

'Battle over butter' from Der Spiegel (7 June 1971)

Caption: On 7 June 1971, in its coverage of the negotiations on the United Kingdom's accession to the European Common Market, the German weekly magazine Der Spiegel considers the issue of the export of New Zealand butter to the United Kingdom.

Source: Der Spiegel. Das Deutsche Nachrichten-Magazin. Hrsg. Augstein, Rudolf ; Herausgeber Engel K., Johannes; Gaus, Günter. 07.06.1971, Nr. 24; 25. Jg. Hamburg: Spiegel Verlag Rudolf Augstein KG. "Kampf um die Butter", p. 109-110.

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Battle over butter

Agricultural exports to Great Britain are a vital part of New Zealand's economy, but Britain's entry into the EEC is now threatening what has hitherto been the most secure market for New Zealand agriculture

A New Zealand Government brochure recalls earlier battles: 'New Zealand fought in Europe in both World Wars. Today we are engaged in another struggle — for our survival.' New Zealand, once a colony of the British Empire and now a member of the Commonwealth, is fighting for its butter, cheese and mutton exports to its European motherland.

Should the United Kingdom join the Common Market without agreeing long-term special provisions for its imports from the Pacific island state, New Zealand's dairy and sheep farmers would lose by far their most important customer. About 90 % of New Zealand's butter, some 80 % of its cheese and 30 % of its meat production have, up to now, made the 20 000 kilometre sea-voyage to Britain.

If these exports were to stop, 'New Zealand would be plunged into an economic and social abyss that would make the economic crisis of the 1930s look like a vicarage tea party,' warned Sir Bernard Fergusson, former New Zealand Governor-General.

Agricultural exports are vital for this farming country, whose only abundant raw material is grass. And exports account for 26.8 % of New Zealand's GNP (in West Germany this figure stands at 18.4 %).

The country pays for the necessary imports of semi-finished and finished goods almost exclusively with its earnings from butter, cheese, meat and wool exports. In spite of all the efforts to industrialise, agricultural products still make up around 80 % of New Zealand's exports.

Because of this economic structure weighted heavily towards agriculture, external trade has already come under increasing pressure in recent years. Since wool and dairy products were among the goods in surplus on the world market, the world price for sheep's wool has gone down by more than half since 1966. Furthermore, all the large markets of the Western world — the USA, the EEC and more recently Japan — have protected their cosseted, subsidised agriculture against New Zealand butter and cheese through import taxes and quotas.

In addition to that, the EEC countries — with subsidies from the EEC agricultural fund — have offloaded their own butter surpluses at give-away prices on the world market, thus competing with New Zealand's farmers even on the Pacific markets. For example, EEC agricultural merchants undercut the price of New Zealand butter in Peru by 93 dollars per tonne.

And as the prices for New Zealand's imports have shot up because of rising transport costs, the so-called terms of trade (the real ratio between the prices of exports and imports) have deteriorated over the past five years by some 20 %. To be able to maintain the same volume of imports, New Zealand would need to export more and more agricultural products.

Worldwide agricultural protectionism has stymied that option. New Zealand's once high export surpluses have melted away. This island state, which just ten years ago was the world's fourth richest country in terms of per capita income, has now slipped to fourteenth place.

Now, with Britain poised to join the EEC, even New Zealand's hitherto securest export market is now threatened. In spite of the new Anglo-French entente, the French are demanding of their future partner that New Zealand, after a five-year transition period, be treated just like any other third country. The high EEC external tariff would then choke off New Zealand's butter and cheese exports to Great Britain and leave the market across the Channel to French dairy farmers.

Up to now, however, the British have insisted on a permanent special provision for their traditional supplier

of butter and cheese. The New Zealanders, for their part, have strengthened the resolve of the British EEC negotiators with appeals to fairness: they point out that they rationed their own food after the Second World War just to improve supplies to the British.

Economic factors also support the New Zealanders' case: their farming industry, the most modern and efficient in the world, produces dairy products at one third of the cost incurred by, say, French farmers. That is why New Zealand's Premier, Sir Keith Holyoake, argued: 'It really would be nonsense to reduce the production of goods that New Zealand can produce cheaper than any other country and instead manufacture things that it is far less good at producing.'