

# ‘Something significant to show for our efforts?’ British perspectives on the *Stocktaking of the Common Agricultural Policy*\*

by Alan Swinbank

## *Abstract*

In the early 1970s the CAP was subject to review on four occasions, but survived each more-or-less unscathed. Soon after the 1973 enlargement of the EEC, the Commission of the European Communities launched a debate to ‘improve’ the CAP, to the surprise of Edward Heath’s administration. In a period of inflation, currency fluctuations, and the emergence of a world commodity price boom, that initiative had produced meagre results by the time Harold Wilson’s Labour government displaced Heath. Labour’s attempts to renegotiate the terms of membership had little impact on the CAP, despite the government assertions to the contrary. Moreover, any hope that the USA could secure changes through the GATT negotiations triggered by enlargement had proven illusory. Similarly the German Government’s insistence on budget cuts and a CAP ‘stocktaking’ had lost its way by the time Heads of State assembled in Rome in December 1975.

The Common Agricultural Policy (CAP) – which had been gradually, and painfully, developed during the 1960s – was a core concern for the United Kingdom (UK) through successive negotiations, as the British sought to gain membership of the European Economic Community (EEC). When the UK did join, in 1973, on its third attempt, it largely accepted the basic principles of the CAP as a *fait accompli*, although transitional arrangements applied, which are outlined briefly in section I. As Davies, in his semi-official history of the role the Ministry of Agriculture, Fisheries and Food (MAFF) played in the accession negotiations, has noted: ‘it was the Government’s first aim that was of overwhelming importance: we had to get in – we could not in any circumstances tolerate a third failure’. But, he also claims that although MAFF had become ‘increasingly dissatisfied’ with the British system of farm price support, ‘it was certainly not enamoured of the common agricultural policy’.<sup>1</sup>

\* The author was a junior administrator in DGVI (the Directorate-General for Agriculture) in the Commission of the European Communities from October 1973 to September 1977, but had no substantive input into the events outlined in this article. He is grateful to Simon Harris, the *Review*’s previous editor, Richard Hoyle, and two anonymous referees for helpful comments, but retains sole culpability for the contents of this text.

<sup>1</sup> On the development of the CAP in the 1960s, see for example Ann-Christina L. Knudsen, *Farmers on welfare: The making of Europe’s Common Agricultural Policy* (2009). J. H. V. Davies, ‘The Attempt that Succeeded’, in

Similarly the Prime Minister at the time, Edward (Ted) Heath, who had doggedly pursued EEC membership throughout his ministerial career, asked himself somewhat rhetorically at the Conservative Party's annual conference in Blackpool in October 1973: 'Should there be changes in the Common Agricultural Policy?' To which he answered: 'Certainly. And it is precisely because we are now members of the Community that it has been agreed that plans for change should be set in hand'.<sup>2</sup> The 'plans for change' to which Heath was apparently referring were in a communication from the Commission of the European Communities – hereafter the CEC – entitled *Improvement of the Common Agricultural Policy*.<sup>3</sup>

The fate of that document, the 1975 *Stocktaking of the Common Agricultural Policy*, and the achievements of Heath's government, and that of his Labour successor Harold Wilson, in securing an 'improvement' of the CAP are the focus of this article.<sup>4</sup> Based largely on government papers in the National Archives (TNA) at Kew the article examines: the Heath administration's response to the *Improvement* document, the CAP component in the renegotiation of the UK's EEC membership, the GATT Article XXIV negotiations, and finally Wilson's response to the *Stocktaking*. Unlike subsequent developments in CAP 'reform' (milk quotas, stabilizers, the MacSharry reform, etc.) these events have to date received little coverage in the literature.

By way of background it can be noted that it had long been recognized that adoption of the CAP would be challenging for the UK. Both the UK and the EEC had sought to support farmers by raising their revenues. But the CAP did this by taxing imports, raising market prices, whereas British policy had been more focused on taxpayer-funded payments to augment market prices (known as 'deficiency payments') and selective subsidies on fertilizers and other inputs. Thus adoption of the CAP meant higher food prices. These import taxes threatened the UK's traditional suppliers, particularly from the Commonwealth, and so access for New Zealand butter and Caribbean sugar were politically sensitive issues. The CAP was the EEC budget's biggest expenditure item, but relatively little of that spend would be destined for the UK, whereas the import taxes charged on food (and other) imports into the UK, and credited to the EEC, would make the UK a significant net contributor to the EEC budget. Those payments, and the higher price the UK would now pay for food imports bought from other Member States in the protected EEC market, would increase the unit cost of the UK's food imports.<sup>5</sup>

Edward Heath hoped that the development of other EEC spending policies – for example a Regional Development Fund – would help redress the adverse impact of the CAP on the UK's net budget contributions and economy. Harold Wilson's administration had an election manifesto commitment to renegotiate the terms of EEC membership, including CAP reform, better access for Commonwealth supplies, and a revised budget settlement.

Note 1 *continued*

Michael Franklin (ed.), *Joining the CAP: The agricultural negotiations for British accession to the European Economic Community, 1961–1973* (2010), p. 322.

<sup>2</sup> Heath, Edward, 'Leader's speech, Blackpool 1973' (1973), *BritishPoliticalSpeech: Speech Archive* (<http://www.britishpoliticalspeech.org/speech-archive.htm>

?speech=120, accessed 10 Oct. 2018).

<sup>3</sup> CEC, *Improvement of the Common Agricultural Policy*, COM(73) 1850 (1973).

<sup>4</sup> CEC, *Stocktaking of the Common Agricultural Policy*, COM(75) 100 (1975).

<sup>5</sup> T. K. Warley, *Agriculture: The cost of joining the Common Market*, European Series No. 3 (1967).

## I

Following the UK's accession to the EEC on 1 January 1973, the CAP was implemented from 1 February. Conventional import tariffs were progressively eliminated between the new Member States (Denmark, Ireland and the UK) and the existing EEC and, similarly, tariffs on imports from third countries were aligned with the EEC's common external tariff (CET), with the process completed on 1 July 1977.<sup>6</sup>

For products subject to a common organization of the market under the CAP (the main exceptions being mutton and lamb – sheepmeat in EEC jargon – and potatoes) there was to be a progressive harmonization of the levels of market price support, with common prices in force from 1 January 1978 at the latest. This, in the main, meant an *increase* in market prices in the UK. During the transition period, however, as the UK's intervention and other support prices were gradually increased, Accession Compensatory Amounts (ACAs) were applied, bridging the gap between the UK's level of market price support and that prevailing in the original Member States. On the UK's trade with third countries, these ACAs were *deducted* from the import levies and export refunds that would otherwise apply; and on intra-Community trade they were a subsidy on the UK's imports, and a tax on its exports, to other Member States.

However, the expected transition to a 'common' price level proved more difficult than had been envisaged, as the role of ACAs was swamped as a result of currency upheavals resulting in the need to apply Monetary Compensatory Amounts (MCAs) – in addition to ACAs – on both trade with third countries and on intra-Community trade. Irving and Fearn, two MAFF economists, detail the origins of the 'green money' system, its evolution and the need for MCAs, and its operation in the early 1970s. Support prices in national currencies were determined by applying a conversion rate (known as the 'green' rate) to an EEC price fixed in units of account. A depreciation of a currency against the unit of account would increase the price recorded in national currency terms. Thus, as the pound depreciated on international currency markets, both the Heath and Wilson governments, worried about the impact on food prices, were reluctant to allow the value of the green pound to sink as quickly, and to the same extent. Consequently, CAP prices in the UK were lower than they would have been had the theoretical level of common pricing prevailed. This gap was bridged by a *negative* MCA. Germany, with its currency moving in the opposite direction, resisted green deutsche mark revaluations as these lowered the level of price support to German farmers in national currency terms, and the resulting gap was covered by a *positive* MCA.<sup>7</sup>

Expenditure on intervention, export refunds, and other market support mechanisms was funded through the Guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), more often referred to by its French acronym FEOGA (fonds européen d'orien-

<sup>6</sup> Act Concerning the Conditions of Accession and the Adjustments to the Treaties, *Official Journal of the European Communities* (special edn, 27 Mar. 1972). CAP's market price support mechanisms are outlined in Simon Harris, Alan Swinbank, and Guy Wilkinson, *The food and farm policies of the European Community* (1983).

