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**ENTRY INTO
THE EUROPEAN COMMON MARKET
AND
BRITISH AGRICULTURAL INCOME**

T. KEMPINSKI

BULLETIN No. 114

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by

T. Kempinski

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Introduction

In view of the renewed discussions of the possibility and desirability of Britain joining the European Economic Community (E.E.C.) it seems interesting to re-assess the effect such an action would have on British agriculture. Previous investigations of this problem could only speculate on the precise form the common market in agricultural products would take. Now, however, the Council of Ministers of the E.E.C., by their decisions dated 24th July, 1966, has put the finishing touches to the common agricultural policy. The whole system of import levies, price support by market intervention and free movement of products within the E.E.C. is to come into force in several stages and is to be completed by July 1st, 1968. Having previously (December 15th, 1964) fixed the common target prices for cereals, the Council has now established common target or guide prices for milk, beef, veal and sugar beet.¹ The E.E.C. Commission appears to consider that pigmeat, poultry and egg prices are bound to become uniform once the free trade in the principal feed, i.e., cereals, has been introduced; no target prices for these products have, therefore, been fixed, though there are minimum ("sluice-gate") import prices. The pricing of fruit and vegetables has been largely left to market forces, though minimum prices are to be established below which sales will be prohibited, with the E.E.C. authorities paying a compensation to producers.

The establishment of target prices for several important commodities enables us to make an estimate of the probable effect of joining the Common Market on the British farmers' revenue from these products. In the present paper, this task is combined with the more hazardous attempt at predicting future E.E.C. prices of other

1. The present article is not concerned with the E.E.C. system of price support for products not produced or used by U.K. agriculture, such as rice, wine, vegetable oils etc.

products and also of certain inputs which may be affected by Britain's entry into the Community. Thus, the probable effect on the aggregate British farm income can be estimated.

PART I

THE AGGREGATE APPROACH

1. Methodology¹

The first main question posed in the present paper is: What would be the income of British agriculture if the future E.E.C. prices of products and materials replaced the current British prices? The attempt at answering this question starts from the simplifying assumption that the quantities of output produced and materials used by British farmers would remain at their 1965/66 level. A more realistic assumption would allow for a period of adjustment before the price change-over; and a more thorough study would include long-term forecasts referring to a more distant time period, when the new price system had had time to change the pattern of agricultural production. The present estimates must, therefore, be regarded as only a preliminary approach to a complicated subject.

Revenue

For cereals, the E.E.C. anticipates a set of different regional intervention prices. If Britain becomes a member, the prices applicable here will have to be negotiated. Meanwhile, for the purpose of Table 1 two calculations are made, using either the highest or the lowest of the E.E.C. regional intervention prices as applicable if Britain joined the E.E.C. Since the E.E.C. prices are intended to apply at the wholesale stage, a reduction of five per cent is made to arrive at an

1. More details of methods and sources are given in the Appendix.

estimate of farmers' returns.

At the time of writing, the details of the future method of price support for beef and veal have not been announced. The present estimates are based on a price ten per cent below the common guide price.

For milk and sugar beet, the E.E.C. authorities have announced the estimated common farm gate prices. These prices are used in the present paper, except that we have added £2 per ton to the E.E.C. sugar beet price in order to allow for the usual E.E.C. practice of returning pulp to growers free of charge.

As regards pigmeat, poultry and eggs, it is assumed, for the purpose of our estimates, that the import levies will ensure the maintenance of the present average ratio between the prices of these products and cereal prices in the E.E.C. This assumption (based on the knowledge that cereal feed is the most important cost item) enables us to predict the future prices and carry out the necessary calculations of the future British revenue in the same way as in the case of the known target prices - though the predictions are obviously much less reliable in this case.

We further assume that free trade in potatoes is likely to make the British prices equal to the current average level in the E.E.C. countries, and estimate the future value of the crop accordingly.

It is difficult to know what would happen to the present British system of Government grants and subsidies if Britain joined the E.E.C. The Treaty of Rome appears to make such grants conditional on the agreement by the Council (art. 42 & 92), and their continuation in this country seems, therefore, to depend on the outcome of

inter-governmental negotiations. The output and expenditure estimates in Table 1 have been made on the assumption of the removal of deficiency payments on products and subsidies on fertilisers. However, there was an estimated Treasury outlay in 1965/66 of £78 million on other grants and subsidies¹, and some or all of these may be abolished on joining the E.E.C.

Expenditure

The future prices of feed wheat and barley purchased by farmers are taken to equal either the highest or the lowest E.E.C. intervention prices, plus ten per cent to cover the estimated dealers' margins. The maize price is assumed to be ten per cent above threshold price.

