
EUROPEAN PARLIAMENT

Working Documents

1978 - 1979

12 March 1979

DOCUMENT 675/78

Report

drawn up on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 613/78) on the fixing of prices for certain agricultural products and on certain related measures for the 1979/80 year

Rapporteur: Mr A. LIOGIER

1.2.1

PE 56.967/fin.

By letter of 7 February 1979 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures for the 1979/80 marketing year.

On 9 February 1979 the President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Development and Cooperation for their opinions.

The Committee on Agriculture appointed Mr Liogier rapporteur.

It considered these proposals at its meetings of 1 and 2 February, 13 February 1979, 19 and 20 February and 1 and 2 March 1979, when it also considered the relevant motion for a resolution. At its meeting of 1 and 2 March 1979 it adopted the resolution and the explanatory statement by 12 votes to 3 with 1 abstention.

Present: Mr Caillavet, chairman; Mr Liogier, vice-chairman and rapporteur; Mr Ligios, vice-chairman; Mr Brugger, Mr Dewulf, Mr Durand, Mr Früh, Mr Howell, Mr Klinker, Mr L'Estrange, Mr W. Müller, Mr Brønlund Nielsen, Mr Pisoni, Mr Scott-Hopkins, Mr Tolman and Mr Vitale.

The opinions of the Committee on Budgets, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Development and Cooperation are attached.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures for the 1979/80 marketing year

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(79) 10 final - Volumes I to IV),
- having been consulted by the Council pursuant to Article 43 of the Treaty establishing the EEC (Doc. 613/78),
- having regard to the report of the Committee on Agriculture and the opinions of the Committee on Budgets, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Development and Cooperation (Doc. 675/78),
- having regard to the repeated postponement since 29 November 1978 of the announcement by the Commission of its proposals for farm prices for the 1979/80 marketing year,
- whereas the aims of Article 39 of the EEC Treaty must continue to guide Community action in the matter of agricultural price and market policy,
- whereas agricultural incomes have increased more slowly than non-agricultural incomes and the difference between them has therefore been aggravated;
- whereas the main principles of the common agricultural policy should be preserved while keeping it flexible enough to take account of the fundamental characteristics of European agriculture and the need to ensure that the Community retains a high level of self-sufficiency in food;
- whereas the common agricultural policy cannot progress without a minimum of monetary stability and that in the absence of such stability there is a danger that it will disintegrate;
- whereas with this in mind, it is important to find within the context of the European Monetary System (EMS) a way of dismantling the MCAs, which distort competition between the Member States and disrupt agricultural trade within the Community;

- whereas, moreover, to preserve the credibility of the common agricultural policy it is important to solve the problem of surplus production and that for this purpose solutions must be found to the problem of dairy surpluses, bearing in mind the social importance of this area of production and the geographical origin of these surpluses,
 - whereas, furthermore, the common agricultural policy must not favour one particular type of agricultural production but, on the contrary, must tend to strengthen the complementary nature of the different types of agricultural production within the Community, as this is a distinguishing mark of European agriculture giving it a more human face and contributing to the diversity of the European countryside,
 - whereas farmers' incomes are on average somewhat lower than average earnings for other members of society,
 - whereas the common agricultural policy has made a valuable contribution in securing stable supplies of healthy foodstuffs for consumers; whereas, to this end, it is necessary to maintain certain reserve stocks, although excessive fluctuations in the size of the stocks should be avoided,
1. Deplores the Commission's delay in submitting its price proposals for the 1979/1980 marketing year;
 2. Invites it to state its medium and long-term aims for the future development of the common agricultural policy, so that public opinion may know whether the Community is geared towards an agriculture producing its own agricultural raw materials and processing them itself, or whether it is moving towards a processing agriculture based on imports - for the time being at low prices - of agricultural raw materials from third countries;
 3. Recalls that in the past the common agricultural policy has protected Community consumers from sudden increases in world market prices of agricultural products;
 4. Expresses its concern about the rapid growth in imports of substitute products - soya, tapioca, manioc - which is disturbing the balance of the agricultural markets in the Community, entailing increasingly high intervention costs and compromising in the long term the security of the Community's food supplies by creating a situation of dependence;
 5. Considers that it is vital to review the system for trade in these substitute products and to look into the possibility of imposing a levy on them, since the voluntary restraint agreements which the Community could conclude with third countries do not provide all the necessary guarantees;

6. Calls for the introduction of the EMS which, by restoring monetary stability within the Community, would create the conditions for a dismantling of MCAs and restore each region fully to its natural farming role, with long-term benefits for Community consumers, as regards both prices and the quality of products;
7. Supports the Commission in its efforts to dismantle the MCAs;
8. Believes that four years is a reasonable period for bringing about the dismantling of existing MCAs; requests, however, that it should be possible for this process to be speeded up for Member States who request it: urges the Commission to revise the method of calculating MCAs in pigmeat;
9. Believes, on the other hand, that new MCAs should be created solely by a decision of the Council, which should at the same time fix a time limit for their removal which should not exceed twelve months; is consequently opposed to the automatic introduction of new MCAs without a special Council decision as proposed by the Commission; affirms that the removal of new and existing MCAs should not have a negative effect on the incomes of the farmers concerned;
10. Believes that the u.a. price freeze recommended by the Commission is unjustified in view of the situation of agricultural incomes, could aggravate unemployment and prevents the dismantling of positive MCAs;
11. Asserts with this in mind, that the mean increase in farm prices for the 1977/1980 marketing year must at least compensate for the consequences of the removal of MCAs in positive-MCA countries so as to restore the unity of the common agricultural market;
12. Is of the opinion that the price increase expressed in EUA should be at least 3% in view of the supplementary measures to be taken to reduce MCAs and adjust the value of the green currencies;
13. Disputes the validity of the criterion of gross added value per person employed in agriculture used by the Commission to determine the evolution of agricultural incomes; maintains that an increase in agricultural prices is necessary having regard to the results achieved by Community agriculture in the past five years so as to prevent a reduction in the standard of living of farmers and to enable them to finance their investments;

14. Stresses, furthermore, that the price freeze proposed by the Commission for the 1979/1980 marketing year will not permit prices to play their role of directing production of the different types of agricultural product; affirms that account should have been taken of the differing trends for each product over the past few years; believes, therefore, that there should be a greater increase in the beef and veal and oilseeds sectors to encourage production; points out that as regards beef and veal an increase would facilitate the conversion of dairy herds to meat production, thus helping to solve in part the problem of dairy surpluses;
15. Requests the Commission to come forward with proposals to encourage suckler beef herds, in particular by payment of an incentive sufficient - net of tax - to induce dairy farmers to allow dairy cattle to suckle calves;
16. Stresses once more that solutions must be found to the problem of dairy surpluses, particularly of milk powder and butter, bearing in mind the social importance of this type of production for a large number of family farms in the Community;
17. Approves the coresponsibility levy in principle provided that:
 - (a) it is a temporary measure in preparation for restoring balance on the dairy market;
 - (b) it is applied only to structural production surpluses;
 - (c) it is not variable but determined in conjunction with the annual price fixing;
 - (d) it is applied at the same rate throughout the Community;
 - (e) priority is given to using the yield to eliminate dairy surpluses;
 - (f) an effective selective criterion is introduced for penalizing industrial production which is based solely on substitute products imported from third countries;
 - (g) it is not applied to small producers, mountain areas and the less-favoured regions of the Community;
 - (h) together with this levy, a premium is introduced for farmers voluntarily limit production;
 - (i) a comparable levy or compensatory measure is introduced for substitute products;
18. Considers it desirable that, in addition to the coresponsibility levy, a subsidy for slaughtering heifers should be introduced so that equilibrium can be restored on the dairy products market much more quickly;

19. Points out that milk production is artificially encouraged by cheap imports of agricultural raw materials from third countries;
20. Stresses that the imbalance on the dairy products market is further aggravated by imports of butter;
21. Requests that a tax be imposed on the production of margarine to create equal competition between butter and this substitute product; requests that the measure form part of a general policy for oils and fats;
22. Rejects the reduction of the B quota for sugar; stresses that Community producers should not be penalized when the Community is importing 1.2 million tonnes of sugar from the ACP states and when the production of isoglucose is growing, leading to marketing difficulties for Community sugar production on the domestic market and entailing increasing expenditure on selling this sugar on export markets;
23. Calls for reinforcement of research efforts, currently under way in the Community, aimed at the efficient use of agricultural-based alcohol as a fuel, fruit and particularly sugar being suitable raw materials;
24. Recommends that the Community should encourage the ACP countries to progressively diversify their production by protein crops needed by the Community in order to reduce its dependence on its traditional sources of supply;
25. Insists that the Commission pay more attention to products in the southern regions of the Community (fruit, vegetables, wine) to give them the same guarantees received by products in the Community's northern regions; stresses that such a step would help to solve in part the problems facing the Mediterranean regions of the Community; therefore regrets the reduction of the guarantees given to producers of long-grain rice and tobacco;
26. Asserts that the common agricultural policy must promote the modernization of the family farm, which has a vital role to play in the social, economic and ecological equilibrium of the rural regions;
27. Welcomes in principle the Commission's guidelines for structural policy which will concentrate aid from the EAGGF on the particularly less favoured regions with a large number of small farms; reserves its position, until detailed proposals have been published, but warns that plans for reducing aid for modernization may conflict with the objectives of the agricultural policy as set out in the Treaty, more particularly Article 39(1)(a);

28. Regrets the lack of both an overall Community structural policy and the means to implement it; an agricultural and rural structural policy can only be devised as part of a regional, social and economic policy that is integrated, selective and based on solidarity;
29. Draws the Commission's attention to the increasing average age of the farming population, particularly in the Mediterranean regions, and affirms that measures should be taken to stop the drift from the land which is affecting young people in particular;
30. Invites the Commission to draw up a land policy since, in view of the excessive fragmentation of land in many regions of the Community and in the Mediterranean regions in particular, most of the structural reform measures so commendably undertaken by the Community will be virtually impossible to apply;
31. Stresses the social role played by agriculture in maintaining employment since it is essential in the present economic situation to encourage the rural populations to stay on the land and so avoid a further increase in the Community's 6 million unemployed;
32. Doubts the usefulness of the proposal on rye and takes the view that, if there are to be changes in intervention policy for rye, this should be done by placing greater emphasis on quality when calculating the price;
33. Requests that the common agricultural policy be supplemented by the introduction of market organizations for potatoes, sheepmeat and ethyl alcohol of agricultural origin;
34. Recalls in this connection its earlier opinions on the proposals from the Commission to the Council on market organizations in the potato¹ and the sheepmeat² sectors and invites the Commission to present without further delay a new proposal on ethyl alcohol of agricultural origin which takes into account the suggestions put forward³ by its Committee on Agriculture;
35. Recommends, in view of the dangers threatening the common agricultural policy, that it be supplemented by a common policy on proteins, which should restore a certain degree of coherence to agricultural policy and solve some of the problems of surpluses;

¹ OJ No. C 238, 11.10.1976, p.31 - Doc. 289/76 - rapporteur: Mr Bourdellès

² OJ No. C 239, 9.10.1978, p.44 - Doc. 249/78 - rapporteur: Mr Herbert

³ Doc. 472/77 - rapporteur: Mr Liogier

36. Requests that the reduction of the import levy on maize be maintained for Italy in view of the higher port charges it has to pay;
37. Requests that the difference in the threshold price for long-grained rice and round grained rice should not be abolished, since this would be ruinous to Community production;
38. Requests that the difference in the price of common wheat and durum wheat should not be modified;
39. Calls upon the Commission to review its proposals in the light of this opinion.

