

Pamphlet issued by the Irish Department of Foreign Affairs on the EEC and Irish agriculture (December 1971)

Caption: In December 1971, the Irish Ministry of Foreign Affairs publishes a brochure describing the impact of the European Common Market on national agriculture.

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The Common Market and Irish Agriculture (December 1971)

Introduction

Membership of the EEC — What's in it for the Irish farmer?

The short answer is that it will give him his greatest opportunity yet to exploit to the full his own skills and the potential of his land. Compared with his Continental counterpart the Irish farmer is a low-cost producer particularly when it comes to cattle, milk and sheep. Apart from his skill he may thank the climate for this. Grass is a good and cheap food for stock. Ireland produces it in abundance and over a long growing period. Irish cows are still out eating grass while Continental cattle are being fed a costly winter diet. The mild Irish winters also mean a very substantial saving on the cost of sheltering.

Membership of the EEC will bring a substantial benefit to Irish farmers for their main products. Prices aren't everything in the EEC but anyone who thinks they are not very important is very far removed from the realities of farming life.

What the Treaty says

The EEC Treaty sets out clearly defined objectives for agriculture. They are:

- to increase agricultural productivity
- to ensure a fair standard of living for the agricultural population
- to stabilise markets
- to guarantee regular supplies
- to ensure reasonable prices to the consumer.

The Common Agricultural Policy

The mechanism for achieving and ordering the Treaty's aims for farming is the Common Agricultural Policy. It provides for:

- common price levels for the major products so that farmers can be sure of reasonable prices for their products
- the removal of tariffs and other restrictions on the movement of farm products between EEC countries
- a common level of protection against imports from outside the EEC
- a common system of subsidies on exports to countries outside the EEC
- a common fund to support the market if there is a danger of the prices falling below the agreed level, to pay the export subsidies to countries outside the EEC and to provide financial aid for improvements in farming.

The Implications for Ireland

Stable markets, higher EEC prices, increased productivity. These three together can help develop Irish farming to the full. And it should be remembered that there is more to Irish farming than just giving farmers a livelihood. The country depends heavily on the efforts of our farmers and prospers when they prosper. The effects of the advantages which EEC membership will bring to our farmers will be felt right across the country. The greatly increased spending power of farmers will bring, as a consequence, additional prosperity to rural areas and small towns. Its effects will also be felt by Irish industry in that there will be more money

available for buying the products of our factories.

It is estimated that with EEC membership the volume of our agricultural production could increase by between 30 to 40% by 1980. When the higher prices are taken into account the increase in farmers' earnings and the benefits to the country as a whole would, of course, be considerably higher.

The prospects for our main farm products.

Beef: There will be a good demand for beef in the enlarged EEC. Irish farmers can, therefore, be assured of a ready market for their cattle. Their capacity to sell will be limited only by their capacity to produce. And it is clear that their present production is well below their capacity. Not through any lack on their part but because export markets, other than Britain, are restricted or closed through levies, quantitative restrictions or other obstacles.

In the EEC our farmers will be assured not only of greatly expanded markets but of much higher prices than they get at present. The price for fat cattle which the EEC sets out to maintain is at present about 50% above the average Irish market price. This means that at the end of the transitional period an Irish farmer would, because of Irish membership of the EEC, get over £50 more for a top-class 10 cwt. animal.

Apart from the higher price itself the assurance that it will continue is of particular value to the farmer in planning ahead for increased production.

In summary, the prospect is that with assured markets and much higher prices there will be a significant and profitable increase in Irish beef production.

Milk: The prospects for milk are also good. The price which the EEC sets out to maintain for creamery milk is at present about 50% better than the average Irish price in 1970. Our butter, cheese and cream will have free entry to a market of 250 million people. No longer will our exports be tied down to fixed quotas. Nor will dairy products for export have to be subsidised at great cost to the taxpayer.

The main outlet, just as in the case of beef, is likely to continue to be Britain, only this time with Irish farmers competing on level terms — EEC terms — in a market free from import restrictions.

Sheep and Lambs: There is as yet no maintained price in the EEC for sheep and lambs. Even without this, however, the EEC quite obviously offers Irish producers the scope to expand sharply and to get a good return.