Other cereal feeds consist largely of by-products of imported wheat. It is assumed that the E.E.C. price of these feeds will exceed the current U.K. price by the amount of the E.E.C. external duty on wheat meal, which is 30 per cent.

Neither in Britain nor in the E.E.C. are oil seed residue prices protected by tariffs, and it is assumed that the prices would not be affected by Britain's entry into the Community.

Prices of imported livestock are assumed to rise by the same percentage as the prices of beef.

It is difficult to make a reliable estimate of the prices which British farmers would have to pay for fertilisers if Britain joined the E.E.C. One possibility - illustrated in Table 1 - is that, with the removal of customs duties between Britain and the Six, and with the introduction of a common external tariff, the current E.E.C. prices would spread to Britain, while all fertiliser subsidies would be abolished to conform with the spirit of the Treaty of Rome. However, it is also possible that

1. Source: Annual review and determination of guarantees 1966. Cmnd. 2933. H.M.S.O.

the present British prices, which for many fertilisers are lower here than in several E.E.C. countries, will be maintained, and that some, or all, of the subsidies will be continued. Thus, a net increase in total fertiliser cost is by no means certain.

There is no prima facie evidence that prices of other inputs are likely to change within a short period following Britain's joining the E.E.C. Eventually, however, changes in these prices are likely to occur as a result of changes in demand for the inputs. Thus, if profitability of agriculture increases as a result of the change-over to the E.E.C. regime, farm wages, machinery prices and land rents are also likely to rise. Since, however, the present study is not concerned with long-term changes, no estimates of these future prices are attempted here.

2. Results

Table 1 presents the estimates obtained. It shows that, on the assumptions used in this paper, only two products - potatoes and eggs - would bring in a lower revenue under the E.E.C. than under the British price system. All the other products for which estimates are made would bring in higher revenues, the greatest absolute increase being in beef and veal (£102 million). The net increase in total value of output shown in the table amounts to either £214½ or £162½ million (according to the assumptions used with regard to cereal prices).

Horticulture

One important item of farm revenue, namely, the value of horticultural produce, is not shown in Table 1 because of the near-impossibility of making a firm forecast.

Joining the Common Market would result in the abolition of tariffs on imports of horticultural produce from the member countries. These tariffs range at present from $1\frac{1}{2}$ to 45 per cent¹ of the value, depending on the product and the time of year. It is extremely difficult to assess the probable effect of the abolition of tariffs on the prices of home-grown produce, but it seems reasonable to assume that the effects would be greatest where there is direct competition between the imported and home-grown crops. Thus, for example, the abolition of the 10 per cent tariff on carrots, which now applies from July 1st to April 30th, may lead to a sizeable reduction in the price of home-grown carrots. On the other hand, the bulk of the home apple crop, for example, may not be affected, since, under the present arrangements, no duty is levied on apples for eight months of the year, i.e., between August 16th and April 15th.

On the whole, it seems unlikely that the maximum effect of the removal of duties would be greater than a 5 per cent reduction in growers' receipts. On the basis of the 1965/66 horticultural revenue, this would amount to approximately £9 million.

Obviously, there is a great deal of uncertainty as to various other items on both sides of the account², so that no accurate predictions can be expected at this stage. However, the probable effects on agricultural income of four combinations of the various assumptions described above are summarised in Table 2. (Many other combinations are, of course, conceivable). It will be seen that there is a wide range of the estimated net increases in both revenue and expenditure. Consequently,

-
1. These percentage figures can be only rough estimates, as some of the tariffs are charged in shillings per cwt.
 2. E.g., the degree of effectiveness of the E.E.C. price support policy, the actual level of intervention prices applicable in Britain and the size of changes - if any - in fertiliser costs and in production grants.

Table 1*

Estimated changes in the revenue and expenditure of U.K. agriculture
on joining the E.E.C.

Items for which changes are estimated	Change from U.K. 1965/66 value to value at future E.E.C. prices	
	High cereal intervention prices	Low cereal intervention prices
	(£ million)	(£ million)
REVENUE:		
Cereals	62½	40
Potatoes	-10½	-10½
Sugar beet	13	13
Beef and veal	102	102
Pigmeat	40½	25½
Poultry	14	8½
Eggs	-13½	-22½
Milk	6½	6½
TOTAL OUTPUT	214½	162½
GOVERNMENT GRANTS	-78	-78
EXPENDITURE:		
Feeding stuffs	143	121
Imported livestock	28½	28½
Fertilisers	37½	37½
TOTAL EXPENDITURE	209	187

- Note. (1) The figures in the table are estimates subject to revision.
(2) Items for which the change has not been estimated are excluded from the calculation.