EXPLANATORY STATEMENTI - INTRODUCTION

1. The common agricultural policy is based on three main principles:
 - unity of the markets;
 - Community preference;
 - financial solidarity.

To safeguard these principles the Community authorities have introduced organizations of the markets for each product¹ based on a system of common prices, protected against world market fluctuations by border levies and refunds, and financed out of the Community budget.

2. These three major principles have now been under attack for a number of years.

- (a) Because of erratic currency fluctuations and the introduction of monetary compensatory amounts to maintain common prices the common agricultural market has been divided into seven currency areas, each with its own national price level. As a result agriculture has become isolated from the general economic system and farm prices are much higher and therefore more remunerative in countries with strong currencies than they are in countries with weak currencies.

Conversely, the factors of production have become less expensive in countries with strong currencies than in countries with weak currencies (see Annex I).

As a result of this situation the conditions of competition between the Member States have been distorted. By virtue of the advantages they derive from their monetary situation a number of Member States have been able to develop products which are not dependent on the natural advantages of climate or soil. The common agricultural policy, however, was not evolved in order to favour the development of types of farming for which the land is merely an incidental factor in production; on the contrary, it was designed to foster a degree of specialization among the agricultural regions and the Member States of the Community.

- (b) The system of Community preferences was intended as an expression of European solidarity and as a mechanism to ensure security of supply in the Community by promoting its self-sufficiency in food.

¹ The following products are not yet subject to market organization: potatoes, sheepmeat, ethyl alcohol of agricultural origin, honey and wood.

Community preference proved its worth in 1974 when it protected the Community consumer against soaring prices on the world sugar and cereals market. However, here too Community preference is coming under attack. Animal feed no longer provides an outlet for fodder grain and milk powder because cheap substitute products such as soya beans and manioc are being imported in large quantities. In 1977 the Community imported 14 million tonnes of soya beans, mainly from the United States, totally free of customs duty since this product is bound under GATT. It also imported six million tonnes of manioc, mainly from Thailand, without payment of the levy. Also in 1977, the Community imported, pursuant to Protocol No. 18 to the Accession Treaty, 138,000 tonnes of butter and 15,000 tonnes of cheese from New Zealand.

(Cheese imports stopped in 1978 and this product is now the subject of negotiations in GATT.)

This undermining of Community preference is having two consequences:

- it is making certain agricultural sectors (e.g. meat and milk) dependent on the world market. What would happen to Community security of supply if there was a sudden shortage in the world soya market?
- it is entailing increasing intervention expenditure, both on storage and on export refunds.

(c) Financial solidarity, to which practical expression is given through the EAGGF, is also under attack. The introduction in 1977 of the co-responsibility levy initiated a trend towards replacing financial solidarity between states by the financial responsibility of producers. A further blow was dealt to financial solidarity by the Commission's proposal for a Council regulation on the common organization of the markets in ethyl alcohol of agricultural origin (Doc. 504/76), Article 17 of which provided for an intervention contribution financed by producers.

3. The above facts need to be borne in mind in assessing the Commission's price proposals for the 1979/1980 marketing year.

II - CONSIDERATION OF THE PRICE PROPOSALS FOR THE 1979/80 MARKETING YEAR

4. At its meeting in Bremen on 6/7 July 1978 the European Council instructed the Commission to draw up a report on the future development of the common agricultural policy with a view to reducing surpluses and restoring balance to expenditure under the Community budget. The Commission's proposals for the 1979/80 marketing year are based on the principles set out in this report.

(A) Communication on the future development of the CAP¹

5. The Commission notes that in recent years implementation of the common agricultural policy has encountered serious difficulties. The policy is beset by three major problems:

- the worsening imbalance between supply and demand on several major agricultural markets;
- the persistence of wide income disparities within agriculture;
- the disorganization of the common agricultural market as a result of monetary disorders.

6. The increasing imbalance between supply and demand on certain agricultural markets is due not only to certain climatic factors (consider, for instance, the record cereals harvest (116 million tonnes) in the Community in 1978), but also, and above all, to rapidly increasing productivity which is leading to a production explosion while domestic consumption is stagnating and export possibilities are limited.

In the milk sector, for example, yields went up 1.8% in 1977, a factor which, combined with a 0.8% increase in cattle population, led to a rise in production of 2.7%. Sugar production reached a record level of 11.5 million tonnes owing to a 23.1% increase in yields. Cereal yields rose 16.2%.

7. The problem is compounded by external factors, such as certain import commitments (e.g. 1.2 million tonnes of ACP sugar and 120,000 tonnes of New Zealand butter), by low levels of protection against imported animal feed (e.g. manioc and soya beans), by the use of substitutes, for instance margarine for butter and other vegetable oils for olive oil, and by the fiscal policies of certain Member States (e.g. consumption taxes on wine).

8. The second major difficulty is the persistence of regional disparities between agricultural incomes and between incomes from the different types of production. For example, incomes from the main crops are twice those derived from stock-rearing. At present three quarters of the Community's farms account for only a quarter of Community production. Income disparities are due to a variety of factors, but the common agricultural policy has not really succeeded in reducing them. However, the Mediterranean package and the measures for western Ireland constitute a step in the right direction as no structural reform policy can be successful if it does not form part of a specific regional and social development programme.

9. The third major difficulty results from the monetary upheavals which have affected Member States' currencies. The system of monetary compensatory amounts which was introduced to offset the effects of these upheavals in

¹ Bulletin of the EC No. 11/78, p. 120

agriculture has, by eliminating the normal effects of exchange rate fluctuations and by causing artificial distortions of competition, led to the virtual isolation of the agricultural sector within the Community economy. The continuation of this system jeopardizes the common agricultural policy itself.

10. In the conclusions to its report the Commission considered that a rigorous price policy

- was essential so long as major market imbalances persisted;
- proposed that any increase in milk production should automatically trigger off either a reduction in intervention prices or the raising of the co-responsibility levy;
- indicated that the existing structural directives would be strengthened and adjusted in order better to take account of regional needs, specific difficulties of certain markets and changes in the economic environment.

11. Further, the Commission welcomed the introduction of the European Monetary System (EMS) and urged the Council to agree on the systematic dismantling of all existing monetary compensatory amounts as soon as the EMS entered into force, and if necessary envisage compensation for producers and consumers.

12. The Commission believes that the restoring of market balance and the dismantling of monetary compensatory amounts will be accompanied by a reduction in agricultural expenditure. This means that certain appropriations will have to be set aside for transitional expenditure in order to attenuate the social effects of the measures it intends to take.

13. Finally, the Commission affirmed that the long-term stability of international trade in agricultural products was greatly in the interests of the Community and that the latter should take action with a view to achieving this objective by means of new consultation arrangements in the context of the multilateral trade negotiations in progress while demanding from our partners full reciprocity and equal obligations.

(B) Proposal for the 1979/80 marketing year

14. The Commission has proposed the following measures for the 1979/80 marketing year:

(a) agricultural prices

15. The Commission believes that the need to maintain present prices (expressed in units of account) for the majority of products (see Annex II) is dictated by the persistent surpluses in certain major agricultural products such as milk and sugar. It has not proved possible to correct

this situation either by the cautious price policy of the last two years or by the considerable and costly efforts made to promote sales both within and outside the Community. Record cereals and sugar harvests in 1978 and a further increase in milk production have not eased the situation.

The Committee on Agriculture considers that from a purely agricultural point of view the price freeze is unacceptable. It would not help to direct agricultural production, to establish priorities among the products to be encouraged (beef and veal and proteins) and those whose expansion needs to be checked.

16. From the point of view of agricultural incomes the Commission seems to think there is a case for maintaining current prices. For three consecutive years the rise in production costs has slowed down and, according to first estimates, real agricultural incomes continued to increase in 1978. Since 1970 they will have risen, on average, 3.5% per year, slightly faster than in other sectors of the economy (3%). The regional and sectoral spread of agricultural incomes is still wide, however.

This attempt to justify a price freeze by referring back to the past seems odd, to say the least. There is no reason why the positive record of Community agriculture as a whole over the last few years should prompt the Commission to envisage a farm price freeze for the 1979/1980 marketing year when it admits itself that substantial regional and sectoral disparities still exist (see Annexes III and IV).

The indebtedness of farmers, the rising cost of imported commodities (energy, fertilizers) in countries with weak currencies and the need to keep the rural population on the land at a time when the Community has 6 million unemployed are all reasons militating in favour of a certain increase in farm prices, particularly as the incomes of farmers in countries with strong currencies (Germany and Benelux) will need to be maintained if it is decided to dismantle - even in part - their monetary compensatory amounts.

17. The Committee on Agriculture questions the method of calculation used by the Commission which confuses agricultural income with the concept of gross value added per person employed in agriculture. The latter does not take account of depreciation, wages, rents and interest which must all be deducted from the farmer's gross income (see Annex V).