<sup>7</sup> R. W. Irving and H. A. Fearn, *Green money and the Common Agricultural Policy*, Centre for European Agricultural Studies Occasional Paper No. 2 (1975). For further explanation of the green money system see Christopher Ritson and Alan Swinbank, 'Europe's green money', in Christopher Ritson and David Harvey (eds), *The Common Agricultural Policy* (sec. edn, 1997).

tation et de garantie agricole). Expenditure on structural policy was in part funded by the Guidance section of FEOGA with the Member States responsible for the remainder of the eligible expenditure incurred in their jurisdictions. Revenues arising from agricultural levies, and the common external tariff, formed part of the EEC's 'own resources'. For the new Member States, the 'own resources' system was only to be fully applied from the end of the transition period.<sup>8</sup>

A number of issues were left unresolved, including the future of the Milk Marketing Boards, a follow-on for the Commonwealth Sugar Agreement, and support for hill farming, none of which will be explored here.<sup>9</sup>

## II

That accession to the EEC and adoption of the CAP would have an upward impact on retail food prices, and increase the balance of payments cost of a given volume of food imports, had been widely recognized in the deliberations and debates over EEC membership.<sup>10</sup> For understandable reasons, Edward Heath's government was sensitive to any suggestion that its policies had resulted in food price inflation. Thus when the Ministerial Committee on Europe discussed the Commission's CAP price proposals for 1972/73 on 8 March 1972, ten months before accession, it was noted that the UK 'had already taken a number of opportunities to make known to the Community our views on these proposals' and 'had argued strongly that price increases should in general be kept to a minimum', particularly for cereals. Under the circumstances, 'it would be necessary to prepare [a] thorough defensive briefing which would be ready for use by Government spokesmen as soon as it became known in this country that the Community had reached agreement on price increases. In particular, it would be desirable to bring out clearly the extent to which world food prices had increased in recent months'.<sup>11</sup>

As Heath later explained:

Prices were the overwhelming obstacle in people's minds to joining Europe. Our opponents at home claimed that domestic prices would rise dramatically after our accession, because of the Common Agricultural Policy. In fact, domestic prices, including food prices, were already rising considerably faster in the UK than within the Community before our entry.<sup>12</sup>

Retail prices, as measured by the year-on-year movement in the Retail Price Index (RPI), had indeed been increasing at a faster rate in the latter part of 1972 than earlier: in January 1973 the

<sup>8</sup> Daniel Strasser, *The finances of Europe* (publ. as *Les finances d'Europe*, 1975, trans. 1977).

<sup>9</sup> For introductions to these topics see: Roland E. Williams, *The political economy of the Common Market in milk and dairy products in the European Union*, FAO Economic and Social Development Paper 142 (1997), Section IX (<http://www.fao.org/3/W7415E/W7415E00.htm>, accessed 24 Sept. 2019); Carole Webb, 'Mr. Cube versus Monsieur Beet: the politics of sugar in the European Communities', in Helen Wallace, William Wallace, and Carole Webb (eds), *Policy-making in the European Communities* (1977); Rosemary Fennell, *The*

*Common Agricultural Policy: continuity and change* (1997), pp. 254–60.

<sup>10</sup> Tim Josling, 'The agricultural burden: a reappraisal', in John Pinder (ed.), *The economics of Europe: What the Common Market means for Britain* (1971). Douglas Jay, 'The economic burden of entry', in Douglas Evans (ed.), *Destiny or delusion: Britain and the Common Market* (1971).

<sup>11</sup> TNA, CAB 134/3501, Ministerial Committee on Europe: 2nd Meeting, 8 Mar. 1972.

<sup>12</sup> Edward Heath, *The course of my life: my autobiography* (1998), p. 376.

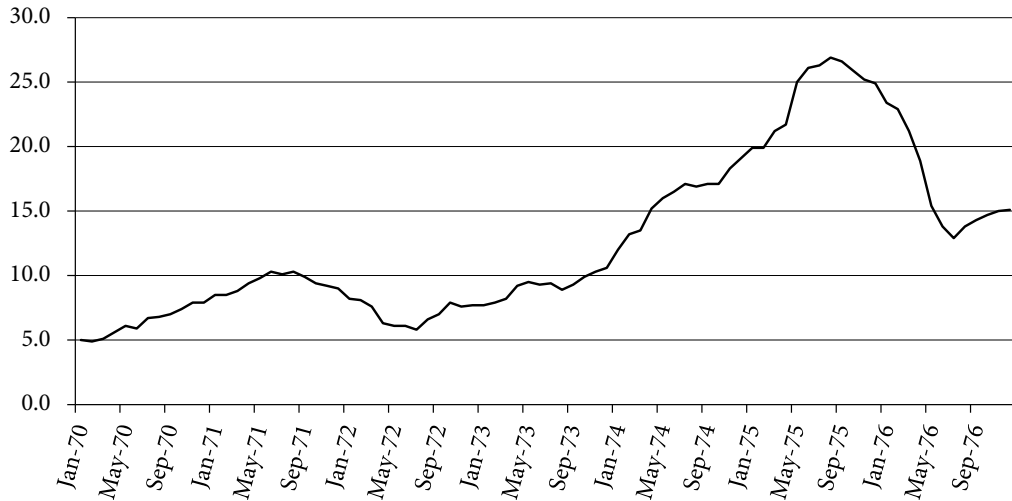


FIGURE 1. Annual Movements in the Retail Price Index, Monthly Data, January 1970 to December 1976

Source: Office of National Statistics, *RPI All Items: Percentage change over 12 months: Jan 1987=100* (<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23>, accessed 25 October 2018).

RPI was 7.7 per cent higher than it had been a year before (see Figure 1). Thereafter inflation increased, peaking (on this measure) at 26.9 per cent in August 1975.

It is not the ambition of this article to explain the inflationary pressures present in the British economy in the 1970s, but two dimensions are relevant for the present discussion: the depreciation of the pound sterling on international currency markets, and a steep rise in international commodity prices.

The late 1960s and early 1970s, were turbulent times for the foreign exchange markets. In autumn 1971 President Nixon suspended the convertibility of the US dollar into gold, and the whole Bretton Woods system began to crumble. Sterling came under pressure, and on 23 June 1972 Edward Heath's government, deciding that a fixed exchange rate could no longer be defended, allowed the pound to float, with market forces determining its value. Although Heath was later to write 'the pound did lose some value ... but there was no dramatic collapse', in fact it did fall steeply against some currencies, notably the German Deutsche Mark (see Figure 2).<sup>13</sup>

The monthly average data that underpins Figure 2 shows that by January 1973 the Pound had depreciated by nearly 9 per cent against the German Deutsche Mark; and more was to follow. By July 1973, only seven months into the UK's EEC membership, the pound was only worth 72 per cent of its June 1972 value against the Mark. This was not entirely the result of the weakness of Sterling: the Mark had appreciated too. But these currency gyrations wreaked havoc on the CAP's pretensions to 'common' pricing.

Figure 3 indicates how prices for wheat, sugar, and crude oil evolved from 1970 to the end of 1976. The significant surge in oil prices followed the Yom Kippur War (the 1973 Arab–Israeli War) of October 1973, and the decision of the Organization of the Petroleum Exporting

<sup>13</sup> Ibid., p. 410.

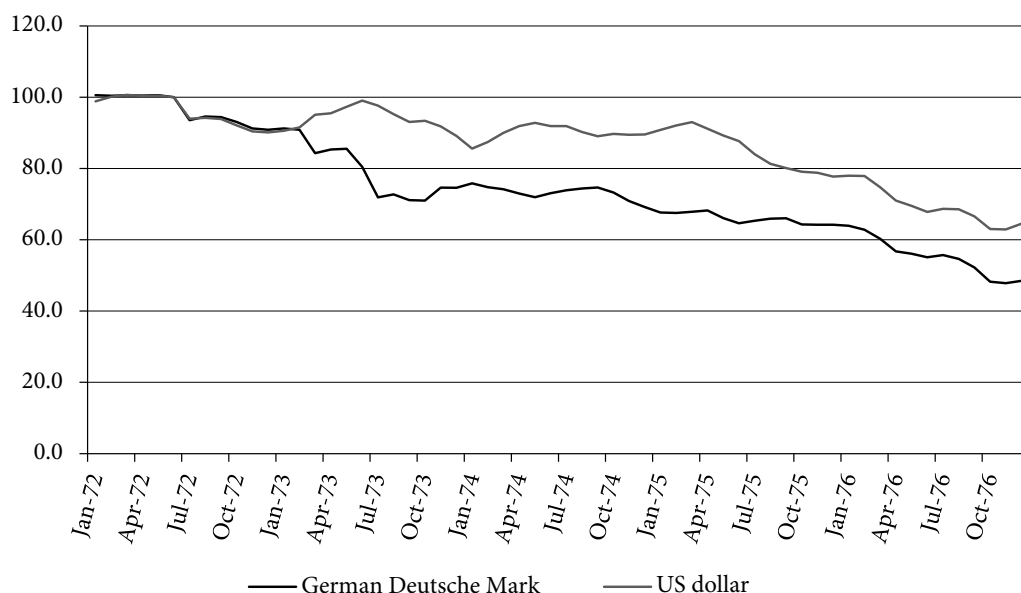


FIGURE 2. Index (June 1972 = 100) of the Value of Sterling in German Deutsche Marks and US Dollars, Monthly Averages

Source: Author's calculations from Bank of England, Table M.14 of the Excel spread-sheet, *A millennium of macroeconomic data* (<https://www.bankofengland.co.uk/statistics/research-datasets>, accessed 25 October 2018).