Even now it is possible for Irish exporters to send lamb over the high tariff barriers into France and Belgium. When those trade barriers are removed and the Irish producer is given equal terms of competition with other Community suppliers on the market then he should fare quite well.

Prices to producers would rise and this would stimulate increased production in a line that offers great scope for it.

Pigs: Although there are no common prices for pigs or pigmeat there is provision for market support measures if prices fall below a certain level. The price at which market support measures are taken at present lies between approximately £14-50 and £15-50 per cwt. deadweight. However, the normal market price in the EEC tends to be about £19 per cwt. deadweight.

The average price for bacon pigs in Ireland in 1970 was £14.19 per cwt. deadweight. This indicates an increase for Irish farmers in EEC conditions. Against this, however, farmers will be faced with higher feed costs due to the higher prices for barley and other coarse grains. The feed costs of Ireland's main competitors in bacon pigs — Britain and Denmark — will of course also rise. Producers in the present EEC countries concentrate much more heavily on pigs for pork rather than pigs for bacon.

The clearest message on pig production is that the industry will have to strive for increased efficiency at the production, processing and marketing levels.

It is possible that there may be some reduction in the rate of profit per pig. This view is challenged by some pig specialists — but always with the qualification that, if profit margins are to be maintained, improved efficiency at all levels must be attained.

Poultry and Eggs: There are no maintained prices within EEC for poultry and eggs. There is protection against imports from outside EEC and open competition inside.

Looking at the present prices inside EEC and the higher feed prices paid by EEC poultry farmers, there is nothing that points to a higher price for Irish producers.

This means that ground must be held by increased efficiency at all levels of the industry, so that we can at least match competition from other Community producers.

Tillage: The main tillage products of interest to Irish farmers are wheat, barley and oats.

It is estimated that the intervention prices which would be applicable in Ireland, after allowing for such costs as transport, would be about £40 a ton for wheat and £37 for barley. Intervention prices are the prices at which market support measures are taken. The comparable guaranteed prices in Ireland this year, after allowing for wheat levy deduction, would be £39 and £32 respectively.

The probable impact here is that there will be practically no change in wheat prices and that there will be a rise in barley prices.

Despite there being no intervention price for oats, the indications are that the price of this commodity will rise also.

Overall, the likely effect will be some swing from wheat to coarse grains, particularly feeding barley, but no significant change in the all round acreage of cereals.

Dearer barley would, of course, lead to a rise in the price of animal feed. The effect on pig and poultry production has already been referred to.

Sugar beet: Irish beet growers get about the same price as, or slightly more than, their counterparts in the present EEC. Beet yields per acre in Ireland have on average been lower than in most Continental countries but our sugar extraction rate is high. Thus while the Sugar Company pays somewhat more for sugar beet than the factories in the present EEC the price of sugar to the Irish consumer is lower than in the present member States. This should make it possible for the Sugar Company to maintain existing price levels to Irish growers.

In the EEC, at present, production quotas are set for sugar. The purpose is to prevent supplies running ahead of demand. This production quota system is due to end in mid-1975. Before that time the Council of the enlarged Community will decide on the system to operate thereafter. At this stage it is not possible to say whether production quotas will be continued after 1975 or to forecast what production quotas might be fixed for Ireland during the period between our entry into the EEC and mid-1975.

Potatoes: There is as yet no overall organisation of the potato trade inside the EEC and forecasts of what might happen can hardly be more than speculation. However, no great change is expected.

Horticulture: Under EEC conditions Irish horticultural products will be faced with keen competition. That climate which gives us such a great advantage in grass-based products does not work in our favour when it comes to some fruit and vegetables.

Producers may have to accept lower prices for some products. But for others — particularly bulky low-priced products and perishable products — Irish farmers will still have substantial advantages on the Irish market against imports.

The Financial Implications

The operation of the Agricultural Policy is made possible by the European Agricultural Guidance and Guarantee Fund. Its purpose is to:

- support agricultural prices
- facilitate by means of subsidies the export of surplus products to countries outside the EEC where prices are lower
- assist farming to carry out structural changes aimed at increasing its own efficiency and also to improve both production and marketing methods.

It is estimated that Ireland's contribution to the total EEC budget — the greatest part of which is in respect of agriculture — will rise from £4 million in 1973 to about £17 million in 1980. As against this there would be a substantial Exchequer saving on subsidies payable in respect of exports of certain products. On the basis of such Exchequer payments in recent years the saving could be of the order of £30 million per year.

