

GENERAL AGREEMENT ON
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EXPANSION OF TRADE -- AGRICULTURAL POLICY

Report of Committee II on the Consultation
with the United Kingdom

Addendum

At the request of the United Kingdom Delegation, the text of the opening statement made by the representative of the United Kingdom at the consultations with that country is circulated for the information of the Committee.

Consultation on Agricultural Policies

Text of Opening Statement on United Kingdom Agricultural Policy

1. The Committee have been given in the country paper a comprehensive statement on the agricultural policy of the United Kingdom and the measures taken to implement it. I do not intend to burden you with more information. But it may help the discussion if I outline the general considerations which the United Kingdom Government has had in mind, indicate how these have affected its choice of methods of supporting agriculture and point out the main problems that we see ahead.
2. The main objective, as shown in the first paragraph of the country paper, is to promote and maintain a stable and efficient agricultural industry. Such an industry is needed in the United Kingdom for economic, social and political reasons. Agriculture is an important contributor to the country's external balance of payments. The rural way of life plays an important part in the British social structure; and the farming community is a substantial element in the country's political life.
3. In furthering this main objective the Government has had in mind particularly the following considerations. First, the need to encourage improvements in the productivity of agriculture. Second, the need to provide consumers with sufficient supplies of food at reasonable prices and thus help to maintain a high level of consumption. Third, the need - inescapable for a country which lives as the United Kingdom does by international trade - to maintain free markets, with a minimum of controls over imports and home production.
4. I have explained why our agriculture must be maintained in a healthy condition. But the aim is not self-sufficiency. A little more than half the country's total food requirements are imported. Most of the imports are made at world prices. There is a large measure of free entry for foodstuffs. There is indeed evidence that during the past five years, with the removal of rationing and controls and the improvement in world supplies, imports have accounted for a somewhat increasing proportion of the country's food and feed consumption.
5. Living standards in the United Kingdom are already relatively high. This has two important consequences for agriculture. In the first place, the scope for further consumption is limited - an indefinitely expanding market for foodstuffs cannot reasonably be expected. Secondly, the level of support required to maintain a reasonably prosperous agriculture may need to be rather higher than in some less developed countries if farmers and farm workers are to enjoy a suitable standard of living in relation to that of other sectors of the economy.

6. The deficiency payments system, the principal method of support used in the United Kingdom, has been adopted because it enables the Government to ensure a reasonable level of return to producers and at the same time leaves the ordinary channels of trade to operate freely. As was recognized in the "Haberler" report, which saw much advantage in this type of support system, it allows the prices charged to consumers in the domestic market to remain at the world level. On the other hand, as operated in the United Kingdom, it also ensures that the producer feels some of the impact of the market. This is because the return to the individual producer depends in part on what he gets from the market by his own efforts; the deficiency payment which he receives in addition is at an average rate calculated for producers as a whole. I do not think I need say more at present about the deficiency payments system, which was discussed at some length in the "Haberler" report. There was further discussion of this and other methods of support in the Export Panel which met in Rome last April under the aegis of FAO. Most members of the Panel agreed that in general the net effect on import requirements seemed likely to be smaller under a deficiency payments system than if the same level of prices to producers were maintained by (for example) regulating the flow of supplies to the market.

7. The production grants and subsidies with which, as shown in the country paper, the price guarantees are supplemented, are designed to encourage good husbandry and improvements in productivity. One of their particular advantages is that they make possible among farmers the quicker adoption of new practices. Support for horticulture is given through the tariff. Guaranteed prices would obviously not be practicable in the case of horticultural produce. But a production grant (the Horticulture Improvement Scheme) with special emphasis on the improvement of marketing, is now being introduced for horticulture.

8. United Kingdom agriculture has in fact made itself technically very efficient and is one of the most progressive in the world today. Its efficiency is increasing year by year at a rate which the Government estimates at something like 2 per cent per annum of the value of gross output. Improvements in productivity must be expected to continue. This will almost certainly mean higher output, though at lower cost, e.g. as yields per cow or per acre improve still further. But a deliberate expansion in output through more stock or more acres is only being sought in those directions where requirements are not yet met, e.g. beef, or where a contribution to economic efficiency can be made, e.g. by substitution of lower cost home produced feed for imported feed.

9. The country paper shows the cost of agricultural support in the United Kingdom during each of the past three years. You will have noted the substantial reduction in cost between 1957/58 and 1958/59. Under the deficiency payments system the cost depends in part on factors beyond the Government's control. But a major factor which the Government does control is the level of the price guarantees; and the Committee may like to know that in the past five years, that is since the end of rationing and other related controls, these guaranteed levels have on the whole not been rising. Indeed for wheat, rye, eggs, pigs, milk and wool the present guaranteed prices are actually lower than the corresponding prices in 1954/55. The commodities whose prices have been increased are cattle, sheep, barley and oats, and potatoes. As I said a moment ago, the Government have sought to encourage expansion of commodities,

such as beef, for which requirements are not yet met or of those, such as animal feedingsuffs, through which a contribution to economic efficiency can be made. The avoidance of a general increase in support levels should, we think, be regarded as a considerable achievement, in view of the inflationary pressures operating during the earlier part of the period. It has been possible only because of the continuing improvement in the efficiency of the agricultural industry. It has meant that in recent years, despite this increase in efficiency, the industry has been losing some ground as compared with the rest of the economy. On the other hand, the industry has been raised to a relatively high level by the post-war expansion programme launched in 1947, and the Government is satisfied that the industry continues to be in a healthy condition.

10. Looking ahead the main problems as we see them are, first the limit to the absorptive capacity of the United Kingdom market. I have already referred to this. Such expansion as is possible in the United Kingdom market may depend on lower prices to the consumer - and consequently to producers in the exporting countries - as well as improved presentation, marketing and servicing. The second main problem concerns the level of domestic production in the United Kingdom. It is necessary to maintain something like the present level if the country is to have a reasonably prosperous agriculture; but there is inevitably a tendency for some increase in output as productivity increases and as the industry becomes economically more competitive. The third problem is the vulnerability of the United Kingdom market to "dumping".

11. In these circumstances what is needed is the encouragement of increased consumption and the expansion of markets generally in the world, with the objects of raising living standards and of ensuring a greater degree of stability to producers, at prices reasonable to consumers. This may require lower cost production in many countries. That seems to us a major problem of agricultural policy both at home and abroad.

12. But these are not merely agricultural problems. In many countries, while there is a need to improve the economic efficiency as well as the economic position of agriculture, this can only be done if other sectors of the economy are expanding and so providing for first, higher standards of living; second, a higher level of consumption; and, third, scope for transfer of population from agriculture to those other sectors.

13. Some of the matters I have touched on range very widely, and you may perhaps think that I have strayed too far from the field of the present consultation. But I have thought it would be useful, in these preliminary remarks, to indicate some of the wider aspects of the problems that arise for us in the United Kingdom.