Countries (OPEC) to limit oil production. The price of agricultural commodities had been rising before that. By January 1973 the international wheat price (as recorded in Figure 3) was nearly twice its average level of 1970, where it stayed for six months. Following this brief period of stability, the international wheat price in August 1973 showed a 50 per cent increase on its level in July.

Sugar prices were also rising, but the price peak in the latter part of 1974 would be a particular problem for Heath's successor as Prime Minister, Harold Wilson. The sugar saga cannot be documented in this article, other than to note that as well as imposing export taxes on sugar, cereals, and rice, in October 1974 the EEC adopted a number of 'measures to cope with the sugar shortage throughout the Community, but felt more sharply in the United Kingdom'. In particular sugar imports were subsidized.<sup>14</sup>

Writing soon after these developments, Cooper and Lawrence noted that:

An extraordinary increase in commodity prices occurred in 1973–74. Even leaving aside crude oil as a special case, primary commodity prices on one index more than doubled between mid-1972 and mid-1974, while the prices of some individual commodities, such as sugar and urea (nitrogenous fertilizer), rose more than five times.

This, they say, 'startled most observers, for it came on the heels of apparent oversupply in 1970–71'. They highlight two potential explanatory factors for the surge in agricultural

<sup>14</sup> *Bulletin of the European Communities*, 10-1974, Points 2228 and 2231.

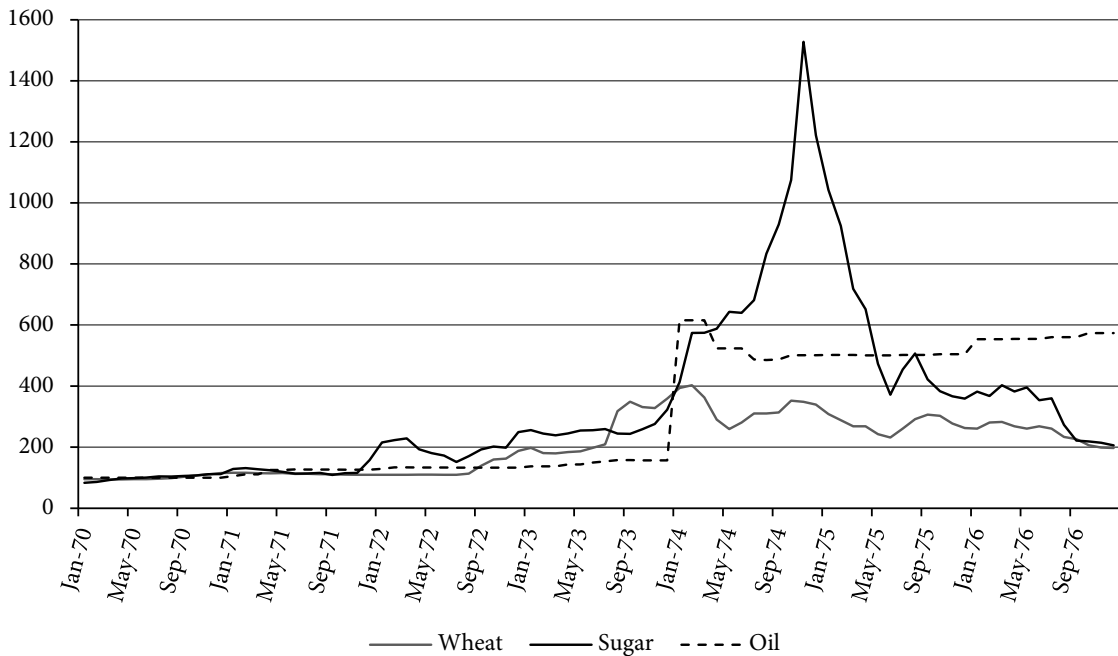


FIGURE 3. Price Indices for Wheat, Sugar, and Crude Oil, Monthly Data in US\$, 1970–1976 (1970 = 100)

Source: Compiled by the author from UNCTADSTAT, *Free market commodity prices, monthly*, January 1960 – December 2017 ([https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=28769&IF\\_Language=eng](https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=28769&IF_Language=eng), accessed 26 October 2018).

Wheat: United States, n° 2 Hard Red Winter (ordinary), FOB Gulf

Sugar: average of ISA daily prices, FOB and Stowed, in bulk, Caribbean ports

Crude Oil: simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

commodity prices. One was a ‘sharp reduction in the Peruvian anchovy catch’, by 62 per cent between 1970 and 1972, and a further 50 per cent in 1973. ‘[T]his loss of protein-rich animal feed put upward pressure on the market for soybean meal and other animal feeds, in the face of rapidly growing demand for red meat throughout the world’.<sup>15</sup> In the US, planting restrictions (‘set-aside’) were relaxed, and then on 13 June 1973 a short-lived export embargo on ‘soybeans, cottonseeds, and their products’ was announced. Although the embargo was rescinded on 2 July 1973, export restrictions applied until 1 October 1973.<sup>16</sup>

The other factor Cooper and Lawrence mention is ‘poor harvests in the USSR and in southern Asia in 1972, combined with a change in USSR policy regarding the maintenance of cattle stocks in the face of bad harvests, result[ing] in a world shortage of grains’.<sup>17</sup> In what was dubbed the Great Grain Robbery, in July and August 1972 the USA’s wheat sales to the

<sup>15</sup> Richard N. Cooper and Robert Z. Lawrence, ‘The 1972–75 Commodity Boom’, *Brookings Papers on Economic Activity*, 1975(3) (1975), pp. 671–715, at pp. 671, 678.

<sup>16</sup> United States International Trade Commission, *U.S. Embargoes on agricultural exports: Implications for*

*the U.S. agricultural industry and U.S. exports: Report on investigation No. 332-157 Under Section 332 of the Tariff Act of 1930*, Publication 1461 (1983), p. 3.

<sup>17</sup> Cooper and Lawrence, ‘Commodity Boom’, p. 689.

Soviet Union were 'more than the total U.S. commercial wheat exports for the year beginning in July 1971', and 'equivalent to 30 per cent of average annual U.S. wheat production during the previous five years'.<sup>18</sup>

### III

The fourth meeting of the UK's Ministerial Committee for Europe, on 8 March 1973, discussed strategy in anticipation of the CEC's forthcoming proposals on CAP support prices for 1973/74. These had been delayed, according to the Minister of Agriculture, to avoid 'the embarrassment of having Commission proposals on the table just before the French elections.' Given the UK's 'general aim to reduce the cost of the CAP and our particular preoccupation with inflation, there is little doubt that it would be in our interests to secure reductions in the relatively high Community price levels.' In discussion it was noted that the UK 'had accepted considerable burdens under the CAP as part of the price for entry to the Community. It was now entirely reasonable for us to pursue a strongly self-interested attitude.' However, Ministers cautioned: 'We should arouse considerable antagonism if our attitude were to be interpreted as a deliberate attack on the CAP'.<sup>19</sup>

The CEC's price proposals were tabled on 21 March 1973. A particular concern the CEC sought to address was 'the need to restore as far as possible the common price system on which the common market in agriculture is based, which has been disrupted by developments in the monetary field'. Inflation was a problem but, somewhat differently to UK Ministers' concerns, producer rather than consumer interests appeared to be to the fore: 'As a result of the disquieting continuance of inflationary tendencies, there has been a marked increase in the price of agricultural inputs'. Consequently, 'an increase in the general level of common prices for agricultural products continues to be necessary to enable modern farmers to keep up with the trend of wages and salaries outside agriculture'. This was true even for milk, despite 'the serious difficulties caused ... by the surplus of butterfats'. Thus the CEC was proposing that the intervention price of butter should be reduced by 'approximately 11 per cent', offset by an increase in the intervention price of skimmed milk powder 'of approximately 24 per cent', whilst the target price for milk would be increased, in two stages, by almost 4.8 per cent.<sup>20</sup>

There was indeed a problem with butter. As reported to the House of Commons on 11 April 1973, the CEC had 'approved the sale of 200,000 tons of butter now in the hands of intervention agencies of the six original Member States': destined for the Soviet Union. The CEC, within whose competence the matter rested, had received a favourable opinion from the Management Committee for Milk and Milk Products, and so the Council of Ministers had not intervened. This, MPs were told, 'is one of the features of the common agricultural policy which needs changing'.<sup>21</sup>

<sup>18</sup> Clifton B. Luttrell, 'The Russian Wheat Deal – Hindsight vs. Foresight', *Review – Federal Reserve Bank of St Louis* (1973), pp. 1–9.

<sup>19</sup> TNA, CAB 134/3611: CAP Prices for 1973/74. Note by the Minister of Agriculture Fisheries and Food, 6 Mar. 1973. TNA, CAB 134/3610, Ministerial Committee on Europe: 4th Meeting, 8 Mar. 1974.