Moreover, the Commission does not take account of potatoes in its figures for Belgium on the ground that there is no common organization of the market for this product and consequently the statistics give a misleading picture. On the other hand, sheepmeat, which is not covered by a common organization of the market either, does seem to have been taken into account in the calculation of agricultural income.

18. Thus, a comparison between the trend in agricultural incomes as calculated by the Commission and the same trend as calculated by the professional organizations, which have included the above costs, reveals a significant difference in findings (see Annex V). It shows that between 1970 and 1978 net agricultural income increased only half as fast as claimed by the Commission, which means that the gap between agricultural and non-agricultural workers' incomes has not been closed but has in fact widened. In this respect too, therefore, an increase in agricultural prices for the 1979/80 marketing year is fully justified.

If the Commission continues with its price freeze policy there is a danger that large numbers of farmers will find themselves unable to cope with the financial burdens imposed upon them and will be compelled to give up farming and, despite the present poor economic climate, join the already swollen ranks of the Community's six million unemployed.

19. At its meeting of 1 and 2 March 1979 the Committee on Agriculture therefore decided that the average u.a. price increase should be at least 3%

(b) measures in the milk sector (see Annex VI)

20. In view of further increases in production and deliveries of milk to dairies in a market already suffering from sizeable surpluses the Commission has proposed a complete revision of the co-responsibility levy. As from 1 June 1979 the levy will be variable but will not fall below 2% of the target price for milk. The levy will be subject to review three times a year and adjusted according to the change in milk deliveries to dairies and by comparison with average deliveries during a given period of reference. The levy rate will be twice the percentage change in milk deliveries (for example, an increase of 2.5% in milk deliveries would give rise to a co-responsibility levy of 5%).

The dangers of such a measure for the incomes of large numbers of producers who are not necessarily responsible for the milk surpluses are

obvious. In 1977 milk deliveries increased by 3.4%; the co-responsibility levy would therefore have been 6.8%. It is estimated that milk deliveries increased by 4% in 1978; the levy would therefore have reached 8%. If milk deliveries increased by 6.7% in 1979 - which is quite likely - the levy would be 13.4% and would yield about 3,000 million EUA. The milk sector would then be the only sector of the CAP to finance itself!

21. To safeguard the incomes of small producers who have no alternative to milk production, the Commission proposes that there should be an exemption from the levy for those farmers who fulfil all the following requirements:

- their principal occupation must be farming;
- producers must be under 55 years of age, or between 55 and 60 years of age must undertake to cease farming at the age of 60 years in accordance with Directive 72/160/EEC;
- they must not deliver more than 60,000 litres of milk a year;
- the size of their farm must not exceed 25 hectares;
- they must undertake not to increase their number of dairy cows;
- they must not have more than one dairy cow per hectare.

22. According to the Commission these conditions have been drawn up in such a way that the exemption will principally favour milk production based on grass and fodder produced on the farm and not from imported feed. The exemptions already applicable under the present levy (in particular for mountain areas) will continue to apply. Overall, exemptions apply to about 30% of dairy farms, which account for 12% of the Community's total milk production (for further details see Annex VII).

The new levy will be an integral part of the common organization of the markets in the milk sector. Its aim will be to hold down production as long as large surpluses continue to exist and to provide the Community budget with the financial resources necessary to enable consumers (including, in the case of animal feed, livestock farmers) to enjoy low prices.

23. The Commission thus proposes to raise to 42 u.a./100 kg (currently 23 u.a./100 kg) the maximum Community contribution to the subsidy which the Member States may grant to butter consumers. It intends to maintain reduced-price sales of butter to certain social categories of consumers and to non-profit making organizations. It also examines the extent to which reduced-price sales of butter to biscuit and ice-cream manufacturers can be increased. In this connection Regulation (EEC) No. 232/75¹ should be amended so as to enable pastrycooks to obtain supplies of intervention butter on the same terms as industrial cake manufacturers since the quantities to be withdrawn (at least 5,000 kg) and the time limit for using them (maximum of 1 month) laid down by the regulations exceed the absorptive capacities of individual pastrycooks.

The Commission also intends to maintain, for a few more years, the aids for the use of liquid skimmed milk or skimmed milk powder for animal feed, which should help to reverse the present trend towards the use of imported products for animal feed. This scheme will help to some extent to reduce the Community's dependence on third countries.

24. The Committee on Agriculture recognized the need to find a solution to the problems of dairy surpluses (milk powder, butter) which takes account of the social importance of this type of production for a large number of family farms in the Community - milk being the small farmer's only source of income - and of the geographical origin of these surpluses.

25. However, the rapporteur does not agree with the majority of the Committee on Agriculture about how to resolve the problem of dairy surpluses.

The rapporteur is opposed to any form of coresponsibility levy because, in his view, it affects producers indiscriminately without singling out those responsible for surpluses and has no effect on the processing industry which frequently encourages farmers to increase production so as to obtain a better return on their own investments. The Committee on Agriculture, on the other hand, supported the principle of a coresponsibility levy.

26. However, the committee drastically amended the Commission proposal urging that:

- (a) the new coresponsibility levy
 - should be a temporary measure in preparation for restoring balance on the dairy market;
 - should be applied only to structural production surpluses;
 - should not be variable, three times a year, but determined in conjunction with the annual price fixing;
- (b) it should be applied at the same rate throughout the Community;

¹OJ No. L 24, 31.1.1975, p. 45

- (c) priority should be given to using the yield to eliminate dairy surpluses;
- (d) an effective selective criterion should be introduced for penalizing industrial production which is based solely on substitute products imported from third countries;
- (e) it should not be applied to small producers, mountain areas and the less-favoured regions of the Community;
- (f) apart from this levy, a premium should be introduced for farmers who voluntarily limit production;
- (g) a comparable levy or compensatory measure should be introduced for substitute products.

27. The Committee on Agriculture also calls on the Commission to propose a subsidy for slaughtering heifers so as to restore balance on the dairy market much more quickly.

28. The Committee on Agriculture draws attention to the fact that the monetary chaos is also one of the reasons for surplus milk production in certain Member States.

The high level of prices resulting from MCAs encourages producers and the processing industry to step up production. In addition, as producers in these countries enjoy export subsidies it is natural that they should attempt to increase their production so as to dispose of it on other markets. Italy, for instance, which imported 85,000 tonnes of milk in 1974, today imports 1,300,000 tonnes - 1,200,000 from Germany and 100,000 tonnes from France. This illustrates how monetary disorders distort the terms of competition between Member States.

29. The Commission considers that all public aids to production, which inevitably contribute to exacerbating surpluses, must be suspended, except for certain farms in certain regions - to be defined by the Council on a proposal from the Commission.

The Committee on Agriculture would like to know the Commission's precise intentions in this area. The latter claims that the maintenance of such aid would seriously detract from the effectiveness of the measures proposed or already been introduced with a view to restoring balance on the milk market. By the same token the Commission will authorize aids to investment in marketing and processing only on a limited scale: aids will be permitted only for investments concerning pasteurized liquid milk not otherwise treated, the utilization of liquid skimmed milk for animal feeding, research, production of new products, energy conservation and environmental protection. This approach is to be welcomed.

30. Finally, the Commission proposes that the system of premiums for the non-marketing of milk and milk products and for conversion to beef and sheep meat should be extended until the end of the 1979/1980 marketing year. It intends to propose supplementary measures in due course in order to stimulate specialized beef production.

The Committee on Agriculture is of the opinion that conversion to meat production constitutes a sound approach to the problem of milk surpluses, particularly as the Community suffers from a deficit in beef production (degree of self-sufficiency in 1977: 96.1%) and sheepmeat production (degree of self-sufficiency in 1977: 63.8%). It therefore calls on the Commission to put this intention into practice by proposing a tax-free premium for suckler cows to encourage the rearing of suckled calves.

31. To conclude, the Committee on Agriculture stresses that measures taken to control dairy production must be implemented cautiously, since although they may have limited short-term effects, their long-term implications could be incalculable. In the short term, farmers - particularly young farmers - with major financial commitments will increase their production to ensure an income sufficient to meet their expenditure. In the long term, inadequate profit levels will lead to a fall in production. It should be emphasized that these effects will be all the more evident if a large number of individual farmers act in this way.

The committee therefore feels that in general care should be taken in the control of surpluses, since in the long term the remedy must not prove more harmful than the problem it was designed to solve.

(c) Agri-monetary measures

32. Quoting the guidelines given by the Heads of State or Government on the impact of the European Monetary System (resolution of European Council of 5 December 1978), the Commission proposes an automatic procedure for the phasing-out of any new MCAs and the reduction of existing MCAs in France, Italy, Ireland and the United Kingdom.

33. The European Council stated in its resolution that the creation of new permanent MCAs was to be avoided. The Commission therefore proposes that the Council should meet immediately after any change in the central rates of the European Monetary System to decide either to create new MCAs and to determine the conditions for their elimination or immediately to adjust the green rates.

Unless the Council decided otherwise, new MCAs would be dismantled automatically in two stages - 50% not later than the beginning of the first marketing year and 50% not later than the beginning of the second marketing year following that of their introduction. The Council would have the power to defer by one year such adjustments, though the new MCAs would in any case have to be completely abolished by the beginning of the third marketing year following their introduction.

The Committee on Agriculture is opposed to the automatic introduction of new MCAs in the absence of a Council decision. It believes that the creation of new MCAs must remain subject to a Council decision and that it would be wrong to undermine, from the outset, a system which at last provides for the phasing-out of MCAs by establishing a procedure automatically introducing new ones.

34. The European Council advocated the gradual reduction of existing MCAs but stressed that due account would have to be taken of the prices policy. Although it does not give a definite timetable for the dismantling of existing MCAs, the Commission deems it necessary to fix a deadline by which they should have disappeared. It proposes that this deadline should be two years (or two marketing years) after the end of the initial phase of the EMS, i.e. four years (or four marketing years) after it is introduced.

The view of the Committee on Agriculture is that a time-limit of four years for the phasing out of existing MCAs is sufficient for account to be taken of the specific problems of countries with strong currencies.