There would also be receipts from the Fund for price supports or for export subsidies in respect of any products which could not be sold within the EEC e.g. because of surpluses. However the bulk of our production would most likely be sold within the enlarged EEC. Thus the benefits to Ireland would be largely reflected in the higher market prices received.

Still another form of benefit to Ireland would be grants in respect of structure improvements in farming and improvements in production and marketing methods.

It is not possible to put an exact figure on the financial benefits to Ireland but it is very clear that there would be a substantial net gain to the national economy.

[...]

What Agricultural Reform means for Ireland

The idea of structural reform and small farm development is not new to this country. The Land Commission is engaged in the work of enlarging and rearranging small holdings in order to make them more viable. They also operate a scheme to encourage elderly and incapacitated farmers to retire. Recently they inaugurated the first combined farming project with a view to encouraging greater co-operation among farmers.

The Department of Agriculture and Fisheries operates a Small Farm (Incentive Bonus) Scheme to help the small farmer to develop his farm according to a development plan. Other schemes and services operated by that Department are designed to give additional assistance to small farmers.

In the EEC we shall have access to the Community funds which will be available under the agricultural reform programme. This will enable us to carry out reforms on a scale we cannot now afford.

Ireland's Special Situation

The general outline of the reform programme agreed to by the Community is acceptable to Ireland. The main task of the Government will be to apply this general outline in such a way as to ensure the maximum benefits to our farmers and to take account of the special situation in Ireland.

There are three important differences between the situation in Ireland and that in the Six which will have to be taken into account.

First the average size of farm in this country is larger than in most of the existing EEC countries. Consequently it should be possible to attain a higher percentage of viable farm units here when the programme of restructuring has been completed.

Secondly, our climate and the high quality of much of our land also give us a big advantage when it comes to making relatively small farms profitable.

The other important difference between Ireland and the Six (and the other countries, Britain, Denmark and Norway) is that this country is less industrialised. Our industrialisation started later than theirs and a higher proportion of our people still live on the land. In the other countries there is usually a job waiting for a farmer if he leaves the land. In recent years in Ireland many more industrial jobs have been created but there is still some way to go before we have conditions of full employment. However, when the benefits of EEC membership are felt, there should be many more jobs outside farming and inside Ireland. And not only in Ireland but in the various regions; one of the Community's aims is to provide jobs in their own part of the country for those leaving farming.

The EEC agricultural reform programme, implemented along lines suited to Ireland's special needs, should give more young Irishmen a chance to make a career in modern agriculture; it should make it easier for those who have worked hard in arduous conditions to take a well-earned retirement; and it should help to revitalise rural Ireland.

Summary of Conclusions

EEC membership will bring prosperity to Irish farmers. It is expected that the volume of our agricultural production could increase by 30% to 40 % over the decade. When the higher EEC prices are taken into account the increase in farmers' earnings would be considerably higher.

The greatly increased spending power of farmers will bring prosperity to rural areas and small towns. Its effects will also be felt by Irish industry.

The main benefits to farmers will come in respect of grass-based products — cattle, milk, sheep and lambs. These products account for some 63% of total agricultural output. Cattle and milk prices will eventually go up by about 50% compared with recent Irish prices. Sheep and lamb producers should fare quite well given equal terms of competition with other producers in the enlarged Community.

The position for other livestock products — pigs, poultry and eggs — will largely depend on our producers and processors and on efficient marketing. These products account for 17% of output. More efficient production, processing and marketing will be called for if we are to match the competition and seize the opportunities.

As regards tillage (about 15% of output) little change is likely in total output or acreage. There might be a switch to barley-growing at the expense of other cereals.

Horticulture, with just under 4% of output, is the sector most likely to feel the effect of competition.

After allowing for the cost of our contribution to the total EEC budget there would be a substantial Exchequer saving on subsidies in respect of certain products. It is also clear that there would be a sizeable net gain to the nation economy from Irish participation in the EEC's common agricultural policy.

The amended proposals for structural reform of agriculture are much more attractive than was the original draft Mansholt Plan. In particular there will be no element of compulsion on people to leave farming. We

will be able to get Community aid for structural schemes and to expand our efforts in this direction.