<sup>20</sup> CEC, Commission Proposal to the Council relating to the fixing of prices for certain agricultural products and certain related measures, COM(73) 445 (1973), pp. 2–7.

<sup>21</sup> Parliamentary Debates, Commons, Fifth ser. 854, c.1327, The Minister of State for Agriculture, Fisheries and Food (Mr Anthony Stodart).

British Ministers were, however, drawn to one element in the CEC's price proposals: the conclusion that 'agricultural price policy ... cannot settle all the problems that arise as a result of disparities within the agricultural sector itself', and the Commission's 'intention to carry out an in-depth examination of the problems'. Indeed the Commission invited the Council 'to arrange a planning discussion on this subject for October', which would inform the Commission's 'overall proposals for the next agricultural year'.<sup>22</sup>

The Prime Minister and President Pompidou discussed the CAP at the Elysée Palace on 21 May 1973. According to the British record the discussion was wide ranging, touching for example on the principle of 'Community preference' (that is, giving farmers prices higher than those that might prevail on world markets, and implemented, according to the CEC, by 'a system of variable levies and the common customs tariff'), the recent sale of butter to the Soviet Union at knock-down prices, and the difficulties that exchange rate change, and the use of MCAs, caused for farm policy. According to Pompidou, the EEC 'would only manage to avoid these difficulties when Ministers of Agriculture were no longer allowed to discuss agricultural issues'. Indeed, he mused, they 'should really be called Ministers of Farming'. Apparently the Prime Minister agreed. The tenor of the record is that Pompidou was largely sympathetic to British views on the CAP.

Heath, apparently, reassured the President that: 'The British attitude to the Common Agricultural Policy remained as he had described it in the past ... We accepted the Policy and should continue to support it.' Heath suggested that:

both recognised that ... there was a problem of reconciling a fair price for the producer with the lowest possible price for the housewife. ... [I]t seemed that there were signs of agreement emerging within the Community that some form of special measures might be required to help those poorer producers who could not get a satisfactory return from the price mechanism, without this entailing an exaggeratedly high price being paid to the bigger producers. ... It should be possible to resolve these problems in various ways, but within the framework of the Common Agricultural Policy. He hoped this would be the purpose of the review that was due to take place in the autumn.<sup>23</sup>

The German Government too seemed to be sympathetic to the British quest for CAP reform. In Bonn, a week after Paris, Helmut Schmidt, then Minister of Finance, but later Chancellor, in an after-dinner conversation, reportedly opined that the EEC's 'existing agricultural policies' were 'a scandal'; with Chancellor Willy Brandt agreeing that 'there was much wrong with the CAP in its present form'.<sup>24</sup> However, Germany was very reluctant to cut its support prices. As Georges Pompidou had earlier noted in his discussions with Edward Heath in Paris, 'the Germans refused to accept' that 'a reduction in agricultural prices' should follow a currency revaluation.<sup>25</sup>

<sup>22</sup> CEC, COM(73) 445: p. 8a.

<sup>23</sup> CEC, COM(75) 100: p. 4. TNA, PREM 15/2075: Record of conversation between the Prime Minister and the President of the French Republic at the Élysée Palace at 4.15 p.m. on Monday 21 May 1973.

<sup>24</sup> TNA, PREM 15/1577: Record of a conversation

between the Prime Minister, the German Chancellor, and members of the German Cabinet in the Federal Chancellor's house in Bonn-Venusberg after dinner on Tuesday 29 May 1973.

<sup>25</sup> TNA, PREM 15/2075, Record of conversation, 21 May 1973.

At the time, Germany had the highest CAP support prices in the EEC, with its positive MCA standing at 6.9 per cent according to Irving and Fearn.<sup>26</sup>

The CEC's text, *Improvement of the Common Agricultural Policy*, which Neville-Rolfe labels the Lardinois Memorandum, appeared in early November 1973.<sup>27</sup> When the Ministerial Committee for Europe met on 14 November 1973 it had before it two papers from the Minister of Agriculture, Joseph Godber. The first of these memoranda reminded the Committee that the 'government has stated that it accepts the basic principles of the CAP'. It went on to say, however, that, 'Acceptance of these principles does not in itself inhibit us from seeking to modify either the mechanisms of the CAP or its price levels, but it does place some limitations on the extent to which the CAP can be challenged.' Later, the text declares: 'We must recognise that there is no prospect of spectacular gains as an immediate result of the review'. MAFF was no longer as optimistic as it once had been about a switch away from high support prices to selective subsidies to small farmers:

A ten-cow level for selective support for milk would include 80 per cent of German and 60 per cent of French producers but only 15 per cent of British. A 25-acre farm size for cereals would include 61 per cent of cereals farmers in the EEC as a whole but only 10 per cent of British. Such a system would help us argue for a reduction in end-prices and so some saving on our import costs, but this could well be outweighed by the increase in our contributions to Community funds.<sup>28</sup>

In discussion it was suggested that 'Only the French Government were likely to raise difficulties about a more fundamental approach to the CAP Review; the German Government in particular was dismayed by the increasing and uncontrolled costs of the CAP.' But other voices urged caution:

We were in a delicate negotiating position over the Regional Development Fund and the move to the second stage of economic and monetary union which were due ... to take effect from the beginning of 1974. Beyond that date it might be possible to take a more robust line over the CAP ... But we should remember that we were bound by the terms of the Treaty of Accession and our acceptance of the Community acquis. We could not call in question the principles of the CAP.<sup>29</sup>

But by now the days of the Heath government were numbered. The National Union of Miners imposed a ban on overtime, constraining coal supplies to the power stations for the generation of electricity, and compounding the problems caused by the OPEC oil embargo. To curtail energy usage, the government imposed a three-day week, restrictions on electricity supplies to industry, and a 10.30pm shutdown for television. Miners voted for a strike on 4 February 1974. Two days later Heath sought the dissolution of parliament, prompting a General Election on 28 February.<sup>30</sup>

<sup>26</sup> Irving and Fearn, *Green money*, p. 49.

<sup>27</sup> Edmund Neville-Rolfe, *The politics of agriculture in the European Community* (1984), p. 340.

<sup>28</sup> TNA, CAB 134/3613, Review of the Common Agricultural Policy: Note by the Minister of Agriculture,

Fisheries and Food, 2 Nov. 1973.

<sup>29</sup> TNA, CAB 134/3610, Ministerial Committee on Europe, 25th Meeting, 14 Nov. 1973.

<sup>30</sup> Heath, *Course of my life*, pp. 503–11.

The CEC's farm price proposals for 1974/75, 'along the guidelines already set out in the Memorandum on improving the CAP', together with 'an initial batch of measures as part of the 1973–78 improvement plan', had been tabled in January 1974. They were discussed by the Council on 11–12 February, and again on 18–19 February 1974, but 'delegations came up against considerable problems in reaching agreement' and decisions were deferred until March. By then the UK had a new government.<sup>31</sup>

#### IV

In its Manifesto for the February 1974 election, the Labour Party said that 'the terms of entry to the Common Market' accepted by Heath's government had 'involved the imposition of food taxes on top of rising world prices, crippling fresh burdens on our balance of payments, and a draconian curtailment of the power of the British Parliament'. Accordingly it committed to renegotiating those terms of entry, and first of its list of 'main objectives' was to seek: 'Major changes in the COMMON AGRICULTURAL POLICY, so that it ceases to be a threat to world trade in food products, and so that low-cost producers outside Europe can continue to have access to the British food market'.<sup>32</sup>

After the election, and the formation of Harold Wilson's government on 4 March 1974, Peart, who in opposition had been highly critical of the CAP – see for example his address to the Agricultural Economics Society conference in July 1972, as later published by the Society – was made Minister of Agriculture. In office, however, he adopted a more conciliatory approach. Michael Tracy, a senior official in the Secretariat of the Council of the European Communities, who was in an unrivalled position to watch European ministers in action, has a prosaic explanation. He suggests that the change of heart began with Peart, 'a sociable character' who 'enjoyed his beer', and the German Minister, Josef Ertl, 'enjoying a drink together' in 'the bar on the top floor of the Charlemagne building next to the Council chamber.' Nicholas Spreckley, in his record of the *Renegotiation and Referendum*, suggests that, as Minister of Agriculture, Peart's was a 'key appointment', in maintaining 'a line on the CAP in any way acceptable' to the other Member States.<sup>33</sup>

The first meeting of the EEC's Council of Ministers that Wilson's new ministerial team was able to attend was that of ministers of agriculture on 21–23 March 1974, which 'set the common farm prices applicable for the 1974/1975 marketing year'.<sup>34</sup> Afterwards, on 25 April, Peart reported to the newly created Ministerial Committee on European Community Strategy, which was discussing the Labour Government's Manifesto promise to renegotiate the UK's

<sup>31</sup> CEC, Proposal from the Commission to the Council concerning the fixing of prices for certain agricultural products and certain measures specified in the Memorandum on the Improvement of the Common Agricultural Policy, COM(74) 30 (1974). *Bulletin of the European Communities*, 1-1974, Points 1201-2 and 2-1974, Points 2428, 2430.