On the other hand, it feels that the phasing-out of MCAs could be speeded up for the countries with weak currencies if the Member States concerned made a request to that effect. It therefore recommends that the phasing-out of MCAs should automatically be speeded up at the request of Member States. Such an arrangement might also interest Member States with strong currencies, although it is unlikely that they would apply for the accelerated dismantling of their compensatory amounts.

In any event, the Committee on Agriculture urges that the dismantling of MCAs should not lead to any loss of income for farmers in positive-MCA Member States. Moreover, the method of calculating MCAs applicable to pigmeat should be revised in view of the extremely difficult situation facing pig breeders in certain Member States.

35. As an immediate measure the Commission proposes that existing monetary compensatory amounts should be reduced for Ireland (currently 3%), France (currently 10.6%), the United Kingdom (currently 28.2%) and Italy (currently 17.7%) by the amounts shown below:

	France	Italy	United Kingdom	Ireland
Devaluation of 'green' rates by	5%	5%	5%	4.306%
Reduction of existing MCAs in points	5.6	6	6.5	3
Effects on guaranteed prices in national currencies	+5.3%	+5.3%	+5.3%	+4.5%

36. For the United Kingdom and Italy the whole adjustment might be adopted by the Council, with immediate effect for certain products.

It is proposed that for France the adjustment should take place in two stages: a 3.6% devaluation of the 'green' French franc with immediate effect for all products (which is equivalent to a 3.9 point reduction in French MCAs and a 3.7% increase in guaranteed prices in FF) from 19 February 1979 and the remainder from the beginning of the 1979/80 marketing years for each agricultural product.

As regards Ireland, the whole adjustment would also apply from the beginning of the marketing years of the various products.

37. In the present circumstances and in the light of its price proposals, the Commission does not propose any reduction in MCAs for Germany and the Benelux countries.

The Committee on Agriculture is of the opinion that Germany should reduce its compensatory amounts by at least 2% with effect from the next marketing year; it may otherwise be eventually obliged to revalue the 'green' Deutschmark to an extent that would be harmful to its farmers.

38. In this connection the Committee on Agriculture deems it politically unrealistic not to propose an immediate adjustment of MCAs for Germany and the Benelux countries given that such a decision would be easier to take now than in two or three years' time. The Committee on Agriculture therefore reaffirms its opposition to the price freeze; these countries with strong currencies must be given a margin of manoeuvre to enable them to adjust their MCAs without harming their farmers' interests. A price increase would give some substance to the declaration of the Heads of State or Government meeting in the European Council in which it 'stresses the importance it attaches to avoiding the creation of permanent MCAs in the future and to the gradual reduction of existing MCAs with the aim of re-establishing the unity of the common agricultural policy prices while taking due account of the prices policy'¹.

(d) Agricultural structures policy

39. The Commission considers that the structural policy is a long-term policy which must be developed and adjusted in accordance with the following principles:

- it must be flexible to meet both changing economic situations and requirements which are different in kind and scale;
- it must be consistent with other Community and national policies;
- it must give priority attention to the structurally weakest regions.

40. The Commission notes further that the existing structural measures have not been such as to bring about an improvement in the position of a substantial number of farms of small size and particularly farms located in the disadvantaged areas; this has been an extremely negative factor

¹ Doc. 613/73 - COM(79) 10 final - volume I, p. 53

for the overall economic development of those regions¹.

41. To correct these regional imbalances the Commission will propose, for some particularly disadvantaged regions with a large proportion of small farms, that programmes be set up for the Community financing of investment in development, modernization or conversion towards types of production which are particularly suitable for these regions.

Moreover, the Commission is convinced that the agricultural structures policy cannot and must not be a substitute for social, economic or regional policies, but that it should complement and support them. The Commission accordingly intends to work for an integrated approach to the overall development of the less-favoured regions and, for this purpose, it will implement development programmes in small, geographically distinct areas, deploying various ways and means at Community, national and regional levels².

42. Existing structural measures which are of general application throughout the Community should, in the Commission's view, be adjusted in certain respects in order to take account of the changed socio-economic context in which they have to be implemented.

These adjustments should be such as to make it possible to apply the Community provisions more selectively by concentrating them on farms which are in real need, while at the same time steering such farms towards economically sounder types of farming.

43. A priori the Committee on Agriculture takes a favourable view of the Commission's socio-structural guidelines inasmuch as Community aid will be concentrated on the least-favoured regions and on the farms which need it most. However, it will await concrete proposals from the Commission before adopting a final position and it regrets the fact that the Commission isolates structural policy from its context. A global structural policy, covering both the agricultural and the rural aspects, can only be devised as part of a regional, social and economic policy that is integrated, binding and selective.

¹ Doc. 613/78 - COM(79) 10 final - volume I, p. 48

² *ibidem*, p. 49

44. The details of the Commission's proposed amendments to the three socio-structural directives are as follows:

- (1) Directive 72/159/EEC on the modernization of farms¹ is to be amended so that:
- farms exceeding a certain scale are excluded from its scope;
 - access to development plans is broadened by reducing the level of the target income and by easing the rules for achieving it;
 - aids to investment and development of farms can be concentrated on lines of production which have good demand prospects and, accordingly, aid would no longer be granted to investments in dairy farms, greenhouses and pig units (except certain types of investment in some regions to be defined).

The Committee on Agriculture feels that the plans for reducing aid for modernization may conflict with the objectives set out in Article 39 (1) (a) of the Treaty. It therefore requests the Commission to provide the European Parliament with further information on this specific point.

- (2) With regard to Directive 72/160/EEC², the priority aim must still be to transfer land to farms which need it to be able to modernize.

In order to improve land mobility with this end in view the Commission deems it necessary

- to make a substantial increase in the amount of retirement annuity eligible for assistance,
- to introduce a Community system of annuities for persons aged at least 50 who undertake to give up farming completely at the age of 60 at the latest and neither to increase the size of their farm nor the volume of their agricultural output.

As regards the latter point, the Committee on Agriculture does not understand why persons aged over 50 should not seek to improve their incomes instead of being content to be dependent on assistance. The Committee on Agriculture will return to this point when the Commission's proposal amending Directive 72/160/EEC is referred to it by the Council.

- (3) Finally, with regard to Directive 72/161/EEC concerning the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture³, the Commission considers it necessary:

¹OJ L 96, 23.4.1972, p.1

²OJ L 96, 23.4.1972, p.9

³OJ L 96, 23.4.1972, p.15

- to make Community finance available for training managers and personnel for producer groups and
- to align the rate of the EAGGF contribution to the cost of vocational training measures on that of the European Social Fund, namely 50%.

The second of these points is extremely important in the view of the Committee on Agriculture which welcomes the alignment of the rate of the EAGGF contribution on that of the European Social Fund for vocational training measures.

45. Finally, the Committee on Agriculture is of the opinion that structural policy will be incomplete without the introduction of a Community land policy. The excessive fragmentation of land in many areas of the Community, and in particular the Mediterranean regions, makes it impossible to apply most of the structural reform measures rightly undertaken by the Community. It therefore requests the Commission to study this difficult but very real problem.

(e) Food aid

46. In the preliminary draft budget for 1979 the Commission proposed to the Council that the following quantities should be earmarked for food aid: 1,135,000 t of cereals, 150,000 t of milk powder and 55,000 t of butteroil.

The Council accepted the Commission's proposal for milk powder but reduced the quantity of cereals to 720,500 t and that of butteroil to 45,000 t.

47. As regards cereals, the Commission points out that the Council gave the Commission a brief, on 28 November 1977, to negotiate the new Food Aid Convention on the basis of an annual Community contribution of 1,650,000 tonnes and that the 'Budget' Council of 18 July 1978 had given the following undertaking:

'Should the Community participate in the World Food Aid Convention in 1979, the Council undertakes to draw the appropriate conclusions at budgetary level'¹.

In line with this undertaking by the Council, the Commission therefore intends to submit to the budgetary authority a preliminary draft supplementary budget to that effect, once the Convention has been signed (probably late February or early March 1979).

¹ Doc. 613/78 (COM(79) 10 final), volume I, p. 60

The Committee on Agriculture supports any increase in the amounts of food aid sent to developing countries as the Community, as an association of rich countries, must demonstrate its solidarity with the world's poorest countries.

48. As regards butteroil, the Commission feels that the 45,000 tonnes of butteroil approved by the Council under the 1979 budgetary procedure will be insufficient to meet the minimum requirements of many developing countries, since considerable aid must still be supplied to India under the large-scale rural development programme entitled 'Operation Flood II', for which annual supplies of 12,700 tonnes are planned. The Commission considers therefore that its original proposal of 55,000 t should be adopted.

The Committee on Agriculture also supports this proposal.

49. It does not, however, think that the price proposals provide an appropriate framework for announcing food aid measures. The Commission itself says that it will be making these proposals in the context of a supplementary budget. The Committee on Agriculture believes that the price proposals should not be encumbered with measures which are only remotely related to the common agricultural policy; the discussions in the Council are already complicated enough without compounding them with other problems.

III. CONCLUSIONS

50. An analysis of the Commission's proposals shows that they do not face up to the dangers currently threatening the very foundations of the common agricultural policy or to the threat to producers' incomes and will not help to meet certain technical or political requirements.

(a) as regards the foundations of the common agricultural policy

51. Price unity will be only partially restored by the MCA dismantling mechanism since there is provision for an automatic procedure for the creation of new MCAs when the Council is unable to take an ad hoc decision.

52. Community preference does not receive any better treatment in the Commission's proposals. The latter has no plans to call into question import arrangements for soya beans or manioc by subjecting them to customs duties or levies. The Commission has confined itself, in respect of manioc, to negotiating a voluntary restraint agreement with Thailand, overlooking the fact that manioc can be supplied by other countries, African countries in particular.

The Commission proposes that the B quota for sugar should be reduced, although it imports 1,200,000 tonnes from the ACP states which it does not need. This measure is unacceptable to Community producers, particularly in view of the fact that weather conditions have given them two exceptional crops in succession which cannot justify the implementation of a restrictive policy. If for humanitarian reasons, the Community cannot refuse to import certain agricultural products from developing countries, it should at least help them to diversify their agricultural production so as to encourage them to produce protein crops needed by the Community. These countries would not suffer any loss of export earnings and the Community would be able to diversify its sources of supply in order to avoid becoming dependent on a principal supplier, namely the United States.