* For details, see Appendix, Table A.

Table 2

Estimated changes in U.K. agricultural income under E.E.C.
according to different assumptions^{X)}

Assumptions:

- I : Highest E.E.C. regional intervention price for cereals^{o)}
- II : Lowest " " " " " "
- A : Prices as in Table 1
- B : As A, but (1) horticultural revenue to fall by 5% and (2) fertiliser prices and government grants (except deficiency payments) to remain unchanged.

	I		II	
	A	B	A	B
	(£ million)			
Change in Revenue (R)	136½	205½	84½	153½
Change in Expenditure (E)	209	171½	187	149½
Change in Income (R-E)	-72½	34	-102½	4
Change in Income as percentage of 1965/66 Net Income	-15.6%	7.3%	-22.1%	0.9%
$\frac{(R-E) \times 100}{463.5}$				

X) Prices of products and inputs not mentioned in Tables 1 and 2 are assumed to remain at the current U.K. level, as are quantities of all inputs and outputs.

o) See section 1. (Methodology).

the income estimates range, approximately, from a twenty-two per cent decrease to a seven per cent increase in the most recent official estimate of the aggregate net income of British agriculture. Thus it seems that Britain's agriculture as a whole may either gain or lose (in the short run) from the membership of the Common Market, according mainly to (a) the exact level of regional intervention prices, (b) the degree of retention of "production grants" (i.e. subsidies not concerned with price support) and (c) the degree of change in fertiliser prices. The first two matters are, of course, subject to negotiation by the governments concerned.

PART II

DIFFERENT TYPES OF FARMS

The above estimates of changes in the aggregate income of U.K. agriculture which would result from Britain's entry into the Common Market are of interest mainly in connection with two major sets of problems: (1) those concerned with the welfare of agriculture as a whole, and (2) those relating to agriculture's contribution to the national product or its share in the national income. The estimates cannot, however, be "scaled down" and applied to any individual farm because of the wide range of (a) input and output composition and (b) productivity of resources on farms.

For the purposes of showing the differential effects on different types of farms the method used to derive the Table 1 estimates is applied to six "types of farming" out of the forty-two included in the 1964 Farm Management Survey in England and Wales¹ and to a group of pig and poultry holdings from the same survey.

1. Ministry of Agriculture, Fisheries and Food. Farm incomes in England and Wales 1964. H.M.S.O.

It should be explained that, in this part of the analysis, the high cereal price assumption is used, but this is combined with the assumption that all production grants would be removed. These groups of farms are not claimed to represent a major or "typical" sector of British agriculture but have been chosen as an illustration. The estimates are presented in Tables 3 and 4. In addition, because of the rather unique situation of horticulture - a major sector of agriculture which seems unlikely to benefit from Britain's entry into the E.E.C. - the data from a group of horticultural holdings (taken from the same survey) have been subjected to a similar treatment. It has been assumed, as indicated earlier, that the prices of horticultural produce will drop by 5 per cent. The resulting estimates are shown in Table 5.

In one respect the method of estimating the income changes for the purpose of these tables differs from that used in the aggregate estimates. For the "national farm" (i.e. agriculture as a whole) transactions within agriculture cancel each other: one farmer's expenditure on home-produced livestock is another farmer's revenue. For an individual farmer this "cancellation" does not arise; Tables 3, 4 and 5 do, therefore, include estimates of cost and revenue changes relating to these "inter-farm" transactions. In order to make these estimates possible, assumptions have had to be made with regard to the composition of livestock purchases. These assumptions are given in the Appendix.

The reader is referred to Table 2 for a reminder of the effect which varying assumptions may have on farm incomes. One should also remember that no individual farm is likely to reflect exactly the "average" pattern shown by any group of farms selected for this illustration. Nevertheless, these results may serve a

practical purpose in emphasising the wide divergence in the likely effects of a change-over to the E.E.C. system on the different farms: some farmers - mainly those relying for a major part of their revenue on grants¹ (such as some poor-land livestock farmers in Wales) and on market-garden crops, and those who, like many dairy farmers and pig and poultry producers, purchase large quantities of feed - would probably suffer a fall in income; others seem likely to benefit to a varying extent. Thus, for example, among the types of farming included in Table 3, the highest proportional increase in income (nearly 111 per cent) would be achieved by the Midland graziers, chiefly because the price of their main product - beef - would rise by more than one third, and this, together with higher prices for most of their other products, would bring in a rise in revenue far in excess of the rise in costs. A rather less favourable balance between revenue and expenditure changes would still increase by 70 per cent the income of some Cambridgeshire cereal growers. The two remaining types of farming in Table 3 (some mixed and arable farms) would experience relatively small increases in income.

