less political capital. So, one should not be surprised that Labour leaders decided not to revamp the CAP's trading system.

Yet, trading relationships were not the only area where Britain downgraded its objectives on account of the global price situation. This also occurred in the internal reform of the CAP. The Labour Manifesto refrained from detailing specific internal changes to enact, but the ECS rallied around three desired outcomes for Peart to accomplish: greater national flexibility, minimization of price inflation, and general expense reduction.⁷⁷ However, as will be shown below, while Peart succeeded in the short term, none of his achievements changed system practically or permanently.

In pursuit of greater national flexibility, the minister of agriculture won two key victories, though neither were transformative. First, Peart received special dispensation to introduce consumer subsidies for several commodities on a temporary basis.⁷⁸ Second, he created a separate beef regime closer to a deficiency payment system partially financed by the Community that other member states could adopt.⁷⁹ Rather than maintain a price floor like the CAP's system of intervention purchases and export subsidies, the deficiency payments for beef allowed the market to dictate the price to consumers while producers received a direct subsidy for the difference between a set target price above the cost of production and the lower market-determined price. It operated in a similar manner to the standard agricultural support system of the UK prior to joining the European Community, which allowed UK consumers to enjoy low food prices and UK producers to be supported. However, the programme was not adopted wholesale by the Community, but instead member states could choose to introduce it.

British leaders thought the achievement in beef 'would demonstrate our ability to modify the CAP on the lines we require and will set a major precedent for introducing greater flexibility in future years'.⁸⁰ Indeed, as Peart told the House of Commons, '[w]hat we have achieved is not

⁷⁶ ECS, '10 Downing Street Meeting Minutes on Wednesday 5 February 1975', p. 4. (20 Sept. 1974), TNA, PREM 16/81.

⁷⁷ ECS, '10 Downing Street Meeting Minutes on Thursday 25 April 1974', p. 9.

⁷⁸ 'Press Conference Statement by the Minister'

⁷⁹ Chairman of the European Unit, 'Renegotiation: Second Tactical Plan' (31 Jan. 1975), TNA, PREM 16/408, p. 7.

⁸⁰ *Ibid.*, p. 7.

just a temporary derogation for the UK. It is a very real innovation which is open to all member states'.⁸¹ Peart, Wilson and Callaghan believed once their European partners were exposed to this system in beef, they would readily introduce it to other commodities.⁸² However, the programme only lasted one year, and no other countries adopted it aside from the UK.⁸³

Their strategy to restrict price inflation was less nuanced. Peart simply sought to minimize intervention price increases during the annual negotiations rather than try to institute a market-based formula or an alternative method for determining prices.⁸⁴ Callaghan lauded 'the Ministry of Agriculture [which had] succeeded in keeping price increases below cost increases, thus reinforcing the downward trend of CAP prices in real terms'.⁸⁵ However, this strategy relied on continuous diplomacy rather than structural limitations or impartial formulae. Additionally, in the three settlements during renegotiation, the rate of price inflation accelerated, despite European commodities remaining below world prices.⁸⁶ Thus, at the time, pro-marketeers could consider it a success, but there was no indication such a strategy was sustainable.⁸⁷

Finally, to achieve an overall reduction in expenditure, Peart and the members of the Cabinet latched onto 'general stocktaking' of the CAP. Introduced by West Germany, the stocktaking assigned the Commission to publish a report and a special council of ministers to convene to review whether the CAP worked as intended and identify where reforms were necessary.⁸⁸ Through the review, Britain would have an arena in which to push for expenditure caps or an automatic reduction in intervention prices if surpluses arose. Policymakers optimistically believed there was 'reasonable hope that, through CAP stocktaking, we shall achieve satisfactory results on criteria for establishing Community prices and on more flexible support arrangements'.⁸⁹ Indeed, Wilson rebutted criticism that the package did nothing to change in the CAP's internal workings by declaring renegotiation an ongoing process: 'we have got some changes. We shall want more'.⁹⁰ And yet, the stocktaking exercise was neither binding nor were other members enthusiastic.⁹¹

As shown, the achievements in internal structural reform were meager. In their defence, the odds were clearly stacked against the UK. Allowing members to have differential prices or enact separate subsidies, either for consumers or producers, undermined both the 'common price' and the 'common financing' pillars of the CAP that made the programme work.⁹² Indeed, achieving expenditure reduction or instituting inflation restrictions were equally fraught. Entrenched farm interests and benefiting members defended the status quo. The annual price review system incentivized each country to fight for increased prices for their favoured

⁸¹ Ministry of Agriculture, Fisheries and Food, 'Membership of the EEC Debate' (8 Apr. 1975), TNA PREM 16/412.