53. Financial solidarity does not fare any better either, as the aim of the Commission's proposals is to replace financial solidarity between Member States by the financial responsibility of producers. The 3,000 m EUA which the new coresponsibility levy would yield should be weighed against the loss of income which it would imply for producers.

(b) as regards producers' incomes

54. The Commission, not content with proposing a coresponsibility levy liable to reach levels hitherto unknown under the common agricultural policy, proposes that farm prices should be frozen on the ground that agriculture has had a good record in the last few years. This argument is extremely flimsy since it fails to take account of

- the need for agriculture to modernize and
- the need to stop farmers leaving the land in these times of widespread unemployment.

(c) other aspects

55. The following reasons also militate against a price freeze:

- it would help neither to orientate agricultural production nor to restore a balance to agricultural markets by encouraging producers to abandon products in which there are surpluses in favour of products in which the Community has a deficit (beef and veal, plant proteins);
- it would not enable farmers to have confidence in the future and make the investments necessary for the modernization of farms;
- it would not leave the countries with strong currencies any margin for manoeuvre for eliminating their MCAs in such a way as to prevent their farmers from suffering losses of income.

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56. For the reasons set out above the Committee on Agriculture calls for an average u.a. price increase of at least 3%.

57. The Committee on Agriculture therefore cannot accept the Commission's proposals as a whole and requests the latter to review them in the light of this report.

58. The Committee on Agriculture also emphasizes the need to broaden the scope of the common agricultural policy by setting up further organizations of the market, particularly in potatoes, sheepment and ethyl alcohol of agricultural origin.

59. The Committee on Agriculture also requests the Commission to take the following points into account:

- (a) products from the south of the Community (fruit, vegetables, wine) should be covered by the same guarantees as products from the north. This could provide a partial solution to the problems facing the Mediterranean regions. The committee therefore regrets the reduction in the guarantees given to producers of long-grain rice and tobacco;
- (b) greater importance should be attached to quality when calculating the price of rye. The committee would like further details of the proposed adjustment to the market organization for rye and in particular information on the arrangements for granting the proposed premium per hectare in the regions due to benefit from it;
- (c) the reduction of the levy on imports of maize into Italy should be maintained in view of the high port charges that country has to pay;
- (d) the difference in the threshold price for long-grained and round-grained rice should not be abolished since this would be ruinous to Community production;
- (e) there should be no adjustment to the relationship between the price of common wheat and durum wheat;
- (f) steps should be taken to encourage research aimed at using ethyl alcohol of agricultural origin as a fuel, fruit and above all sugar being suitable raw materials. The Community could reduce its dependance on the oil-producing countries and at the same time use its sugar stocks. The use of agricultural-based alcohol as a fuel is of interest in the long term, since the increase in oil prices will make it a competitive source of energy. Moreover, unlike oil it is a renewable source of energy.

60. The Committee on Agriculture draws attention to the fact that the common agricultural policy has so far constituted the main pillar of European integration and wishes to be informed of the Commission's long-term intentions in this area. The people of Europe should know if the principles on which this common policy was originally based are being abandoned in favour of a type of farming orientated towards the processing of raw materials. It is vital for the future of the common agricultural policy and, consequently for that of European integration as a whole, that an answer should be given to this fundamental question.

ANNEX I

TREND IN THE PURCHASING PRICE INDEX OF THE MEANS OF AGRICULTURAL
PRODUCTION FROM 1970 to 1977

GOODS AND SERVICES (EVERYDAY CONSUMPTION)

Percentage change over previous year

	1971/1970	1972/1971	1973/1972	1974/1973	1975/1974	1976/1975	1977/1976
FRG	4.8	3.2	13.7	7.7	4.5	7.3	2.0
FRANCE	7.2	4.8	11.0	24.0	12.2	5.6	8.0
ITALY	1.2	5.8	15.4	27.3	12.5	23.6	14.2
NETHERLANDS	1.4	2.6	17.3	7.0	1.9	12.8	4.1
BELGIUM	2.7	3.3	16.2	9.8	5.7	12.4	2.3
LUXEMBOURG	5.7	4.0	5.6	14.3	9.7	10.2	4.8
UNITED KINGDOM	20.2	5.2	29.6	29.0	11.9	19.8	16.0
IRELAND	8.4	7.0	22.2	40.2	17.8	17.1	21.8
DENMARK	3.9	4.6	29.2	19.6	6.1	1.4	6.4
COMMUNITY AVERAGE	5.0	4.4	28.3	29.6	9.3	23.4	9.7

GOODS AND SERVICES (INVESTMENT)

Percentage change over previous year

	1971/1970	1972/1971	1973/1972	1974/1973	1975/1974	1976/1975	1977/1976
FRG	8.0	5.5	6.3	9.1	7.7	4.2	4.6
FRANCE	7.5	5.6	8.8	17.0	15.3	10.6	7.9
ITALY	7.2	4.2	17.8	28.3	21.9	29.6	19.8
NETHERLANDS	9.8	7.3	8.2	12.5	9.4	8.8	7.7
BELGIUM	0.8	6.9	9.3	26.3	14.4	22.7	7.6
LUXEMBOURG	9.2	7.0	10.0	14.9	12.3	16.9	4.2
UNITED KINGDOM	9.8	9.2	23.2	21.7	25.8	19.2	19.3
IRELAND	9.9	11.3	13.5	26.9	25.6	25.5	22.9
DENMARK	7.6	9.6	10.9	18.3	14.6	7.3	8.8
COMMUNITY AVERAGE	7.9	6.2	10.4	17.4	15.8	12.4	12.2

Source: AGRA EUROPE No. 1044 of 1 February 1979

COMPARISON BETWEEN 1978/79 PRICES
AND THOSE PROPOSED FOR 1979/80

Product	Category of price or amount	Fixed amounts 1978/79 UA/tonne	Proposals for 1979/80		% increase 1979/80 1978/79
			Amounts UA/tonne	Comments	
Durum wheat	Market price	224.27	224.27 ¹		0
	Single intervention price	203.01	203.01		0
	Aid	63 ua/ha	63 ua/ha		0
Common wheat	Target price	162.39	162.39 ¹		0
	Common single intervention price	121.57	121.57		0
	Reference price (breadmaking quality)	136.96 ²	136.96 ²		0
Barley	Target price	147.23	147.23 ¹		0
	Common single intervention price	121.57	121.57		0
Rye	Target price	155.12	155.12 ¹	aid of 26 u.a./ ha in specific regions	0
	Single intervention price	130.25	121.57 ³		6.66 ³
Maize	Target price	147.23	147.23 ¹		0
	Single intervention price	-	-		0
	Common single intervention price	121.57	121.57		0
Rice	Target price - husked rice	301.26	301.26 ¹		0
	Single intervention price - paddy rice	174.98	174.98		0
Sugar	Minimum price for beet	25.94	25.94		0
	Target price for white sugar	352.50	352.50		0
	Intervention price for white sugar	334.90	334.90		0
Olive oil	Target production price	1,915.40	1,915.40		0
	Target market price	-	-		-
	Intervention price	1,411.40	1,411.40		0
	Production aid	431.10	431.10		0

¹ Certain technical factors will have to be modified, pursuant to the basic regulations on cereals and rice (in particular transport costs). The Commission will be submitting relevant proposals in due course.

² The price applies to minimum bread-making quality. It is derived from the nominal reference price for the average bread-making quality after deducting an amount of 2.84 u.a./t.

³ The intervention price for rye is aligned on the price for barley and maize. The consequent reduction of the intervention price, i.e. 8.68 u.a./t., is offset, in regions in which rye constitutes an economically vital cereal crop, by a premium based on a standard yield of 3 t/ha, which gives an amount of 26 u.a./ha.

ANNEX II/2

Product	Category of price or amount	Fixed amounts 1978/1979 u.a./tonne	Proposals for 1979/80		% increase 1979/80 1978/79
			Amounts u.a./tonne	Comments	
Oilseeds	Target price -	-			
	- colza and rape seeds	296,70	302,70		+ 2.02
	- sunflower seeds	323,20	323,20		0
	Basic intervention price				
	- colza and rape seeds	288.20	294.20		+ 2.08
	- sunflower seeds	313.80	313.80		0
	Guide price				
	- soya beans	321.70	321.70	equivalent	0
- flax seeds	324.30	324.30	system to that	0	
- castor beans	420.00	420.00	for castor beans	0	
Fixed aid (per ha)			peas, beans and	0	
- cotton seeds	108.70	108.70	field beans	0	
Dehydrated fodder	Fixed aid	5.00	5.00		0
	Guide price	103.00	103.00		0
Peas, beans and field beans	Activating price	285.00	285.00		0
	Minimum price	175.00	175.00		0
Flax and hemp	Fixed aid (per ha)				
	- Fibre flax	202.55	202.55		0
	- Hemp	183.96	183.96		0
Seeds	Aid (per 100 kg)				
	- monoecious hemp	10.50	10.50		0
	- fibre flax	14.50	23.00		+ 58.62
	- flax seeds	11.50	20.00		+ 73.91
	- grasses	10-38	10-38		0
	- legumes	4-28	4-28		0

Product	Category of price or amount	Fixed amounts 1979/1979 u.a./tonne	Proposals for 1979/80	% increase $\frac{1979/80}{1978/79}$
			Amounts u.a./tonne	
Table wine Type R I R II R III A I A II A III	Guide price (per degree/hl or per hl according to type)	2.07 2.07 32.28 1.94 43.02 49.12	2.07 2.07 32.28 1.94 43.02 49.12	0 0 0 0 0 0
Raw tobacco	Guide price Intervention price	(1)	(1)	
Fruit and vegetables	Basic price Buying-in price	(2)	(2)	
Milk	Target price for milk Intervention price for - butter - skimmed milk powder - cheese . Grana padana 30-60 days . Grana padana 6 months . Parmigiano-reggiano 6 months	177.00 2,357.20 957.80 2,311.30 2,804.80 3,060.30	177.00 2,357.20 957.80 2,311.30 2,804.80 3,060.30	0 0 0 0 0 0
Beef and veal	Guide price for beef animals (live) Intervention price for beef animals (live)	1,259.70 1,133.70	1,259.70 1,133.70	0 0
Pigmeat	Basic price (carcasses)	1,226.04	1,226.04	0
Silkworms	Aid per box of seeds Aid to recognized producer groups (per box)	55.00 -	55.00 -	0

(1) There are 19 varieties of tobacco, the prices for which are applicable from January to December

(2) Products listed in Annex II of the Council Regulation of 18 May 1972 and periods of application for those products
 Cauliflowers: 1.5.1979 to 30.4.1980 Lemons : 1.6.1979 to 31.5.1980 Apples : 1.08.1979 to 31.5.1980
 Tomatoes : 1.6.1979 to 30.11.1979 Pears : 1.7.1979 to 31.4.1980 Mandarins : 16.11.1979 to 28.2.1980
 Peaches : 1.6.1979 to 30.9.1979 Table grapes: 1.8.1979 to 31.10.1980 Sweet oranges: 1.12.1979 to 31.5.1980

A 2% increase has been proposed by way of financial compensation for oranges, mandarins, clementines and lemons to facilitate the sale of Community citrus fruit production on Community import markets.

