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DOCUMENT 337/73 – ANNEX

OPINION OF THE COMMITTEE ON BUDGETS

on the Commission's communication to the Council (Doc. 251/73) on the
improvement of the common agricultural policy

Draftsman of the opinion: Mr R. PÊTRE

PE 35.735/fin.

The Committee on Budgets considered the communication on the improvement of the Common Agricultural Policy (Doc. 251/73).

It decided to draw up an opinion for the Committee on Agriculture.

It appointed Mr PÊTRE draftsman on 14 January 1974.

It adopted this opinion unanimously at its meeting of 12 February 1974.

The following were present: Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Boano, Mr Gerlach, Mr John Hill (deputizing for Lord Bessborough), Mr Maigaard, Mr Memmel, Mr Müller, Mr Pisoni, Mr Wieldraaijer.

INTRODUCTION

1. This is an extremely important communication from the Commission which tries to go some way to meet the growing criticisms of the Common Agricultural Policy. These criticisms are based on the high cost of price support policy, the rigidity and complexity of the management machinery and of course, the large scale financial frauds which are associated with the policy and the inadequacy of the forecasting methods which have led to supplementary budgets totally recasting the whole scale of Community expenditure.

2. The Commission points out that these failures are not the exclusive responsibility of the Common Agricultural Policy and the lack of Community progress towards economic and monetary union, towards an adequate regional policy and social policy have imposed extra burdens on the working of the EAGGF. But it admits that the track-record of the policy is such that disparities in income persist and that there are considerable disequilibria in the markets, whether of shortages or of gluts.

GUARANTEE SECTION

3. The Guarantee Section of the EAGGF has always been the most costly. The Commission here makes proposals which would seem to have the effect of reducing expenditure of something in the region of 1,000 m.u.a. by 1978 - a reduction which would be extremely welcome.

4. The Commission provides an analysis of the problems sector by sector and makes certain proposals.

Milk

5. To combat the problem of large surpluses and resultant high expenditure the Commission proposes levies chargeable to the farmer as well as certain measures to reduce imbalances within the sector and to reduce supports. This the Commission estimates will cause an increase in consumption and reduction in expenditure under the Guarantee Section of the EAGGF of 470 m.u.a. by 1978. This figure, whilst a welcome indication, would seem to be inadequately justified on the basis of the information provided. The Budget Committee has reason to be wary of forecasts within the sector and would welcome further details.

The Commission says at one point "The yield from the levy would be used ... for measures facilitating the marketing of the surplus of the internal market". This part would seem to be very vague and could be

interpreted as meaning the introduction of further surpluses in this sector.

There are three points that can be made about the proposed levy on milk surpluses : first, that being contingent on the level of supplies the revenue will be difficult to forecast : secondly, "the yield from the levy" cannot really be "used" for measures facilitating the marketing of the surpluses on the internal market because provision for such direct commitment to revenue in advance seems to go outside budgetary practice : third, the creation of a levy would seem to be, apart from administrative complexity, a step which would require separate approval from the Governments of the Member States and which would therefore seem to involve a certain delay.

Meat

6. The Commission points out that the basic problem here is one of insufficiency and proposes measures to facilitate the development from milk production to meat production in various areas by premia and by improving the price relationship between various meat products. The Commission believes that this would result in an increase of expenditure of 100 m.u.a. under the Guidance Section of the EAGGF by 1978 but with little change for the Guarantee Section. Again further information seems required.

Cereals

7. The Commission says that the problem here has been an increase in world prices with rapid reduction in stocks. The Commission aims to reduce imbalances by restoring a better relationship between prices by a coherent stocks policy, by the abolition of the 'regionalization' of intervention prices, and by withdrawing intervention for cereals of a lower quality. The Commission believes that expenditure under the Guarantee Section of the EAGGF should thus be reduced by 580 m.u.a. including 150 m.u.a. in the first year. Given that the problem here has been one of increasing world prices, as the Commission points out, the belief that the imbalances in the cereals market would gradually disappear seems optimistic.

Protein

8. The Commission points out a growing insufficiency for the Community in this sector and aims at less dependence by research programmes, improved price relationships within the sector, an extension of support

to the soya bean sector by reducing the price of selected forage. This the Commission estimates would result in an increase in EAGGF expenditure by 30 m.u.a. - although how this figure is arrived at or which part of the Fund it is aimed for is not specified.