The situation would, however, be very different if production grants could be continued at the present level and fertiliser prices did not rise. It can be seen in Table 6 that, of the eight groups listed in the three preceding tables, only Pig and Poultry and Horticultural holdings would suffer a reduction in income under those circumstances; the Dairy and Livestock (poor land) groups' income would rise, while the other groups' increases in income would be appreciably greater than those shown in Table 3.

1. Other than price-support payments.

Table 3^{X)}

Estimated changes in the average revenue and expenditure
of selected types of farms in England and Wales

Type of farm and area	Revenue change (R)	Expenditure change (E)	Income change (R-E)	Income change as % of actual net income
	£ per 100 acres			%
A. DAIRYING : SEVERN VALE & SOMERSET.	573.5	688.2	-114.7	-12.4
B. PREDOMINANTLY LIVESTOCK:- HELES, POOR LAND.	-105.1	59.0	-164.1	-71.0
C. LIVESTOCK FATTENING:- MIDLAND GR. ZING.	1842.8	1258.8	584.0	110.6
D. GENERAL MIXED:- NORTHERN.	755.7	650.5	105.2	8.3
E. ALLUVIAL ARABLE:- S.W. LANCs.	754.3	650.6	103.7	5.7
F. LIGHT LAND ARABLE:- SOUTH CAMBRIDGE CHALK.	1132.7	355.7	777.0	70.0

Note (1) The figures in the table are estimates subject to revision.
(2) Items for which the change has not been estimated are excluded from the calculation.

X) For details, see Appendix, Table B.

Table 4

Estimated changes in the average revenue and expenditure of
Pig-and-Poultry holdings in England and Wales.

(Size group 50 $\frac{1}{2}$ -100 ac.)

Items for which changes are estimated :	1 Actual 1964 £ per holding	2 Proportional change in price	Change (Col.1xCol.2) £ per holding
REVENUE:			
Pigs	5,515	0.194	1069.9
Poultry	1,702 ¹	0.170	289.3
Eggs	2,554 ¹	-0.078	-199.2
Other L'stock & Milk	1,743	0.016	27.9
Grants	46	-	-46.0
Total Revenue Change (R)	-	-	1141.9
EXPENDITURE:			
Pigs	1,610	0.194	312.3
Poultry & eggs	549	0.170	93.3
Other L'stock	401	0.016	6.4
Feed	5,514	0.257	1417.1
Fertilisers	282	0.400	112.8
Total Expenditure Change (E)	-	-	1941.9
Income Change (R-E)			-800.0
Income per holding (Actual:)(A)	2,161	-	-
Income per holding ("future") = A + R-E	1,361		
Income Change as % of actual income $\left(\frac{(R-E) \times 100}{A}\right)$	% -37.0		

(N.B.: see note to Table 3).

1 Author's estimate.

Table 5

Estimated changes in the average revenue and expenditure of

Horticultural holdings in England and Wales

(Size group 25 $\frac{1}{4}$ -50 ac.)

Items for which changes are estimated :	1 Actual 1964 £ per holding	2 Proportional change in price	Change (Col.1xCol.2) £ per holding
REVENUE:			
Horticulture	12,308	-0.050	-615.4
Pigs	512	0.194	99.3
Grants	8	-	- 8.0
Total Revenue Change (R)	-	-	-524.1
EXPENDITURE:			
Feed	359	0.257	92.3
Fertilisers	433	0.400	173.2
Livestock	14	0.194	2.7
Total Expenditure Change (E)	-	-	268.2
Income Change (R-E)	-	-	-792.3
Income per holding (<u>Actual</u>): (A)	2,577	-	-
Income per holding (" <u>future</u> ") = A + R-E	1,784.7	-	-
Income Change as % of actual income $(\frac{R-E}{A} \times 100)$	% -30.7		

(N.B. : see note to Table 3)

Table 6

Effect of change in assumptions on income estimates

Type of farm & area (listed in Tables 3, 4 & 5)	£ per 100 Acres						Pigs and Poultry (£ per holding)	Hort. (£ per hold- ing)
	A	B	C	D	E	F		
Government Grants (G)	62.0	180.0	93.0	89.0	70.0	20.0	46.0	8.0
Fertiliser Cost Increase (F)	106.0	14.0	79.6	148.4	212.4	152.0	112.8	173.2
Increase in estimated future income if grants continue & fertiliser cost is unchanged (F + G)	168.0	194.0	172.6	237.4	282.4	172.0	158.8	181.2
Income Change in Tables 3, 4 and 5	-114.7	-164.1	584.0	105.2	103.7	777.0	-800.0	-792.3
Income Change on the above assumption (= sum of last two items)	53.3	29.9	756.6	342.6	386.1	949.0	-641.2	-611.1
do. as per cent of actual income	5.7%	12.9%	143.3%	27.0%	21.2%	85.5%	-29.7%	-23.7%

CONCLUSIONS AND WIDER IMPLICATIONS

The joining of the European Economic Community by the United Kingdom would have considerable effects on the revenue and expenditure of British agriculture. Within the agricultural sector, the relative profitability of different products would change because of the adoption of a radically different price system, with changed ratios between the various products.