<sup>32</sup> Labour Party, *Let us work together – Labour's way out of the crisis*, February 1974 Election Manifesto

(<http://www.politicsresources.net/area/uk/man/lab-74feb.htm>, accessed 9 Nov. 2018).

<sup>33</sup> F. T. Peart, 'International Aspects of Agriculture', *J. Agricultural Economics* 24 (1973), pp. 13–21. Michael Tracy, *A European life from war to peace: memoirs* (2010), p. 65. Nicholas Spreckley, *The Common Market renegotiation and referendum, 1974–1975* (1975), p. 7.

<sup>34</sup> *Bulletin of the European Communities*, 3-1974, Point 2424.

terms of entry into the EEC, particularly with regard to the CAP. Peart said that from his 'own experience in the Council of Agricultural Ministers' he was 'optimistic about getting what we want.' Others present clearly expressed some contrary views, with the minutes suggesting that although the proposal set out by MAFF 'would represent some small improvement in the CAP, it was desirable to seek much more far-reaching changes.' 'It was wrong', from this perspective, 'to base our planning on current price relativities and unrealistic to pin any faith on the Commission's proposals for changing the CAP. The CAP continued to generate surpluses which were costly, wasteful, and disruptive to trade'.<sup>35</sup>

The Cabinet on 2 and 4 July 1974 had a lengthy discussion about 'the tactics of renegotiating' the UK's 'terms of membership'. With regard to the CAP, critical voices contrasted the Election Manifesto's pledge to secure 'fundamental changes' to the CAP with the Foreign Secretary's speech to the Council of Ministers in Luxembourg on 4 June in which he had said that the UK 'sought changes consistent with the broad principles on which the CAP was based'. However in rebuttal it was claimed that the government was 'engaged in serious negotiations'; and that it had 'already driven, in effect, a coach and horses through the principles of the CAP by insisting on national subsidies for certain commodities during the Community price negotiations in March 1974, and by refusing to apply permanent intervention arrangements for beef'.<sup>36</sup>

## V

Following the USA's failure to secure EEC acceptance of new international disciplines on farm support in either the Dillon (1960–62) or Kennedy (1964–67) rounds of GATT (General Agreement on Tariffs and Trade) negotiations, enlargement of the EEC had opened up a new avenue for the US to explore. GATT Article XXIV does provide for the establishment, or enlargement, of customs unions, in derogation from GATT's most-favoured-nation dictum; but conditions are attached. Paragraph 5 states that the resulting 'duties and other regulations of commerce ... shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation' of this new customs union. To facilitate such an outcome, Article XXIV:6 provides for the necessary tariff negotiations to compensate GATT's other Contracting Parties for any upward adjustment of tariffs, previously bound in GATT. In acceding to the EEC the new Member States would progressively apply the EEC's Common External Tariff (CET), and the UK's adoption of the CAP raised particular concerns. The EEC had tabled its first offer in January 1973, and a settlement was eventually achieved in May 1974 following 'difficult and delicate negotiations'. As the CEC records: 'The withdrawal of the three acceding countries' concessions for cereals was one of the crucial points of the negotiations'.<sup>37</sup>

<sup>35</sup> TNA, CAB 134/3745, The Common Agricultural Policy. Note by the Minister of Agriculture, Fisheries and Food, 22 Apr. 1974; and Ministerial Meeting on European Community Strategy, 4th Meeting, 25 Apr. 1974.

<sup>36</sup> TNA, CAB 128/54, Cabinet Conclusions, 23rd

Meeting, 4 July 1974.

<sup>37</sup> CEC, Report on the tariff negotiations which it conducted under Article XXIV(6) of the General Agreement on Tariffs and Trade (GATT), COM(74) 1090 (1974), pp. 1 and 13.

In a long letter to the UK's new Secretary of State for Commonwealth and Foreign Affairs, James (Jim) Callaghan, the UK's Permanent Representative to the EEC, Sir Michael Palliser, set out the scope and evolution of the negotiations, and the outcome. In the initial phase (the Article XXIV:5 deliberations):

A number of third countries – prominent among them the United States ... – prepared a great attack on the Community's agricultural system aimed at showing that the incidence of agricultural protectionism was far higher in the new Member States after entry than before and that it could not be said that this was off-set by the reductions in industrial protectionism.

The CEC 'clung tenaciously' to its defence of the CAP, and 'did not make any concessions'. The third countries concerned:

For reasons of their own – among them the prospect that the argument about agricultural support might go on indefinitely as it frequently has in the GATT – ... broke off the engagement and reorganised their forces for the potentially much richer prize of the negotiations under Article XXIV:6, broken bindings.

'Inevitably', Palliser reports, as those Article XXIV:6 discussions evolved, 'the trouble that brewed was largely between the Community and the United States; and inevitably also cereals trade bulked large in it. The Americans laid claim to compensation for the unbinding of United Kingdom and other tariffs on cereals'. In a rather curious comment reflecting on the UK's detachment from the European project, Palliser confides that: 'We gave the Americans copious advice on how to play their hand and they fully realised how much we were doing to help them from inside'.

There was, though, no resolution of the cereals dispute. The Americans realized 'that they could not find in the Article XXIV:6 negotiations a jemmy with which to prise open the Common Agricultural Policy'. Thus 'further serious discussion about the organisation of world trade in cereals' was deferred to the new round of Multilateral Trade Negotiations (MTN) that had been launched at the GATT Ministerial meeting in Tokyo the previous September.<sup>38</sup>

## VI

According to one contemporary account, the 'crisis in agriculture had been growing steadily worse since the autumn of 1973. The principal cause was the unprecedented rise in production costs'.<sup>39</sup> The EEC's farm ministers, and its Agricultural Commissioner, Pierre Lardinois, came under considerable pressure to ameliorate farmers' distress. In response, and quite

<sup>38</sup> TNA, CAB 134/3760: Palliser to Callaghan, 24 June 1974. The classic contemporary text on the Tokyo Round is Gilbert R. Winham, *International trade and the Tokyo Round Negotiation* (1986). For an analysis of subsequent interactions between international trade rules and negotiations, and the progress of CAP reform, see

Carsten Daugbjerg and Alan Swinbank, *Ideas, institutions, and trade: The WTO and the curious role of EU farm policy in trade liberalization* (2009).

<sup>39</sup> Trevor Parfitt, 'CAP – Beginning to take stock', *The World Today*, 30 (1974), pp. 466–71 at p. 467.

exceptionally, the CEC proposed a second, mid-year, increase in support prices.<sup>40</sup> The Council of Agriculture Ministers considered this at a marathon session lasting from 17 to 20 September 1974. What emerged was an agreement *ad referendum* – subject to the subsequent endorsement of the German government.

Agriculture ministers, together with Foreign ministers, then met on 2 October 1974 ‘to iron all this out’. ‘At this meeting’, Spreckley reports:

which both Mr Callaghan and Mr Peart attended, despite the fact that the [British General] Election was only a week away, the Germans withdrew their objections ... but insisted with strong British support that there should be a general stock taking of the CAP. This corresponded to one of the many British renegotiation requirements and represented a considerable step forward.

Spreckley’s rather misplaced conclusion was that the Minister of Agriculture was now able ‘to pursue Britain’s renegotiation objectives entirely within on-going Community discussions and often with the support of other members’.<sup>41</sup> But others did not necessarily share this quest for reform. According to Seidel, for example, a ‘document from the cabinet’ of the Commission President suggested that ‘the purpose of the Stocktaking memorandum should be to justify the core principles and instruments of the CAP’.<sup>42</sup>

The Labour Government was re-elected, and Wilson, Callaghan, and Peart retained their respective ministerial roles. When the German Chancellor Helmut Schmidt spoke at the Labour Party’s special conference in London on 30 November 1974 he managed to convince the political editor of *The Times* that the British Government would ‘find him a ready ally ... in a radical remodelling of the common agricultural policy’.<sup>43</sup> Schmidt hoped that ‘the agricultural stock-taking exercise ... by the European Commission ... will bring to light the mistakes of the past regarding CAP and enable us to correct them’.<sup>44</sup>

Later at Chequers, the Prime Minister’s official residence, Schmidt and Wilson discussed the need for CAP reform, Wilson stating for example that:

the British people did not understand why they could not go on buying New Zealand butter. ... If the British people were to be persuaded to support continued membership of the Community in a referendum, it would help for him to be able to say to them that Britain would be able to go on buying food from abroad when it was cheaper to do so.

On world food prices, Wilson conceded ‘that Community food was cheaper than food from other world sources at present.’ But, he went on, ‘it could not be assumed that that state of affairs would necessarily last. On the grain side, for instance, two good harvests could

<sup>40</sup> CEC, Proposal for a Regulation (EEC) of the Council amending the prices applicable in agriculture for the 1974/75 marketing year, COM(74) 1446 (1974).