⁸² Ibid.

⁸³ 'European Community Renegotiation: Stocktaking and Decision' (14 Mar. 1975), TNA, PREM 16/410.

⁸⁴ 'Council of Ministers (Agriculture) 17-20 September 1974: Press Conference Statement by the Minister' (20 Sept. 1974), TNA, PREM 16/81.

⁸⁵ Cabinet, 'EEC: Renegotiation Stocktaking' (14 Mar. 1975), TNA, CAB 129/182.

⁸⁶ Neville-Rolfe, *Politics of Agriculture*, p. 267.

⁸⁷ Cabinet, 'EEC: Renegotiation Stocktaking'.

⁸⁸ PD Nairne to Harold Wilson, 'Renegotiation check-list' (11 Nov. 1974), TNA, PREM 16-76, p. 5. Neville-Rolfe, *Politics of agriculture*, p. 343.

⁸⁹ Ibid., p. 5.

⁹⁰ 'European Community Renegotiation Stocktaking'.

⁹¹ Michael Palliser, 'Stocktaking of the CAP' (4 Mar. 1975), Telegram, TNA, PREM 16/412.

⁹² Neville-Rolfe, *Politics of agriculture*.

commodity. Recognizing this, the Cabinet's decision to hold out hope for the stocktaking exercise, unrestricted by the renegotiation timeline, becomes far more understandable.⁹³ However, it remains equally clear that Wilson, Callaghan and Peart did not attempt to enact major internal CAP reform during the renegotiation.

Yet, the Labour government possessed the luxury of delaying internal reform efforts precisely because of the world price situation. Firstly, the UK could allow intervention prices to climb without it directly impacting consumer prices.⁹⁴ The price relationship even made it preferable in some cases to accelerate tariff harmonization so Britain could purchase cheaper food from the Common Market's internal prices.⁹⁵ Secondly, with intervention prices low relative to internal market conditions, direct expenses were minimized. Thirdly, with global prices higher than intervention rates, the European Community was not paying an added export subsidy to dump excess production on the world market at competitive prices. Looking at the total FEOGA expenditure trend (Figure 7), the renegotiation clearly benefited from a temporary respite in rising costs. Rather than an expected jump in expenditure after expansion to nine members in 1973, it fell and remained below the clear trend-line throughout the renegotiation.

As should be evident from the negotiations, regarding both the CAP's external and internal structure, Labour significantly downgraded its renegotiation demands from those outlined in the Manifesto. Instead, the government sought minor revisions and refrained from pursuing structural changes. The global price situation both enabled this and introduced incentives to maintain the status quo. As the prime minister noted to his advisors, 'the Manifesto demands are a little out-dated, because of world shortages for, e.g., New Zealand products, and that since prices are higher abroad than in the EEC (which may be only temporary) there is less need for, or even practical hope of realizing objectives which were related to longer-term, hopefully more normal situations'.⁹⁶ Although Wilson presciently foresaw a return to the pre-1973 market situation, global prices at least partially dictated his government's behaviour.

Upon conclusion of the renegotiation at the Dublin Council, Wilson, Callaghan and Peart transitioned to selling their achievements both to the party and the public. As such, the global price situation became one of the government's primary arguments for defending their agricultural package – or to their detractors, the lack thereof – although *ex post facto* justifications for why the government did not accomplish its Manifesto goals do not carry the same argumentative weight as internal debate prior to or concurrent with negotiations. However, even a brief examination demonstrates the consistency of thought throughout the renegotiation that is useful to understand why Labour maintained the status quo.

For example, in the first step after Dublin, the Cabinet convened to assess the final renegotiation package. In preparation, Wilson prepared a list of defensive points to rebut expected criticism, especially from Shore.⁹⁷ In it, the global price relationship was the determining factor

⁹³ 'Renegotiation: Second Tactical Plan', Note by the Chairman of the European Unit (4 Feb. 1975), TNA, PREM 16/408.

⁹⁴ Ministerial Committee on European Questions, 'Council of Ministers' (Agriculture) Meeting on 17/19 September' (9 Sept. 1974), TNA, CAB 134/3752.

⁹⁵ Fred Peart to James Callaghan, 'Council of Ministers (Agriculture): 9–10 December' (4 Dec. 1974), TNA, PREM 16/82.

⁹⁶ P. D. Nairne to Lord Bridges, 'Renegotiation checklist' (11 Nov. 1974), TNA, PREM 16–76.

⁹⁷ 'European Community Renegotiation Stocktaking'.