If agricultural production retained its present pattern, this would result in many farmers, particularly those producing beef, wheat and barley on good land, reaping considerably greater incomes than they do at present; others, such as market-gardeners, milk, pig and poultry producers and poor-land livestock farmers, might well suffer cuts in their incomes.

However, insofar as agricultural producers are able to vary the composition and size of their output, the retention of the existing pattern is unlikely under a new set of prices. There would be a tendency for productive resources to be shifted from milk to beef and from potatoes and other crops to wheat and barley. The higher feed prices would probably induce many livestock farmers to produce more feed on their own farms, partly from an increase in cereal acreage, partly by a more intensive grassland husbandry. Either course would increase the demand for fertilisers and the profitability of such decision would be partly affected by what happened to fertiliser prices.

On the whole, it seems likely that, with an increase in the prices of so many products, output in aggregate would rise, reducing our dependence on food imports. It even seems possible that Britain might become an exporter of a few agricultural commodities.

If there is a substantial increase in cereal growing, this may prove an embarrassment to the E.E.C. Agricultural Fund which would be responsible for supporting the prices in the face of a supply possibly outstripping demand. Britain, like all the other member countries, would contribute to the Fund, presumably in foreign currencies, and this could well aggravate our balance-of-payments difficulties. Under the E.E.C. arrangements a country's contribution is directly related to its food imports, while food exports entitle the exporting country to a certain amount of withdrawals from the Fund. Britain, with her relatively large food imports and small exports, is thus likely to become a major net contributor to the Fund.

Retail food prices would almost certainly rise if Britain joined the Common Market. Assuming no reduction in traders' and processors' margins, the total increase in consumers' expenditure on home-produced food may, under certain assumptions, amount to £335 million.¹ This is equivalent to a six per cent increase in consumers' total expenditure on food, or to an increase of 2s. 4 $\frac{1}{2}$ d. per week per head.²

Against this additional burden on the consumer we must put the reduction in taxation made possible by the change in the system of agricultural support. The abolition of price support alone could save the taxpayer £124.3 million³ (or 10 $\frac{1}{2}$ d. per week per head). An additional £109.4 million⁴ (or 9 $\frac{1}{2}$ d. per week per

1. Cost of implementation of price guarantees (£124.3 million) less payments with respect of wool (£3.8 million) (Source: Annual review, op.cit.), plus increase in the value of output under high cereal prices (£214 $\frac{1}{2}$ million; see Table 1).
2. In addition, there are likely to be increases in prices of those imported foods on which levies are payable under the E.E.C. system - e.g., wheat for milling and beef.
3. Source: Annual review, op.cit.
4. Fertiliser grant (£31.3 mill.) plus other grants and subsidies (£78.1 mill.) (Source: Annual review, op.cit.). It is assumed that the £10 million now needed for administering Exchequer support will still be required in the administration of import levies, etc.

head) would be saved if other agricultural grants and subsidies were withdrawn.

Finally, the estimated changes should be seen in perspective and related to the national economy. Thus, the above estimate of the increase in food expenditure amounts only to 1.6 per cent of the total consumers' expenditure¹ in 1964; and the various estimates of the change in net agricultural income (Table 2) range from 0.015 to 0.387 per cent of the total national income. Nevertheless, there are important economic and social implications of the shift of income from the rest of the economy to farming, or vice-versa, and from some groups of agricultural producers to others, as well as of a rise in prices of food which is unlikely to be fully compensated for by a reduction in taxes - especially for the low-income groups.² These implications, however, deserve a separate study.

LONG-TERM PROSPECTS

In many ways, the long-term reality of the situation would be an improvement on the results shown in this paper. We started from the assumption that British farmers would continue to produce the same quantities of products and to use the same resources as at present. For farmers in aggregate as well as for individuals, this would only be true in the very short run. In any longer run, they would adjust their production to take advantage of the more favourable conditions and to avoid any drawbacks which joining the E.E.C. might bring. The final effects on incomes would thus almost certainly be better than shown in aggregate and for

1. I.e., expenditure by the private sector on all consumer goods and services.

2. There is also a likelihood of a reduction in the cost of manufactured goods as a result of free trade within the E.E.C.

each type of farming. Under certain assumptions, adjustments might be the only means by which some farmers could avoid reductions in their income. Some farmers would find adjustment more difficult than others, those likely to find it the most difficult being on small and poor farms at present producing milk largely with the aid of purchased concentrates, or situated in hill areas where a large part of the income is derived from government grants, and many horticultural, pig and poultry producers. The income problem on many of these farms is in any case long overdue for solution even in present circumstances. On the larger, more fertile farms, adjustment would be relatively easy and farmers in such areas would be likely to gain substantially in the long run under the new conditions.