<sup>41</sup> Spreckley, *Common Market*, p. 91.

<sup>42</sup> Katja Seidel, ‘The Challenges of enlargement and GATT Trade Negotiations: Explaining the resilience of the European Community’s Common Agricultural Policy in the 1970s’, *International Hist. Rev.* (2019),

pp. 4–5.

<sup>43</sup> David Wood, ‘Herr Schmidt wins ovation after reproving delegates over EEC’, *The Times*, 2 Dec. 1974, p. 4.

<sup>44</sup> Helmut Schmidt, ‘Fraternal Greetings’, in *Report of the Seventy-Third Annual Conference of the Labour Party* (1974), pp. 315–8.

transform the situation'.<sup>45</sup> Based on German archival sources, Haeussler concludes that the discussion 'made little impression on Schmidt, who afterwards mused with Giscard on the phone whether Wilson "realizes that the period of cheap food prices on the world market is over for the time being" and that the EC's agricultural policy was actually keeping British prices down at that stage'.<sup>46</sup>

Despite the weekend discussions, Schmidt still felt that the UK had 'not yet made clear in sufficient detail' its renegotiation demands. In response, referring to the CAP, Wilson wrote:

Since we formulated our objectives on the CAP and Fred Peart described them in the Council of Ministers on 18 June, the Community has itself, on your initiative and with our support, put in hand a comprehensive stocktaking. This will, I am sure, take care of many of the points on which we are looking for some change.

After reiterating the UK's renegotiation objectives, he continued:

the greater flexibility that has been introduced as a result of changes agreed in the Council of Ministers of Agriculture this year has gone a long way to help us on a number of these points – notably on beef marketing, and on support to cattle and pig producers and dairy farmers. We are looking for further progress in the context of a new Community beef regime, of the determination of CAP prices for 1975/76, and above all of the stocktaking.<sup>47</sup>

When the Prime Minister met his Cabinet on 6 March 1975, prior to attending the Dublin Summit on 10–11 March 1975, he declared that 'main renegotiation items for discussion in Dublin would be our contribution to the Community budget and access for New Zealand dairy products.' Others present clearly thought that further negotiations on the CAP should also be pursued. The minutes record: 'It could be argued, for example, that our approach to the Common Agricultural Policy (CAP) had not hitherto been sufficiently fundamental and that we should press for further changes on tariffs and levies in order to improve access for food imports.' Wilson, however, rebuffed the idea that the renegotiation topics to be raised in Dublin should extend beyond 'the small number of outstanding items which he had mentioned'. If the UK were to remain a member of the EEC, the government 'would continue to pursue a number of our objectives further in the continuing business of the Community – for example in the stocktaking of the CAP and in the multilateral trade negotiations'.<sup>48</sup>

Wall is fairly dismissive of Harold Wilson's negotiating success at Dublin. Officials had suggested that the main issues on the agenda from a British perspective were arrangements for continuing access for New Zealand butter and an amelioration of the burden of the UK's net contribution to the EEC budget. On the budget, Wilson accepted a scheme 'carefully calculated to give Britain nothing at all'. However, 'From Wilson's perspective, he had done

<sup>45</sup> TNA, PREM 16/101, Record of Conversations at Chequers on Saturday 30 Nov. 1974 at 10.15 p.m.

<sup>46</sup> Mathias Haeussler, 'A Pyrrhic Victory: Harold Wilson, Helmut Schmidt, and the British Renegotiation of EC Membership, 1974–5', *International Hist. Rev.* 37 (2015), p. 768–89. Following the death of Georges

Pompidou in Apr. 1974, Valéry Giscard d'Estaing had been elected President of France.

<sup>47</sup> TNA, PREM 16/101, Wilson to Schmidt, 5 Dec. 1974.

<sup>48</sup> TNA, CAB 128/56: 11th Meeting, 6 Mar. 1975.

enough to be able to sell the results of renegotiation to the Cabinet and to the country. The budget issue had never interested him'. It would be a later Prime Minister, Margaret Thatcher, who would achieve a 'successful negotiation of a lasting budget settlement.' On New Zealand, Wall comments, 'the outcome was satisfactory and enduring'.<sup>49</sup> Whether a longer-term review of access for New Zealand to the British market would endorse this conclusion is a more open question, not pursued in this article. Wilson's concern about New Zealand butter is legendary. Reminiscing years later, John Fretwell, former Head of the European Integration Department (Internal) in the Foreign Office, recalled Wilson's 'particular fixation about New Zealand butter', explaining that 'when we got near a point that we thought we'd got something locked up and just about saleable, he would inject New Zealand butter, which raised all sorts of thorny problems because that too went to the heart of the Common Agricultural Policy'.<sup>50</sup>

Following the Dublin Summit, the Foreign and Commonwealth Secretary reporting to Cabinet on the results of the renegotiation 'considered the position reached on the CAP to be acceptable'. Others clearly disagreed, and 'argued that there had been no change in the fundamental structure of the CAP'; that even if 'we could not alter the principles of the CAP ..., we should have obtained a derogation from them for the United Kingdom'; that it 'was doubtful whether there had been a fundamental change in world food factors: events of the last two years might constitute only a temporary change.' Countering these criticisms it was said that 'We were likely to wish to expand our own agriculture for import-saving reasons, and the CAP could assist that'; and that 'The stocktaking of the CAP would be an important forum in which to pursue our objectives'. The following day, after further discussion, the Prime Minister declared that 'by a significant majority the Cabinet agreed that the United Kingdom should remain a member of the EEC. This would therefore be the Government recommendation'.<sup>51</sup>

The government's White Paper, *Food from our own resources*, appeared in April 1975, before the referendum. Its 'basic conclusion that a continuing increase in the output of our own agriculture over the next five years will be economically worthwhile' was 'drawn from an assessment of the price and availability of imported food and feed'. This conclusion, the government said, would remain valid 'whether or not the United Kingdom decided to stay within the European Community'. The White Paper was rather coy in specifying how remaining within the EEC might differ from leaving, but if world market prices were to fall, the *In* and *Out* scenarios could be rather different. As two MAFF economists explained to the annual conference of the Agricultural Economics Society in July 1975:

The starting point for an exercise of this kind, given our position as a net importer of most foodstuffs, must be the cost of obtaining from overseas the food and feedingstuffs which could technically be produced here. This turns on the prices expected which in present

<sup>49</sup> Stephen Wall, *The official history of Britain and the European Community*, II, *From rejection to referendum, 1963–1975* (2013), pp. 576–7.

<sup>50</sup> John Emsley Fretwell, 'Interview of Sir John Fretwell by Jane Barder on 15 February 1996' ([https://](https://www.chu.cam.ac.uk/media/uploads/files/Fretwell.pdf)

[www.chu.cam.ac.uk/media/uploads/files/Fretwell.pdf](https://www.chu.cam.ac.uk/media/uploads/files/Fretwell.pdf), accessed 8 Feb. 2019), p. 13.

<sup>51</sup> TNA, CAB 128/56, 13th Meeting, 17 Mar. 1975 and 14th Meeting, 18 Mar. 1975.

circumstances is related to the level of Community prices, although the prospective level of world prices is also relevant.<sup>52</sup>

Fred Peart does appear to have been convinced that, as a result of world market price movements and his own prowess in the renegotiations, the CAP was no longer the threat to the British people that he once feared. The text of his speech to be delivered to the Food Manufacturers' Federation lunch, on 22 April 1975, had him say:

I ... believe that, given the fundamental changes which have taken place over the last two or three years in world prices, and the shortages of some commodities, it [the CAP] provides the best assurance for the consumer – and indeed for the food manufacturer – that supplies of essential foodstuffs will be available. In other words, it would be foolish to suppose, as some would have us to, that we can return to the situation of some years ago and rely on cheap supplies from overseas.<sup>53</sup>

A few days later, Norton-Taylor reporting from Brussels, wrote:

In a confident and relaxed mood, Mr Peart, Minister of Agriculture and former anti-Marketeer, appeared here today as the champion defender of the common agricultural policy and appealed to the British people to vote 'yes' in the EEC referendum. 'I used to be a sceptic, but seeing it working and looking at my own negotiations, my advice to the British people is that we should remain in,' he said.<sup>54</sup>

The world commodity price boom *had* changed some analysts' and policy-makers' perceptions of the CAP. Food prices in the UK had been kept down, for the time being at least, as a result of the CAP's export taxes and, for sugar, import subsidies, augmented by the operation of ACAs and MCAs. Indeed, a group of agricultural economists, writing before the referendum, suggested that over the first two years of the UK's membership 'the cost of food [to British consumers] has been slightly lower than it would have been in the absence of the CAP arrangements'; and the Rapporteur of that group, in early 1975, referred to 'the surprising flexibility which the CAP has shown'. 'In effect', Harris wrote, 'the CAP has been transmuted from a policy of merely supporting producers ... to a policy of stabilising market prices for both producers and consumers.'<sup>55</sup>

In the referendum on 6 June 1975, on a turnout of 64.5 per cent, the British public voted by a margin of 2 to 1 to remain in the EEC.<sup>56</sup>

Over the summer of 1975 concerns were expressed about progress on the Stocktaking. Patrick Nairne, in the Cabinet Office, was anxious to manage expectations. In a memo on 2 June

<sup>52</sup> UK Government, *Food from our own resources*, Cmnd 6020 (1975), p. 1. TNA, MAF 317/332, 'Food from Our Own Resources' – Assessing Commodity Priorities: by C. W. Capstick and C. M. Dadd.