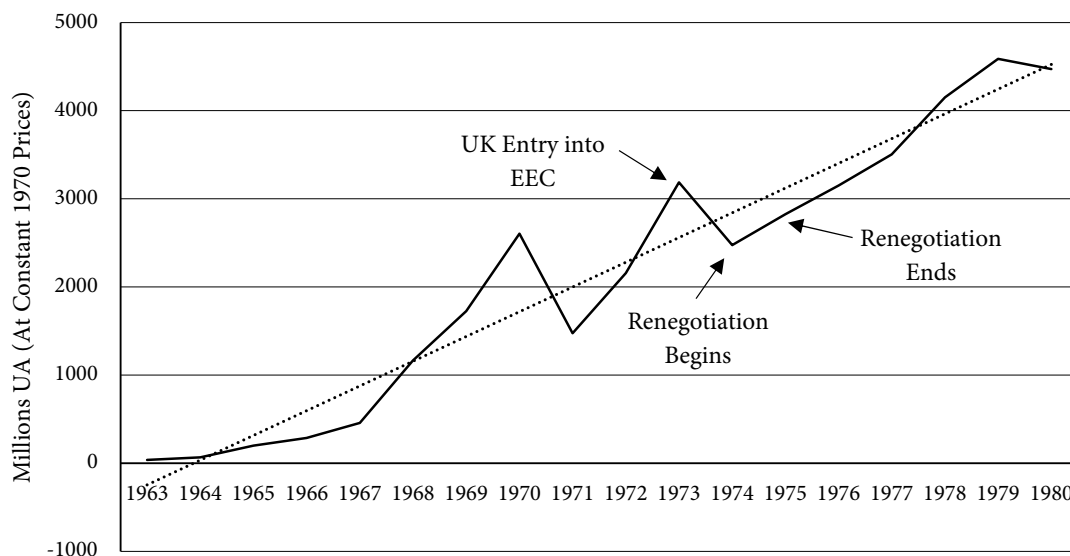


FIGURE 7. FEOGA guarantee expenditure

Source: As for Figure 1.

in declaring the CAP renegotiation a success, because it solved ‘one of our main concerns that the CAP should not impose high prices on the consumer or be a threat to world trade’.⁹⁸ And while ‘the CAP is not perfect by any means ... it can provide an assured supply of essential foods at prices which are relatively stable and are falling in real terms. Compared with the violent fluctuations of the world market and the risks of future world shortages, that is an advantage’.⁹⁹ Indeed, this line of argument continued in the government’s white paper – which declared the world food situation ‘of critical importance when considering the CAP’ and affirmed that membership ‘offers greater stability of price levels and security’.¹⁰⁰ In consultation with backbenchers, the government affirmed that ‘the changing relationship between European and world food prices meant that the Common Agricultural Policy would not in future be a liability’.¹⁰¹ Although not the only argument in favour of the final deal, there is a clear consistency from Labour leaders before, during and after the renegotiation that the global price situation lessened the need for a fundamental reform of the CAP.

Yet despite the frequent invocations of this argument, not all were convinced. Shore and others certainly did not believe the reversal of world and European food prices was permanent.¹⁰² However, their criticisms were largely irrelevant in determining the government’s

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Memorandum by the James Callaghan, ‘EEC: Renegotiation Stocktaking’ (14 Mar. 1975), TNA, CAB 129/182, Annex A, p. 6.

¹⁰¹ ‘Note of a Meeting Held by the Prime Minister at 10 Downing Street at 5pm on Monday 17 March

1975 with Members of the Government who are not Members of the Cabinet’ (17 Mar. 1975), TNA, PREM 16/410, p. 7.

¹⁰² Peter Shore to James Callaghan, ‘RE: Renegotiation: Second Tactical Plan’ (24 Feb. 1975), TNA, PREM 16/409.

agricultural negotiating stance. Firstly, the most vocal critics of the CAP were sidelined from decision-making. With Tony Benn and Michael Foot assigned portfolios for industry and employment respectively, two of the leading anti-marketeers in the Cabinet were separated from the agriculture issue.¹⁰³ Peter Shore as Secretary of State for Trade did repeatedly question whether the international market situation could be relied upon and sought to push Wilson towards a harder line CAP policy.¹⁰⁴ However, Wilson effectively sidelined him by reinforcing Callaghan's authority and empowering Peart to handle agricultural trade issues rather than Shore.¹⁰⁵ Finally, anti-marketeers remained largely agnostic, if not hostile, towards the renegotiation's success, because failure or minimal gains strengthened their 'no' campaign.¹⁰⁶ Together, this meant that skeptical voices were effectively silenced until the referendum campaign, and those who accepted the permanence of the 1974 price relationship, namely Wilson, Callaghan and Peart, possessed the decision-making authority.