Taken as a whole, British farmers have little to fear from entry into E.E.C., though some of them may suffer while others gain substantially. The food consumer would be penalised to some extent but the taxpayer, who is often the same person, would gain as compared with the present British system. The balance of payments would almost certainly be adversely affected unless Britain can bargain favourably on contributions to the Agricultural Fund. It is this and not the income position of farmers which is likely to prove the biggest stumbling block to Britain's acceptance of the E.E.C. agricultural policy.

APPENDIX

Additional details of methods and sources

1. U.K. 1965/66 Revenue, Expenditure and Prices are estimated on the basis of : "Quantity & value of output at current prices" issued by the Ministry of Agriculture, Fisheries and Food, Statistics Division I, Branch C; "Agricultural Market Reports" issued weekly by the Ministry of Agriculture, Fisheries and Food, Price Statistics Section; "Annual review and determination of guarantees 1966", Cmnd 2933, published by Her Majesty's Stationery Office; "Production and utilisation of crops - United Kingdom", issued by the Ministry of Agriculture, Fisheries and Food, Statistics Division I; and other information supplied by the Ministry of Agriculture, Fisheries and Food.
2. Future E.E.C. Prices (N.B. For items not included below no change in price has been assumed)
Wheat, barley, rye: "Derived intervention prices" (Newsletter on the Common Agricultural Policy, E.E.C., Brussels, No. 27, 1965), converted on the basis of the exchange rate of 2.79 dollars per £.
Maize: Threshold price for Rotterdam. (Source and conversion rate as above).
Sugar beet, beef, veal, milk: Target or guide prices agreed by the Council of Ministers on July 24th, 1966, (see: Le Monde, 26/7/66, and The Times,

25/7/66), converted on the basis of the exchange rate of 2.79 dollars per £, and on the following assumptions:

1 gallon milk = 10.3 lb.

Cattle: 1 ton liveweight = 0.52 ton deadweight.

Potatoes: The ratio of the future E.E.C. to the 1965/66 U.K. average price is taken to equal the ratio between (1) the simple average of prices in France, West Germany, Italy and the Netherlands and (2) the average U.K. price, all for the years 1962 and 1963, i.e. the latest two years for which data are given in the F.A.O. Production Yearbook.

Pigmeat: Data in F.A.O. Production Yearbook indicate that in 1962 and 1963 the prices per kg. liveweight in France, West Germany and the Netherlands were approximately six times as great as the price per kg. of wheat. It has been assumed that the same ratio would apply in future. On the basis of data in "The Farm as a business. 4. Aids to management, Pigs" (prepared by the Ministry of Agriculture, Fisheries and Food, H.M.S.O., 1963) the average killing-out percentage has been taken as 73.5 per cent.

Poultry and Eggs: The ratios of future prices to wheat price have been estimated in a manner similar to that explained under "Pigmeat" above. The price ratios used are: Poultry/Wheat : 8

Eggs/Wheat : 7

On the basis of data in F.A.O. Production Yearbook 100 eggs have been assumed to weigh 5.795 kg.

Dairy Cattle: The ratio between E.E.C. and U.K. price has been taken as equal to the milk price ratio.

Fat Cattle (Tables 3 and B): The E.E.C./U.K. price ratio has been assumed equal to the price ratio for beef.

Fertilisers: The ratio between the total E.E.C. and U.K. cost has been estimated to be equal to the average ratio between nutrient prices in the two areas weighted by the quantities used in the U.K. Data for 1962/63 and 1963/64 have been taken from the F.A.O. Production Yearbook. (The E.E.C. data are for Belgium, West Germany, Italy and the Netherlands. The U.K. prices are net of fertiliser grants).

(Note: where data for the E.E.C. have been taken from some of the countries only, this is due to the lack of suitable data from the other countries.)

3. Horticultural tariffs

Source: Customs & Excise Tariff, H.M.S.O., London.

In the case of duties expressed in shillings per cwt., the percentage of import price has been estimated on the basis of data in Agricultural Market Reports published by the Ministry of Agriculture, Fisheries and Food.