REGIONAL DISPARITIES IN AGRICULTURAL INCOMES
ACCORDING TO VARIOUS NATIONAL SOURCES

in 1976/1977

NB: Data are available for four Member States only.

Germany	:	100	(Rhineland-Palatinate, Sarre	:	74
			(Schleswig-Holstein	:	128
France	:	100	(Basse-Normandie	:	65
			(Ile-de-France	:	298
Italy	:	100	(Molise	:	42
			(Lombardia	:	183
United Kingdom	:	100	(Wales	:	71
			(Scotland	:	127

Source: The Agricultural Situation in the Community, 1978 Report, pp. 123 to 125

ANNEX IV

NET FARM INCOME PER HOLDING Type of farming	1974/75	1976/77	LABOUR INCOME* PER ALU Type of farming	1974/75	1976/77
Horticulture	189.89	218.94	Pigs	166.48	159.98
General agriculture	179.13	193.81	General agriculture	158.84	174.40
Arable - pigs and poultry	143.93	152.27	Horticulture	133.96	157.84
Pigs	126.23	129.38	Pigs and poultry - arable	125.75	116.57
Arable - grazing stock	122.50	134.75	Arable - pigs and poultry	119.02	126.16
Pigs and poultry - arable	111.86	110.07	Pigs and poultry - grazing stock	111.78	106.86
Vines	108.06	123.62	Arable - grazing stock	102.11	114.46
Cattle - mixed	97.16	106.58	Grazing stock - pigs and poultry	97.71	99.56
Fruit	91.69	103.24	Cattle - milk	96.07	109.32
Grazing stock - arable land	91.28	99.49	Sheep and goats	95.41	117.06
Sheep and goats	90.52	107.62	Mixed cattle	94.09	103.12
Cattle - milk	87.91	99.07	Vines	89.05	103.83
Pigs and poultry - grazing stock	87.67	89.33	Grazing stock - arable	86.15	93.73
Grazing stock - pigs and poultry	86.10	90.40	Fruit	80.49	90.14
Grazing stock - permanent crops	73.59	85.73	Cattle - meat	75.21	92.58
Permanent crops - grazing stock	72.59	78.46	Arable - permanent crops	66.88	75.77
Cattle - meat	67.22	78.98	Cattle - sheep - goats	63.60	71.42
Cattle - sheep - goats	63.37	68.56	Permanent crops - grazing stock	63.02	68.50
Permanent crops - arable	56.90	64.92	Grazing stock - permanent crops	61.48	76.05
Arable - permanent crops	51.24	56.00	Permanent crops - arable	56.46	66.84
Others	-	-	Others	-	-
Whole of the sample	100	110.3	Whole of the sample	100	110.6

NB: 100 = 16,075 EUA

Source: from 'The Agricultural Situation in the Community', 1978 report, p. 264

* Annual labour unit

NB: 100 = 5,382 EUA

Source: from 'The Agricultural Situation in the Community', 1978 report, p. 264

DEFINITION OF NET AGRICULTURAL INCOME

FINAL PRODUCTION

- intermediate consumption (cattle feed, fertilizer, energy, repairs, services, pesticides)
- = gross value added at market prices
- + subsidies
- production taxes
- = gross value added at factor cost
- depreciation of equipment and buildings
- = net value added at factor cost
- wages
- = net operating surplus
- rent and interest
- = net agricultural income.

COMPARATIVE TRENDS IN AGRICULTURAL INCOMES
(1970-1978) PER PERSON EMPLOYED IN AGRICULTURE

	according to Commission	according to COPA
Belgium	+ 7%	+ 3.6%
Denmark	+12%	+ 7.2%
Germany	+ 3%	+ 1.4%
France	+ 4%	+ 2 %
Ireland	+ 4%	+ 8.6%
Italy	+ 3%	+ 1.5%
Luxembourg	- 3.5%	-
Netherlands	+ 4%	+ 0.3%
United Kingdom	+ 2%	+ 1.3%
Community average	+ 3%	+ 1.9%

THE SITUATION ON THE COMMUNITY

MILK MARKET

Dairy herds and yields

Country	1000 head			Dairy cows/farm		Yield per cow (kg) ¹		
	Dec.75	Dec.76	Dec.77	Dec.75	Dec.77	1976	1977	1978 ²
Germany.....	5,395	5,388	5,417	9.4	10.4	4,108	4,180	4,320
France	7,549	7,627	7,512	12.0	13.0	3,260	3,296	3,430
Italy	2,883	2,897	2,945	5.4	6.5	3,167	3,264	3,330
Netherlands.....	2,196	2,197	2,212	24.0	27.0	4,777	4,830	5,130
Belgium/Luxembourg	1,050	1,052	1,042	13.5	15.0	3,659	3,681	3,860
United Kingdom....	3,249	3,318	3,327	40.6	46.2	4,427	4,571	4,770
Ireland.....	1,380	1,436	1,484	10.4	12.4	2,796	2,891	3,170
Denmark.....	1,106	1,102	1,087	17.4	19.6	4,561	4,662	4,900
TOTAL EEC	24,808	25,017	25,026	11.4	12.9	3,770	3,840	4,000

Country	Production (million t)			Deliveries (million t)			Fat content		
	1976	1977	1978 ²	1976	1977	1978 ²	1976	1977	1978 ²
Germany.....	22.2	22.5	23.4	20.0	20.6	21.6	3.83	3.82	3.84
France	24.6	25.1	25.8	21.5	22.1	22.8	3.73	3.76	3.77
Italy	9.1	9.5	9.8	7.0	7.2	7.5	3.54	3.54	3.57
Netherlands.....	10.5	10.6	11.3	10.2	10.2	11.0	3.96	3.97	3.93
Belgium/Luxembourg	3.8	3.9	4.0	3.0	3.1	3.2	3.44	3.46	3.50
United Kingdom....	14.4	15.2	15.9	13.8	14.7	15.4	3.78	3.80	3.82
Ireland.....	3.9	4.2	4.7	3.6	3.9	4.5	3.51	3.53	3.53
Denmark.....	5.0	5.1	5.3	4.8	4.9	5.1	4.24	4.22	4.29
EUR 9	93.5	96.1	100.2	84.0	86.7	91.0	3.78	3.79	3.81

¹ Yield = production/herd in December of the preceding year

² Eurostat estimate based on milk collected during the first 11 months

Stocks of butter and skimmed milk powder in the EEC at 24.1.79 (in tonnes)

	Butter - public storage	Butter - private storage	Skimmed milk powder
Belgium	14,153	12,784	65,842
Denmark	8,444	1,011	23,345
Germany	150,556	16,674	447,247
France	23,300	32,381	18,850
Ireland	-	14,265	26,615
Italy	-	150	-
Luxembourg	1,919	900	4,723
Netherlands	20,029	40,873	850
United Kingdom	30,235	24,975	57,667
	248,636	144,013	645,139

Source: AGRA EUROPE No. 1 044 of 1 February 1979

CORESPONSIBILITY LEVY ON MILKEXEMPTIONS PLANNED

	Farms (%)	Production (%)
Belgium	27	15
Denmark	13	6
Germany	37	17
France	25	15
Ireland	18	8
Italy	35	28
Luxembourg	-	3
Netherlands	13	3
United Kingdom	7	1
EEC average	30	12

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr J. SCOTT-HOPKINS

On 4 December 1978, the Committee on Budgets appointed Mr Scott-Hopkins draftsman.

It considered the draft opinion at its meeting of 28 February 1979 and adopted it unanimously.

Present: Mr Lange, chairman; Mr Scott-Hopkins, draftsman; Lord Bruce of Donington, Mrs Dahlerup, Mr Dankert, Mr Nielsen, Mr Notenboom, Mr Ripamonti, Mr Schreiber, Mr Shaw and Mr Spinelli.

INTRODUCTION

1. As every year, Council has transmitted to Parliament, for its opinion, the Commission proposals for agricultural prices and related measures: those proposals - containing four different volumes - were received by the Committee on Budgets on 12 February 1979. Since Parliament has to deliver its opinion during the March session, this has left very little time indeed for the Committee on Budgets to consider the financial implications of the Commission proposals. Those implications are summarised in Volume II of the Commission's documents.

Problems related to the financial implications of agricultural prices and related measures

2. For the last four or five years, the Committee on Budgets has been increasingly concerned by major difficulties in giving a realistic and worthwhile opinion on those financial consequences. Those difficulties stem from the following factors:

- the computations made by the Commission appear as a largely theoretical exercise as the actual financial results of the yearly proposals vary widely from the original estimates.
- the Commission is usually compelled to modify its initial proposals during the course of the negotiations with the Council - therefore, the opinion of Parliament, given on the basis of the initial proposals, is largely outdated, sometimes irrelevant;
- moreover, there is no evidence that Council does take seriously into consideration the opinion given by Parliament and that its opinion carries any weight in the complex and tense negotiations that lead to a final Community decision on annual prices. In this respect, it was envisaged last year by Parliament to call for the concertation procedure with Council on the agricultural prices - but both for technical and political reasons, this idea appears to have been temporarily shelved.