<sup>53</sup> TNA, FCO 30/2865, Text of the minister's speech to be delivered to the Food Manufacturers' Federation lunch, 22 Apr. 1975.

<sup>54</sup> Richard Norton-Taylor, 'Peart appeals for EEC yes vote', *The Guardian*, 29 Apr. 1975.

<sup>55</sup> Tim Josling, Simon Harris, Andrew W. Ashby, Michael Butterwick, Edmund Neville-Rolfe and Christopher Ritson, *The CAP and the British consumer: A Federal Trust Study Group Report* (n.d. but probably early 1975), p. 7. Simon Harris, *The world commodity scene and the Common Market*, Centre for European Agricultural Studies Occasional Paper No. 1 (1975), pp. 29, 15.

<sup>56</sup> Wall, *Official history*, p. 588.

1975, after observing that ‘The Prime Minister has constantly emphasised the “fundamental” character of the stocktaking’, Nairne went on to suggest ‘that the current stocktaking is fundamental in the sense that ... it is “a thorough study” of all aspects of the CAP.’ This, he said, ‘does not necessarily mean that it will lead to immediate “fundamental” changes, which will have to come about more slowly.’ This nuanced approach, he reasoned, might ‘at the least enable Mr Peart to be ready to respond vigorously if any of his [Cabinet] colleagues takes the line that a mouse is emerging from the farmers’ haystack.’<sup>57</sup>

A few weeks later a brief prepared for the Chair of the Ministerial Committee on European Questions read: ‘While we should be under no illusions about the difficulty of securing improvements in the CAP from the stocktaking exercise, we must ... ensure that at the end of the day we have something significant to show for our efforts.’ A note prepared by the Cabinet Office after the meeting for Sir Michael Palliser in Brussels reiterated the message: the Chair, in summing-up, had said: ‘We needed to have definite improvements in the CAP to show as a result of the exercise and could not afford to let it run into the sands’.<sup>58</sup>

By the autumn there was growing frustration with the German approach to CAP reform via budget cuts. At the end of September the other Member States had rebuffed German attempts to reduce the CAP’s budget allocation for 1976.<sup>59</sup> In a policy brief prepared on 24 October 1975, John Fretwell of the FCO’s European Integration Department, who wanted to ‘ensure that the stocktaking does not just evaporate’, asked: ‘How should the stocktaking be brought to a conclusion?’ Whilst noting that ‘Schmidt has attacked the CAP root and branch and wants it discussed at the European Council’, he also wrote:

The Germans may possibly be thinking in terms of setting a cash limit on CAP expenditure and requiring policy decisions to flow from it. This would be very different from the way the Community has operated in the past ... It would be difficult to operate and might be totally impractical.<sup>60</sup>

And an earlier brief for the Foreign Secretary read: ‘While we sympathise with German demands to spend less, it is not enough to try to cut the estimates: one must change the policies on which the estimates are based’.<sup>61</sup>

The Ministerial Committee on European Questions devoted its session on 27 October 1975 to the Stocktaking. In his summing up, the Foreign and Commonwealth Secretary said:

It was most important to the United Kingdom that significant changes in the CAP resulted from the stocktaking exercise. To this end we should support moves to have the matter discussed by heads of government at the next meeting of the European Council. The aim should be to secure agreement both on the general guidance to be given to Ministers of

<sup>57</sup> TNA, CAB 193/78, P. D. Nairne to E. J. G. Smith, CAP Stocktaking, 2 June 1975.

<sup>58</sup> TNA, CAB 193/78, Ministerial Committee on European Questions – 25 June 1975, Stocktaking of the Common Agricultural Policy, Brief for the Chairman; D. L. Pearson, Cabinet Office, to Sir Michael Palliser, UKREP, Stocktaking of the CAP, 27 June 1975.

<sup>59</sup> Michael Leigh, ‘Germany’s Changing Role in the EEC’, *The World Today*, 31 (1975), p. 488–97.

<sup>60</sup> TNA, FCO 30/2885, Fretwell to Westbrook, Stocktaking of the Common Agricultural Policy, 24 Oct. 1975.

<sup>61</sup> TNA, FCO 30/2866, Brief No 9, Informal Meeting of Community Foreign Ministers at Lucca, 18/19 October 1975, Common Agricultural Policy, 16 October 1975.

Agriculture on reform of the CAP, and on the desirability of a regular annual review of Community agricultural policy going beyond the scope of price fixing decisions.<sup>62</sup>

The 365th meeting of the Council of Ministers (Agriculture) was held in Luxembourg on 29–30 October 1975. Shirley Williams, Secretary of State for Prices and Consumer Protection, accompanied Fred Peart. The main agenda item was the Stocktaking. According to the Council Secretariat's Press Release:

[on] the basis of the Commission communication and in the light of a questionnaire drawn up by the ad hoc Special Committee listing the problems to be examined in the proceedings on the stocktaking of the common agricultural policy the Council held a wide-ranging and constructive discussion of all matters relating to market equilibrium, the problems of productivity and farm incomes, the unity of the market, the cost of the agricultural policy and the specific problems posed by the various agricultural products.

It 'agreed to continue its discussions at its next meeting on 10 and 11 November. It instructed the ad hoc Special Committee to prepare for these discussions in the light of the ideas put forward at this meeting.'<sup>63</sup>

Farm ministers next met on 10–11 November 1975, following which a telex from the UK Permanent Representation in Brussels (UKREP) to London reported: 'The major part of the Council was devoted to the stock-taking of the Common Agricultural Policy and to imports of New Zealand butter. On both these issues the outcome was satisfactory for the UK'. UKREP went on to report: 'The Council finally adopted the text ... which was prepared by the high level group after lengthy discussion in the Council and was presented by the Presidency at a final session, to be accepted or rejected as a whole.' The intent was to submit it to a joint Council of Agriculture and Foreign Affairs ministers (expected 24/25 November; but which never took place), and eventually to the European Council at the beginning of December.<sup>64</sup>

*Agra Europe* was rather less fulsome, however, declaring that:

Despite reports to the contrary, this week's Council of Agriculture Ministers resulted in absolutely no agreement on the fundamentally important original proposals for reform of the CAP. ... In essence, this latest document is less detailed, less precise and less likely to result in action than the Commission's original stockholding document.<sup>65</sup>

This was in sharp contrast to their earlier report that discussions in the earlier Council meeting had 'got off to a good start', with Ministers in their opening statements showing 'a surprising willingness ... to reach agreement on what could turn out to be fundamental changes in the

<sup>62</sup> TNA, CAB 134/3899, Ministerial Committee on European Questions, 6th Meeting, 27 Oct. 1975.

<sup>63</sup> Documents relating to the 365th Meeting of the Council (Agriculture) in Luxembourg, 29 and 30 Oct. 1975 (<https://archives.eui.eu/en/fonds/449096?item=CM2%2F1975-00097%2F001>, accessed 9 Feb. 2019).

<sup>64</sup> TNA, FCO 30/2886, Tel No 5152 of 11 November: 'Council of Ministers (Agriculture): 10/11 November

1975'. See also documents relating to the 367th Meeting of the Council (Agriculture) in Brussels on 10 and 11 Nov. 1975 (<https://archives.eui.eu/en/fonds/449099?item=CM2%2F1975-00100%2F001>, accessed 9 Feb. 2019). The Council's text was published in the *Bulletin of the European Communities*, 11-1975: point 2226.