4. Livestock purchased (Tables 3, 4, 5 and B): A separate ratio has been estimated for each group of farms on the basis of the revenue change attributed to the change in livestock sale prices.

Table A

Estimated changes in the revenue and expenditure
of U.K. agriculture on joining the E.E.C.

N.B. (1) The figures in the table are estimates subject to revision.

(2) Items for which the change has not been estimated are excluded from the calculation.

Items for which changes are estimated	1 Unit	2 U.K. 1965/66 ¹ Price	3 Future E.E.C. Price		4 Ratio of E.E.C. to U.K. price (Col. 3 : Col. 2)	
			High Cereal Price	Low Cereal Price	High Cereal Price	Low Cereal Price
		(£ per unit)	(£ per unit)			
<u>Revenue</u> : Farm Crops: Wheat	ton	24	34	32	1.417	1.333
Barley	ton	24 $\frac{1}{2}$	29 $\frac{1}{2}$	26 $\frac{1}{2}$	1.204	1.082
Rye	ton	22 $\frac{1}{2}$	30 $\frac{1}{2}$	27 $\frac{1}{2}$	1.356	1.222
Potatoes	ton	14 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$	0.862	0.862
Sugar Beet	ton	6	8	8	1.333	1.333
<u>Livestock Products</u> : Beef	ton cwt.	305	419	419	1.374	1.374
Veal	" "	328 $\frac{1}{2}$	564 $\frac{1}{2}$	564 $\frac{1}{2}$	1.718	1.718
Pigmeat	" "	232 $\frac{1}{2}$	277 $\frac{1}{2}$	261	1.194	1.123
Poultry (for food)	" "	232 $\frac{1}{2}$	272	256	1.170	1.101
Eggs (for food)	1000 doz.	179 $\frac{1}{2}$	165 $\frac{1}{2}$	156	0.922	0.869
Milk (incl. farm manufacture)	1000 gal.	161	163 $\frac{1}{2}$	163 $\frac{1}{2}$	1.016	1.016
<u>Expenditure</u> Feeding Stuffs: ³ Wheat	ton	23	39 $\frac{1}{2}$	37	1.717	1.609
Barley	"	23	34	31	1.478	1.348
Maize	"	27	35 $\frac{1}{2}$	35 $\frac{1}{2}$	1.315	1.315
Other cereal feeds	"	26 $\frac{1}{2}$	34 $\frac{1}{2}$	34 $\frac{1}{2}$	1.300	1.300
Imported Livestock	-	-	-	-	1.374	1.374
Fertilisers	-	-	-	-	1.400	1.400

(For Footnotes see next page.)

Table A continued

Items for which changes are estimated	5	6		7	
	U.K. 1965/66 value at current prices ¹	Value of U.K. 1965/66 Revenue or Expenditure at future E.E.C. price (Col.4 x Col.5)		Change (+ or -) (Col.6 - Col.5)	
	(£ mill.)	High Cereal Price	Low Cereal Price	High Cereal Price	Low Cereal Price
		(£ mill.)		(£ mill.)	
Revenue: Farm Crops: Wheat	92	130½	122½	38½	30½
Barley	118	142	127½	24	9½
Rye	½	½	½	0	0
Potatoes	77	66½	66½	-10½	-10½
Sugar Beet	39	52	52	13	13
Livestock Products: Beef	268	368	368	100	100
Veal	3	5	5	2	2
Pigmeat	208	248½	233½	40½	25½
Poultry (for food)	83	97	91½	14	8½
Eggs (for food)	172	158½	149½	-13½	-22½
Milk (incl. farm manufacture)	416	422½	422½	6½	6½
Total Output change				214½	162½
Government Grants	78 ²	0	0	-78	-78
Expenditure					
Feeding Stuffs: Wheat	92	158	148	66	56
Barley	92	136	124	44	32
Maize	54	71	71	17	17
Other cereal feeds	53	69	69	16	16
Imported Livestock	76½	105	105	28½	28½
Fertilisers	94	131½	131½	37½	37½
Total Expenditure Change				209	187

1. Revenue items include deficiency payments.

2. Excludes deficiency payments (included in Col.2) and fertiliser subsidies (included in Fertilisers, Col.5).

3. Estimates exclude processing and delivery charges.

Table B

Estimated changes in the average revenue and expenditure of selected types of farms in England and Wales

(See note at top of Table A)