3. Those difficulties relating to Parliament's opinion on annual prices are all the more regrettable as agricultural expenses amount to some 75% of the Community budget and - as it is now well known - are of an automatic and compulsory nature which means that Parliament's budgetary powers have no impact whatsoever on this expenditure. In those circumstances, the limited influence of Parliament on the legislative decisions leading to compulsory expenditure is causing increasing concern in both the Budgets and Agriculture Committees.

4. These problems have been studied during the last two or three years by the ad hoc group of the Committee on Budgets and discussed in the interinstitutional framework of the "dialogue relating to certain budgetary matters". More recently, a working group made up of members of the Budgets and Agriculture Committees was set up, in particular to tackle these problems. But its works are still in the preliminary stage and no discernable solution seems to have been found at the present.

SUMMARY OF THE COMMISSION PROPOSALS AND OF THEIR FINANCIAL IMPLICATIONS

5. The Commission's proposals relate to the fixing of prices, related measures on the common organisation of markets, guidance measures, agri-monetary measures and food aid - their financial implications have a bearing not only on future expenses but also on own resources.

Fixing of prices

6. Since the Commission is proposing an across-the-board freeze of prices for the 1979/1980 marketing year, no significant new expenses will be incurred and - in this respect - the 1979 budgetary proposals remain valid.

Related measures on the common organisation of markets

7. These measures relate to most of the agricultural market, but this year they mainly concern the sugar and milk sectors:

- milk and milk products: the increase (up to 2%) of the coresponsibility levy, as from 1 June 1979, will have a significant net saving effect. However, this will be partially compensated by an increase in consumer butter subsidies. The overall impact of these measures will be

1979 financial year	1979/1980 marketing year
- 24.7 mEUA	- 161.4 mEUA

- sugar: the Commission proposes a reduction of the maximum quota which would provoke a corresponding diminution in expenses led by export refunds and storage costs. The net financial effect of these measures is estimated at

1979 financial year	1979/1980 marketing year
- 12.1 mEUA	- 145.6 mEUA

- other "related measures" refer to meat, tobacco, oils and fats and seeds. Although they may have an important agricultural significance, their budgetary impact is limited.

Measures proposed under the guidance section

8. At this stage, the Commission only proposes to continue, during the 1979/1980 marketing year, measures relating to the granting of premiums for the non-marketing of milk and for the conversion of dairy herds. According to the Commission, the net cost of these operations is negligible.

9. The Commission announces its intention of presenting shortly a set of proposals improving and supplementing existing directives relating to development aid for farms, land mobility and vocational training; no formal proposals are made at this stage.

Agri-monetary measures

10. These measures are probably the most important part of the 1979/1980 "agricultural package". Their financial implications can be described as follows:

- adjustment of the representative rates: as every year, the Commission proposes some adjustments in "green rates" of certain currencies. These adjustments have budgetary consequences in as far as they provoke:
 - (i) a net diminution in mca's expenditure;
 - (ii) an increase in market expenditure by adjustment of the dual rate effect.

According to the Commission, these measures would entail a net budgetary saving of

1979 financial year	1979/1980 marketing year
- 60 mEUA	- 64 mEUA

- proposals relating to the progressive elimination of mca's the Commission proposes the dismantling of existing mcas over a period of four years, following the establishment of the European Monetary System. Considering the uncertainty of a Council decision on this point, the Commission does not take the financial implications of its proposal into account. However, it gives some indications as to the net saving effect that progressive elimination of mcas would provoke:

- (i) an across-the-board reduction of 1% in mcas would entail a net saving of

1979 financial year	1979/1980 marketing year
- 15.8 mEUA	- 26.2 mEUA

- (ii) an across-the-board reduction of 3% in mcas would entail a net saving of

1979 financial year	1979/1980 marketing year
- 49.3 mEUA	- 78.2 mEUA

- the Commission also proposes provisions to prevent the introduction of new mcas or, failing that, to limit them in time.

Food Aid

11. The Commission proposes an increase from 45,000 to 55,000 tonnes in the programme for food aid in the form of butteroil; it estimates that the additional cost of this increase will be some 13.8 million EUA, bearing on the 1979 budget.

Implication for own resources of agricultural origin

12. The proposed reduction in sugar quotas would entail a corresponding reduction in production and storage levies: the Commission estimates this loss at

1979 financial year	1979/1980 marketing year
- 0.8 mEUA	- 64.3 mEUA

However, the adjustment of representative rates would provoke a global increase in import levies:

- (i) by reducing mcas on those levies
- (ii) by increasing the dual rate effect on those levies.

The net effect of these agri-monetary measures would then be an increase in own resources estimated at

1979 financial year	1979/1980 marketing year
+ 38 mEUA	+ 119 mEUA

Therefore, the global effect of the Commission proposals on Community revenue is estimated at

1979 financial year	1979/1980 marketing year
+ 37.2 mEUA	+ 54.7 mEUA

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Overall financial effect

13. The overall budgetary implications of the Commission proposals would entail a net saving of some 93 million EUA for the 1979 budgetary year and some 308 million EUA for the 1979/1980 marketing year.

No supplementary budget will therefore be needed, bearing in mind that other factors could, of course, influence the use of 1979 appropriations.

The net increase in agricultural levies of some 37.2 million EUA for the 1979 budgetary year would permit a minor diminution in the value added tax contribution of Member States.

Summary of financial implications of Commission agricultural proposals
for 1979/1980 in mEUA

EXPENSES	1979 financial year	1979/1980 marketing year
Price adjustment	-	-
Related measures on common organisation of markets (guarantee section)	- 33.1	- 244.1
Adjustment of representative rates	- 60	- 64
Guidance section	-	-
Food aid	+ 13.8	-
TOTAL	<u>- 79.3</u>	<u>- 308.1</u>
REVENUE		
Common organisation of markets	- 0.8	- 64.3
Adjustment of representative rates	+ 38	+ 119
TOTAL	<u>+ 37.2</u>	<u>+ 54.7</u>

COMMENTS ON THE FINANCIAL CONSEQUENCES OF THE COMMISSION PROPOSALS

14. This year, the Committee on Budgets' comments on the Commission proposals can be thoroughly limited since - mainly due to the proposed global price freeze - no additional expenditure will be incurred. The Committee can, therefore, limit itself to remarks on some particular aspects of the proposals.

Related measures on the guarantee section

15. These measures are mainly aimed at reducing expenses provoked by surplus products (milk and sugar). The Committee on Budgets can, therefore, give its approval to such measures.

16. It must, however, reiterate this year the problems of principle raised by the coresponsibility levy on milk production - and notably

- (i) the unorthodox budgetary nature of this levy;
- (ii) the undemocratic origin of a tax decided by Council only.

The Committee on Budgets has many times underlined that this levy amounted to a 'parafiscal' tax which was entered into the budget under the dubious form of a 'negative expense'; moreover, it has criticised the fact that the proceeds of this tax were specifically allotted to certain types of expenses and do not, therefore, abide by the general rule of 'non-affectation' of resources.

This committee has also strongly objected against the setting of the yearly rate of the levy by Council alone; it considered that the rate should be decided annually by the budgetary authority - as is the case for the value added tax percentage. The present situation amounts to a taxation without representation that cannot be continued.

Although these problems were discussed at length by the Committee on Budgets, no practical proposal for reform was presented by it last year; the growing importance of the levy (its rate stemming from 0.5% to 2%) may, however, lead this Committee to reconsider the problem again this year.

17. Moreover, the Commission proposes different rates for the levy according to the volume of milk deliveries; it also proposes exemption for certain producers. This new element reinforces the "undemocratic" argument against this levy by negating the principle of fiscal equality.

Measures proposed under the guidance section

18. Here the Committee on Budgets may well express some disappointment with the limited scope of the Commission proposals for structural reforms. Admittedly, the bulk of the guidance measures should be presented by the Commission at a later stage.

However, this committee fears that the traditional reluctance that characterises Council's approach to structural reform in agriculture may well jeopardise the Commission's objectives in this particular field of action. It therefore feels it necessary to stress once more the necessary parallelism between Guidance and Guarantee measures - and to regret that the 1979/1980 'package' does not provide for this parallelism.

Agri-monetary measures

19. The Committee on Budgets is, in principle, favourable to the gradual adjustment of representative rates which will provoke both a reduction in expenses and an increase in resources stemming from agricultural levies.

Obviously, the most important measures proposed by the Commission refer to the elimination of (old and new) mcas. There again, the Committee on Budgets is, in principle, in favour of this reform since it has always considered that the growing cost of mcas is an undue burden on the EEC budget. However, it estimates that the problem of mcas is also of a monetary and agricultural nature and that financial consequences are not the only factor to take into consideration in the present circumstances.

Food aid

20. The Committee on Budgets deplores that the Commission includes in its annual agricultural package measures relating to food aid. It has always considered that Community policy on food aid should not be predetermined by agricultural decisions, and ultimately by the state of surplus in certain products. Its recent opinion on food aid policy emphasised the need for autonomous decisions based primarily on the financial effort decided by the Community in favour of needy countries.

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21. On the whole, therefore, the Committee on Budgets gives a favourable opinion on the overall package presented by the Commission. However, it stresses the necessity for both the Agriculture and Budgets Committees to continue to study the means for a real democratic control on agricultural decisions and their financial implications. It also expresses reservations relating to:

- (i) the unorthodox nature of the coresponsibility levy accounted for in the budget as a 'negative expense'; its undemocratic origin, the annual rate being decided by Council alone and not by the budgetary authority; its unequal repartition, some producers being exempted and the rate varying according to the volume of deliveries and various other criteria;
- (ii) the temporary postponement of urgently and badly needed structural reform proposals, many of these proposals being blocked at present in Council, where decisions are needed urgently;

(iii) the inclusion of food aid proposals in the agricultural package and the decision on the volume of aid through Council's decisions, when it should be decided by the budgetary authority through the annual budgetary procedure.