IV

To this day, agricultural support remains a contentious policy in both London and Brussels even as policies have once again diverged. This neither started nor ended with the renegotiation of 1974. Peart continued to pursue reforms through the stocktaking and annual price reviews, and his successor, John Silkin, did as well.¹⁰⁷ The budgetary problems that consumed Margaret Thatcher's European policy until 1984 derived from rising CAP expenditure and Britain continuing to import food from third countries. Not until the 1992 MacSharry reforms was agricultural expenditure reined in on a permanent basis. And yet, examining the failures to institute major reform can be just as insightful as the successes.

Firstly, Labour's decision to renegotiate the terms of its membership in the EC demonstrates the dilemmas of being a latecomer to a trade agreement. With the rules of the Community formed in the interests of the founding members, Britain struggled to reform the group to accommodate its needs. Yet, from this article's examination of Wilson's agricultural policy, we see that flexibility existed and changes were attainable to a latecomer: the UK installed a new beef regime, gained access for New Zealand butter, and convinced the Community to subsidize sugar purchases.

Still, the renegotiation proved not a perfect case study in measuring latecomers' negotiating potential. As shown, the international market situation that lasted from 1973 to 1975 helped convince crucial decision-makers in the Cabinet – namely Wilson, Callaghan and Peart – fundamental reform of the CAP was unnecessary or even counterproductive to their goals of providing cheap food to British consumers and limiting costs to the Exchequer. Thus, because the UK never sought to thoroughly restructure the system to its interests, the upper bound of Britain's leverage cannot be properly measured.

¹⁰³ Broad, *Labour's European Dilemmas*, pp. 98–9.

¹⁰⁴ 'Letter from Shore's Private Secretary, N. A. C. Hirst, to Peart's Private Secretary, J. A. Brown' (2 September 1974), TNA, PREM 16/81.

¹⁰⁵ Stephen Wall, *The official history of Britain and the European Union Community* (2013), pp. 516, 533.

¹⁰⁶ Lindsay AQUI, 'Britain and the European Community, 1 January 1973 – 5 June 1975: Policy, party politics and public opinion' (Unpubl. PhD thesis, Queen Mary University of London, 2018), pp. 130–1.

¹⁰⁷ Neville-Rolfe, *Politics of agriculture*, p. 282.

Secondly, examination of the agricultural renegotiation shows the contingent nature of Britain's reform attempt. Undoubtedly, even the most committed effort to make the CAP more amenable to free-trade and consumer interests would have encountered strong resistance from entrenched powers. However, drought in Kansas and famine in the Soviet Union at the exact moment when Britain sought to maximize its leverage around a threat to leave the Community dissuaded both Wilson and European leaders from restructuring. To them, the EC's price-support theory of agricultural welfare was proven superior. With hindsight, it is clear that high world food prices and supply shortage relative to the European market was a temporary phenomenon that only lasted from 1973 to 1975, but its timing demonstrates both the UK government's unluckiness and susceptibility to overextrapolation of recent trends.

Finally, temporarily high world prices and Britain's conversion to a European agricultural policy helped set in motion the overproduction later in the decade. With world prices high and potentially volatile, Peart sought to insulate UK farmers and consumers by pushing self-sufficiency and increased production, especially in dairy.¹⁰⁸ Unsurprisingly, when world prices fell again, greater production only exacerbated an already saturated market, and, out of a desire to protect UK farmers, MAFF was less committed to restricting price inflation at annual reviews.¹⁰⁹

The renegotiation did not spell the end of debate over the CAP or agricultural markets. It continued through the 1975 referendum and beyond. As Tony Benn succinctly summarized during the 'no' campaign, 'we have not achieved our Manifesto objectives, and indeed we did not even try'.¹¹⁰ Benn was right, Wilson and others did not try to fulfil the promise of the Manifesto. Instead, contrary to the opinions of Benn and Shore, they determined the volatility and high food prices on the world market made it unnecessary to do so. To Wilson, 'whether one accepts these arguments or Mr Shore's is a matter of judgment'. However, with the Cabinet voting 12 to 4 in favour of the renegotiation package, and the public's overwhelming vote to remain, both had de facto accepted Wilson's judgment of the data.¹¹¹

¹⁰⁸ 'Food From Our Own Resources', CMND 6020 (March 1975), TNA, CAB 129/182.

¹⁰⁹ Ministerial Committee on European Questions, 'Minutes of a Meeting held in Conference Room A, Cabinet Office on Thursday 18 March 1976 at 9.30am'

(18 March 1976), TNA, CAB 134/3899.

¹¹⁰ Tony Benn, *Against the Tide: Diaries 1973-1976* (1989), p. 345.

¹¹¹ 'European Community Renegotiation Stocktaking'.