Type of farm & Area	A Dairying Severn Vale & Somerset			B Predominantly Livestock Wales, poor land		C L'stock fattening Midland grazing	
	1 Proportion- al change in price	2 Actual 1964 £ per 100 Ac.	Change (Col. 1 x Col.2) £ per 100 Ac.	Actual 1964 £ per 100 Ac.	Change £ per 100 Ac.	Actual 1964 £ per 100 Ac.	Change £ per 100 Ac.
REVENUE							
Farm Crops: Wheat	0.417	238	99.2	-	-	732	305.2
Barley	0.204	246	50.2	-	-	396	80.8
Potatoes	-0.138	48	-6.6	2	-0.3	82	-11.3
Sugar Beet	0.333	5	1.7	-	-	28	9.3
Livestock & L'st. Prod:							
Dairy Cattle	0.016	88	1.4	19	0.3	46	0.7
Fat Cattle,)	0.374	414	154.8	22	8.2	3790	1417.5
Other Cattle	0.374	364	136.1	176	65.8	243	90.9
Pigs	0.194	781	151.5	9	1.7	222	43.1
Poultry	0.170	22	3.7	3	0.5	1	0.2
Eggs	-0.078	159	-12.4	18	-1.4	16	-1.2
Milk & Other Dairy Prod.	0.016	3491	55.9	5	0.1	40	0.6
Government Grants	-	62	-62	180	-180	93	-93
Total Revenue Change (R)	-	-	573.5	-	-105.1	-	1842.8
EXPENDITURE							
Feed	0.257 ₂)	1631	419.2	116	29.8	540	138.8
L'stock		679	163.0	117	15.2	3468	1040.4
Fertilisers (incl. lime)	0.400	265	106.0	35	14.0	199	79.6
Total Exp. Change (E)			688.2		59.0		1258.8
Income Change (R-E)			-114.7		-164.1		584.0
Total Rev. (Actual)		6248		874		6646	
" Exp. (Actual)		5321		643		6118	
Total Income (Actual) (Y) (i.e., Rev. less Exp.)		927		231		528	
Average Farm Size (A)		Acres	£	Acres	£	Acres	£
		153	per farm	452	per farm	361	per farm
Income Change per farm (R-E) x A/100 (C)			-175.5		-741.7		2108.2
Income per farm: actual (Y x A/100) (I)			1418.3		1044.1		1906.1
Income per farm: future (C + I)			1242.8		302.4		4014.3
Income change as % of actual net income			%		%		%
			-12.4		-71.0		110.6

1. Probably mainly store cattle for fattening.

2. See Appendix, section 4.

Table B continued

Type of farm & Area	D General Mixed Northern		E Alluvial arable S.W. Lancs		F Light land arable: S. Cambridge Chalk	
	Actual 1964	Change	Actual 1964	Change	Actual 1964	Change
Items for which changes are estimated	£	£	£	£	£	£
	per 100 Acres	per 100 Acres	per 100 Acres	per 100 Acres	per 100 Acres	per 100 Acres
REVENUE						
Farm Crops: Wheat	404	168.5	783	326.5	1110	462.9
Barley	616	125.7	820	167.3	1310	267.2
Potatoes	620	-85.6	1777	-245.2	127	-17.5
Sugar Beet	4	1.3	207	68.9	731	243.4
Livestock & L'st Prod:						
Dairy Cattle	168	2.7	148	2.4	1	-
Fat Cattle ¹⁾	1071	400.6	541	202.3	269	100.6
Other Cattle	198	74.1	131	49.0	30	11.2
Pigs	778	150.9	1046	202.9	426	82.6
Poultry	139	23.6	4.6	70.7	157	26.7
Eggs	437	-34.1	369	-28.8	326	-25.4
Milk & Other Dairy Prod.	1062	17.0	520	8.3	60	1.0
Government Grants	89	-89	70	-70	20	-20
Total Revenue Change (R)	-	755.7	-	754.3	-	1132.7
EXPENDITURE						
Feed	1048	269.3	1219	313.3	546	140.3
L'stock	1012	232.8	543	124.9	264	63.4
Fertilisers (incl.lime)	371	148.4	531	212.4	380	152.0
Total Exp. Change (E)		650.5		650.6		355.7
Income Change (R-E)		105.2		103.7		777.0
Total Rev. (Actual)	6459		8381		4890	
" Exp. (Actual)	5191		6558		3780	
Total Exp. (Actual) (Y)	1268		1823		1110	
(i.e., Rev. less Exp.)						
Average Farm Size (A)	Acres 220	£ per farm	Acres 170	£ per farm	Acres 397	£ per farm
Income Change per farm (R-E) x A/100 (C)		231.4		176.3		3084.7
Income per farm: actual (Y x A/100) (I)		2789.6		3099.1		4406.7
Income per farm: future (C + I)		3021.0		3275.4		7491.4
Income change as % of actual net income		% 8.3		% 5.7		% 70.0

1) Probably mainly store cattle for fattening.

2) See Appendix, sect. 4.