Oil Seed/Olive Oil

9. The Commission here aims to ameliorate the position in this sector which has had difficulties since 1966 by, in particular, strengthening aid controls for olive oil through the establishment of a register for the groves, laying down of strict criteria to be applied when fixing direct yields, making producers supply proof that their production had exceeded the practical yields and "imposing a greater degree of responsibility on producers" although what this last phrase might mean is in no way clarified. The Commission says this would involve a "considerable" reduction in the expenditure of the Guarantee Section by the end of the improvement period although it seems unwilling to clarify its position further.

Other Products

10. For the other products such as wine, potatoes, sugar, the Commission does not attach any details of the financial consequences of the proposals it makes for these sectors.

STRUCTURAL POLICY

11. The Commission recognizes the importance of structural policy as part of its general approach to agricultural problems, and also agrees that price policy on its own will not achieve aims of the Common Agricultural Policy.

Your draftsman would certainly welcome a more equal division of labour between these two pillars of the policy.

12. The particular problems of agricultural structures have recently caused the Commission to make two proposals, one for hill farms, one for the priority agricultural regions. Both of these seem to have been held up in the Council's decision-making process.

The Commission now proposes two additional areas of the policy : first, aids for afforestation to improve structures, and secondly, measures to develop and rationalize agricultural marketing and processing equipment.

It is somewhat of a surprise that the Commission should then say that this need not involve any increase in expenditure on the Guidance Section of the EAGGF. Quite how these policies are supposed to be effective without any expenditure being committed to them is not made clear.

RELATED POLICIES

13. The Commission shows a welcome awareness of the importance of the other policies of the Community in relation to the Common Agricultural Policy. In particular it seeks to attach some of the blame for the failures or the disappointed hopes of the EAGGF on the inadequacies of other policies - a point which seems justified when one sees the complications for the EAGGF by the slow progress, if any, towards economic and monetary union. The complications that will arise through the system of Monetary Compensation Amounts as a result of the recent and radical changes in currency rates and the internal floating of currencies, would seem to be immense.

14. The Commission refers to the importance of the Regional Policy which it still wistfully hopes to be in operation by January 1st, 1974. Needless to say, continuous prevarication on this point would only hinder the achievements of the structural policy for agriculture.

15. On taxation, the Commission believes that insufficient progress has been made and that this in itself hinders the Common Agricultural Policy - although further details on the Commission's view of inter-relationship would seem welcome here.

16. The Commission asks for more help for the environment and consumer protection although it fails to spell out the new proposals here for the environment. It merely refers to the programme of 19th July 1973. For consumer protection it urges incentives on research on health effects of certain fats and encouragement for the development of high quality foods. Again, both of these will be welcome and again no estimate is made of the costs involved for the Community's budget.

CONCLUSION

17. The proposals from the Commission are a welcome sign that serious thinking has been undertaken both on the shortcomings of and improvements to be made to the Common Agricultural Policy and of its role in the network of Community policies.

18. The general burden of the Commission's argument and the direction in which their proposals go, can be supported and welcomed. The Commission seems to be proposing a reduction in costs of the Community's agricultural policy by 1978 of some 1,000 m.u.a. and an increasing share of the expenditure to be given to the Guidance Section for improving structures and hence the efficiency of agriculture. This would certainly seem to be in line with Parliament's long run concern to keep expenditure in check and to improve agricultural structures so that the farmer is guaranteed a reasonable income and the consumer a reasonable price.

19. The inadequacy of the Commission's thoughts as laid down in this memorandum seems to be the failure to elaborate the financial consequences of its proposals in any detail so that the Budget Committee cannot make any really informed estimate of the financial consequences of the proposals. In, for us, one of the crucial areas, financial forecasting - essential for good financial management - the proposals for improvement seem slender and the danger of the budgetary year being disrupted by supplementary budgets still a real one.

20. But one should recall that this is simply a Commission communication rather than the proposals themselves and at the time of the presentation of the proposals the Parliament will expect a fully worked out and detailed financial schedule accompanying any such proposals, which will render our assessment easier to make and better informed.

21. The Committee on Budgets invites the Commission to complete the financial analysis of the areas dealt with in the communication as its work proceeds.

Despite the reservations expressed above, it welcomes the attempt at an analysis on which the communication's guidelines are based and considers it to be a positive innovation.

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