<sup>65</sup> 'Panorama from Brussels', *Agra Europe*, 14 Nov. 1975, p. P/2.

common agricultural market support system'.<sup>66</sup> Similarly, *Farmers Weekly* concluded that 'ministers agreed that there would be no fundamental changes to the common agricultural policy'. It reported: 'The Minister of Agriculture, Mr. Fred Peart, emerged "happy and satisfied" from the Council of Ministers' stocktaking meeting. "The agreement allows us to do anything we want," Mr. Peart said'.<sup>67</sup>

Nor was John Fretwell impressed by the news from Brussels, noting on 14 November: 'MAFF evidently take the view that the paper ... is satisfactory for the UK. I am not confident that FCO Ministers will take the same view' Amongst his complaints were: 'the main part of the paper is very woolly on the internal aspect of the CAP'; the 'section on the cost of CAP seems to be designed as a defence of present levels of expenditure'; and 'it pays no attention to the interests of Community consumers in getting cheap food from third parties if it is available.' He did not 'think the document would do much harm if it remains as a statement of view of the Agricultural Ministers, although it may be criticised as a disappointing outcome of the stocktaking', but he was concerned that heads of government might be 'asked to endorse this report in the European Council'. Accordingly he drafted a minute that the Foreign Secretary might put to Mr Peart.<sup>68</sup>

Fred Peart's defensive response, dated 27 November 1975, to the minute the Foreign Secretary had sent on 19 November stressed that the Stocktaking was an on-going process; and that the conclusions reached by the Agriculture Council, 'designed as a basis for discussion by the European Council', should be 'regarded ... as a starting point for the negotiations on specific issues where improvements are to be sought.' He suggested that these 'negotiations will undoubtedly start seriously during the annual price-fixing'. The text, 'based very largely on a German draft', was 'in part more complacent and conservative than I and some others would have wished', but it had to 'strike a balance between widely differing views':

[His] main concern was to ensure that the report recognised the need for improvements and covered all the main areas where we ourselves wish to secure them, notably in pricing criteria related to modern and efficient farms, in measures to avoid costly surpluses and their disposal, and specifically in improvements to the beef, milk and cereals market regimes.<sup>69</sup>

Prior to the European Council, which met in Rome on 1–2 December 1975, the German Chancellor Helmut Schmidt circulated a paper to all Heads of State summarizing deliberations of special meetings of the German Government discussing major aspects of EEC policy. The need to contain the budgetary cost of the CAP figured prominently: 'Community expenditure has increased in leaps and bounds in recent years. ... A major cause of this trend is the steep increase in expenditure for the common agricultural policy which accounts for over 70 per cent of the Community's budget'.<sup>70</sup>

<sup>66</sup> 'Panorama from Luxembourg', *Agra Europe*, 31 Oct. 1975, p. P/2.

<sup>67</sup> 'Peart 'happy and satisfied' with Brussels agreement', *Farmers Weekly*, 14 Nov. 1975, p. 47.

<sup>68</sup> TNA, FCO 30/2886: Fretwell. CAP Stocktaking, 14 Nov. 1975.

<sup>69</sup> TNA, FCO 30/2886: Peart to the Foreign and Commonwealth Secretary, 27 Nov. 1975.

<sup>70</sup> TNA, PREM 16/398, Letter from the German Ambassador to the Prime Minister, 17 Nov. 1975, enclosing a letter from Herr Helmut Schmidt to PM of 12 Nov. 1975, and a 'courtesy translation'.

Thus a draft steering brief prepared by the Foreign and Commonwealth Office prior to the Summit explained that the CAP was:

on the agenda at German insistence, and is in part a consequence of the stand which the Germans took during the Budget Council in September. At that time, the Germans, who had initially demanded sharp cuts in the agricultural estimates, allowed the Budget to go through on the understanding that there would be a discussion of the CAP at the European Council. ... The basic problem remains that there is no merit in reducing the estimated cost of the CAP in 1976 if the result makes the estimate inaccurate and leads to a supplementary budget. ... The European Council will also have before it a report by the Agriculture Council on the stocktaking of the Common Agricultural Policy. ... We should try to ensure that the European Council gives impetus to these improvements (better market balance, more attention to resource costs, specific improvements in commodity regimes), so that they are dealt with at the next price fixing early in 1976.<sup>71</sup>

In the event, discussions in Rome were dominated by Wilson's dogged attempts to secure separate representation for the UK at an upcoming energy conference in Paris. The Prime Minister told the House of Commons that, of the 11 hours the European Council was in session, nine and a half hours were spent on this topic. In his report to the Cabinet the Foreign and Commonwealth Secretary talked about 'long and fierce discussion'; whilst the Prime Minister claimed that 'Press reports of a row between himself and the Federal German Chancellor had been entirely unfounded'.<sup>72</sup>

Under the circumstances it is unsurprising that Heads of State had not discussed the CAP, despite the earlier instance of the German Chancellor. All that had been achieved was a short text that simply 'took note of the report on the stocktaking of the common agricultural policy prepared by the Council (Ministers for Agriculture) and invited the latter to continue its detailed examination of issues raised', which was adopted without discussion.<sup>73</sup>

Thus CAP reform (or lack thereof) was back in the hands of farm ministers and the CEC's Directorate-General for Agriculture (DG VI). An opportunity had been lost. The German quest to secure limits on the overall level of CAP expenditure had not been translated into specific policy proposals to control production or limit expenditure, and CAP spending would continue to mount during the 1970s. According to the CEC, net FEOGA Guarantee expenditure, after allowing for import levies on CAP products and charges on sugar production, rose from 0.35 per cent of EEC GDP (Gross Domestic Product) in 1975 to 0.47 per cent in 1980.<sup>74</sup>

In its price proposals for 1976/77, tabled in December 1975, the CEC invoked the Stocktaking several times. In particular it said that its proposals:

<sup>71</sup> TNA, PREM 16/398, Draft Steering Brief by the Foreign and Commonwealth Office.

<sup>72</sup> 'Mr Wilson agrees to single EEC seat at oil talks in Paris', *The Times*, 3 Dec. 1975: 1. Parliamentary Debates, Commons, Fifth ser. 901, c.1936. TNA, CAB 128/57: 52nd Meeting, 4 Dec. 1975.

<sup>73</sup> TNA, PREM 16/399: A record of the European Council by the European Integration Department (Internal), 9 Dec. 1975.

<sup>74</sup> CEC, *Reflections on the common agricultural policy* COM(80) 800 (1980), Table 3.

follow the guidelines set out in its Memorandum on the improvement of the common agricultural policy (... of 31 October 1973) and in its stocktaking of the common agricultural policy (... of 26 February 1975) as well as the Council's conclusions on the stocktaking of the common agricultural policy (... of 11 November 1975).<sup>75</sup>

But this had few, if any, implications for policy.

## VII

In 1968 the then Commissioner for Agriculture, Sicco Mansholt, had launched a radical reform plan proposing major structural change in European agriculture. This was ridiculed by his opponents and largely ignored by ministers, producing only meagre results.<sup>76</sup> In the changed circumstances of the early 1970s – nine rather than six Member States, soaring commodity prices and inflation, recession – the CEC adopted an incremental approach. This failed too. As Graham Avery – then head of the CEC's coordinating unit for agricultural policy – was to observe, past failures to 'reform' the CAP reflected in part 'a reluctance on the part of the political authorities of the Community to countenance more than gradual change in the agricultural policy'.<sup>77</sup> And Michael Franklin, one-time Deputy Director-General for Agriculture, confessed:

When I was in DG VI in the 1970s, any talk of reform of the CAP was heresy. Without tackling the fundamental defects in the system, we went through all sorts of convulsions to keep the show on the road, like selling surplus butter to the Russians at knockdown prices, far below the price our own consumers have to pay'.<sup>78</sup>

Heath had accepted the CAP on entry in 1973, and because of this commitment was reluctant to press for an early CAP reform. By the time he lost office, food prices were soaring and CAP pricing looked more benign. Consequently the CEC's *Improvement* document had lost its relevance.

The GATT Article XXIV:6 negotiations had not leveraged any change to the CAP's protective trade regime, despite UK connivance with the Americans. That debate was thus deferred to the Tokyo Round negotiations, and another chapter in the history of the CAP.

Had Wilson really expected to secure significant changes to the CAP in the renegotiation? His Minister of Agriculture, once a noted anti-Marketeer, had been quickly absorbed into the club-like atmosphere of the EEC's farm ministers. Had circumstances been different, with a more committed anti-Marketeer occupying that post, might a more sustained attack on the CAP been pursued? If the World Food Crisis of the early 1970s not intervened, would the Wilson Government's stance have been different?

<sup>75</sup> CEC, Commission Proposals on the fixing of prices for certain agricultural products and on certain related measures COM(75) 600 (1975).

<sup>76</sup> Neville-Rolfe, *Politics of agriculture*, pp. 297–309.

<sup>77</sup> Graham Avery, 'The Common Agricultural Policy: A turning point', *Common Market Law Rev.* 21 (1984),

pp. 481–504 at p. 482.

<sup>78</sup> Michael Franklin, 'Postscript', in Michael Franklin (ed.), *Joining the CAP: The agricultural negotiations for British accession to the European Economic Community, 1961–1973* (2010), pp. 324–5.

The *Stocktaking*, and German insistence on cuts to the CAP budget, offered another opportunity, but this too was lost. Might more have been achieved had Wilson not been so preoccupied with maintaining an independent British voice over energy policy at the Rome summit, and taken more ownership with Helmut Schmidt of the quest for CAP reform? Whatever metaphor one wishes to deploy – *a mouse emerging from a haystack, or negotiations running into the sand* – it is difficult to avoid the conclusion that there was little of significance to show for Britain's efforts.