EAGGF 1977 FINANCIAL TABLE**

1. TOTAL EAGGF EXPENDITURE** *

6,984 mua

<u>Guarantee</u>	<u>Guidance</u>
6,662	322

2. EAGGF GUARANTEE SECTION: TOTAL EXPENDITURE BY TYPE OF OPERATION

6,662 mua

<u>Agricultural expenditure</u>	<u>Monetary expenditure</u>
5,118 (76.8%)	1,544 (23.2%)
comprising 1. price support 1,691 (33.2%)	comprising 1. MCA 859 (55.6%)
2. refunds 2,287 (44.7%)	2. Accession
3. storage 971 (18.8%)	compensatory amounts 174 (11.2%)
4. withdrawal, 167 (3.35%)	3. Dual rate 509 (33.2%)
denaturation	

3. EAGGF GUARANTEE SECTION: COMPARISON BETWEEN ESTIMATES/RESULTS

	6,662 mua <u>Estimates</u> (initial budget 1977)	<u>Result</u>	<u>Discrepancy</u> (%)
<u>Agricultural expenditure</u>	4,803	5,118	+ 6.5
<u>Monetary expenditure</u>	1,364	1,544	+13.1
Total	6,167	6,662	+ 8

4. EAGGF GUARANTEE SECTION: AGRICULTURAL EXPENDITURE BY SECTOR

4,803

1. Dairy products	2,545
2. Meat (beef, veal, pork)	442
3. Cereals and rice	586
4. Oils and fats	304
5. Fruits and vegetables	186
6. Tobacco	205
7. Sugar	536
8. Wine	90
9. Others	175

* Figures may not add due to rounding up
 ** Expenditure refers to committed appropriations

5. EAGGF GUARANTEE SECTION: TOTAL EXPENDITURE AS PERCENTAGE OF COMMUNITY GNP

	<u>Gross expenditure</u>	<u>Net expenditure</u> ⁽¹⁾
1970	0.55	0.37
1971	0.29	0.15
1972	0.38	0.24
1973	0.47	0.40
1974	0.34	0.30
1975	0.46	0.40
1976	0.47	0.38
1977	0.46	0.30

6. BUDGETARY ESTIMATES AND RESULTS RELATING TO THE EAGGF GUARANTEE SECTION

	<u>Estimates</u>		<u>Results</u> ⁽²⁾
	<u>Initial Budget</u>	<u>Supplementary Budget</u>	
1973	2,942	+ 864	3,614
1974	3,513	-	3,107
1975	3,980	+ 260	4,727
1976	5,160	+ 717	5,570
1977	6,167	+ 934	6,662

(1) i.e., after deduction of agricultural revenue (levies and sugar production levy)

(2) Taking account of carry-forwards and transfers of appropriations

Source: EAGGF financial report for 1977

OPINION OF THE COMMITTEE ON THE ENVIRONMENT,
PUBLIC HEALTH AND CONSUMER PROTECTION

Draftsman: Mr W. MULLER

At its meeting of 24 January 1979 the Committee on the Environment, Public Health and Consumer Protection appointed Mr W. Müller draftsman.

It considered the draft opinion at its meeting of 22 February 1979 and adopted it with 5 votes in favour, 2 against and 2 abstentions.

Present: Mrs Krouwel-Vlam, chairman; Mr W. Müller, draftsman; Mr Alber, Mr Andersen, Mr Edwards, Mr McDonald, Mr Pistillo (deputizing for Mr Veronesi), Mrs Squarzialupi and Mr Verhaegen.

1. CONTENT OF PROPOSALS AND BACKGROUND

1. The Commission's proposals concern the fixing of agricultural prices and accompanying measures for the 1979/80 marketing year.

2. As outlined by the Commission, the background to these proposals is as follows:

- slow economic growth (2.5 - 3% growth of real domestic product) with a high but declining rate of inflation and a high level of unemployment (6 million = 5.8% of the available labour force);
- imbalances on several agricultural markets, in particular milk, sugar and cereals. In 1978 EAGGF expenditure rose to 3,400 million EUA for the milk sector, 909 million EUA (+ 50%) for the sugar sector and 1,500 million EUA (+ 250%) for the cereals sector;
- continually falling growth rate of input prices (4% in 1978) and increasing imports of cheap animal feedstuffs;
- widening gap between Community and world market prices (e.g. the world market prices for sugar dropped to 30% of the Community prices!);
- widening gap between positive and negative monetary compensatory amounts (+ 10.8% in Germany and - 28.2% in the United Kingdom).

3. Against this background the Commission proposes the following measures:

- the freezing of common agricultural prices for the 1979/1980 marketing year,
- a number of measures to restore balance to the milk market,
- appropriate adjustments to structural policy,
- agri-monetary measures.

2. ASSESSMENT OF THE PROPOSALS

2.1. The price proposals

4. The proposal to freeze common agricultural prices accords with the wish expressed on many occasions by the Committee on the Environment, Public Health and Consumer Protection and with Parliament's recent resolution of 19 January 1979¹.

¹ Doc. 404/78, p.7

5. This anti-inflationary price policy should be pursued in the 1979/80 marketing year. The Commission rightly observes that the rate of inflation is still a matter of concern¹. The rate of increase in consumer prices was still between 7 and 8% in 1978. Food prices shared in this trend. In the first six months of 1978 they rose as follows: Denmark, 9.5%, Germany 3%, France 7%, Ireland 7%, Italy 13%, Belgium 1%, Luxembourg 3%, the United Kingdom 9%, the Netherlands, 1%.

6. This committee shares the Commission's view that these price rises are largely attributable to increased processing and marketing costs, which is why the enquiries into profit margins in trade and industry - called for by the committee and subsequently announced by the Commission - are a matter of such urgency. However, the committee points out that the consumer price increase also reflects the increase in producer prices in 1978, which amounted on average to 2.6%. There is no need to dispute this fact.

7. The freezing of common agricultural prices for the coming marketing year is also reasonable from the point of view of safeguarding farmers' incomes. The last years have undoubtedly been good ones for the Community's farmers. There is an overriding need now to peg prices after the steep rise of the early seventies. Moreover, using its 'objective method' of calculation, which takes account, inter alia, of the needs of agriculture, the Commission has arrived at the conclusion that prices can be frozen².

8. The committee does not think that the imbalances on the agricultural markets can be eliminated in the short term through the price factor alone. It is, however, convinced that without a prudent prices policy it will be impossible to restore the balance.

2.2 Measures to restore the balance of the milk market

9. The new form of co-responsibility levy proposed by the Commission has the committee's support. In particular, the committee welcomes the social element in the proposal which ensures that small farmers may on request and subject to certain conditions be exempted from the increased levy. This is an important first step to treating Europe's farmers in different ways depending on the size of farms and revenue.

¹ Doc. 613/78, p. 3

² The increase arrived at by the 'objective method' was 0.3%.

10. The resources generated by the co-responsibility levy should be used largely - as the Commission proposes - to enable milk products to be sold at lower prices on the internal market. In this way the advantages of surplus production could benefit those who bear the financial burden of the surpluses, namely consumers and tax-payers.

11. The measures deployed hitherto to dispose of the surpluses have been far too hesitant and have had only a marginal impact. On the other hand, consumers' reactions have shown that cut-rate prices e.g. for butter can certainly be used to step up sales.

12. The committee therefore welcomes the fact that in place of the hitherto inadequate special measures it has taken, the Commission now proposes a permanent reduction in the price of fresh butter for the entire Community¹. The Community contribution of 42 u.a. per 100 kg provided to this effect, in addition to a national contribution of 14 u.a. per 100 kg, should not fail to have an effect on sales provided that it is applied for a long period. Furthermore, the committee sees this measure as a clear admission on the part of the Community that the level of intervention for butter is too high (at present 232 u.a. per 100 kg) and notes that subsidizing is, in reality, tantamount to reducing the intervention price.

13. The committee emphasizes the need for Parliament and the European consumer organizations to be consulted on the use of the funds accruing from the co-responsibility levy.

2.3 Adjustments to structural policy

14. The adjustment of the structural policy to the requirements of the market is to be welcomed. From this point of view the committee regrets the Commission's extremely hesitant approach to the problem of national aids for investment². In the committee's view it is a scandal that some dairies are encouraged to give up production through aid from the Community, while, at the same time, production in other dairies is being boosted by national aids. The Commission should tell the European public the true facts and furthermore it should speak out more plainly in the Council than it has done up to now.

15. The Commission raised this problem in its 1978 report on the agricultural situation in the Community³, in which it states: 'Analysis of national

¹ Up to now, this reduction in the price of fresh butter based on modest subsidies applies only in the United Kingdom, Ireland, Luxembourg and Denmark.

² Doc. 613/78 pp.43/44

³ 1978 Report on the Agricultural Situation in the Community, p.140

expenditure by country and by category brings out the diversity, and indeed the divergence, of the objectives that the Member States have set themselves in aid of their agriculture.' The representative of the Commission gave the committee the assurance that these contradictions were to be eliminated, at least in the milk sector. Although welcoming this, the committee wonders whether and to what extent the parties concerned have the political will to put the Commission's good intentions into effect.

16. Agricultural structural policy must be coordinated with environmental policy. It is not enough to pay lip service to this. The Commission should go beyond the vague assurances given in the present report¹ and submit concrete programmes which do justice to the traditional importance of farming in preserving the cultural and recreational landscape and which take greater account of the demands of nature conservation and the preservation of the countryside whenever structural policy measures are planned.

2.4 Agri-monetary measures

17. In its resolution of 19 January 1979² referred to above the European Parliament, acting on a proposal from its Committee on the Environment, Public Health and Consumer Protection, calls for the gradual abolition of MCAs, provided that this abolition is not used as a pretext for a general increase in price levels and is not prejudicial to farmers' incomes. The Commission's proposals meet these criteria and they have the committee's support.

3. COMMENTS ON PROCEDURE

18. The Committee on the Environment, Public Health and Consumer Protection deeply deplores the fact that the price proposals - contrary to Community tradition - were submitted only in the second week of February so that it was impossible for them to be examined thoroughly by the committees and Parliament. The political pressure exerted in this way on Parliament is intolerable.

19. The committee is of course aware of the fact that the Commission's delay is largely due to the Council's inability to reach agreement on the European Monetary System and its implications for the CAP. Nonetheless, the committee believes that the Commission could just as well have presented its February proposals in their present form in December.

4. CONCLUSIONS

20. The Committee on the Environment, Public Health and Consumer Protection requests the Committee on Agriculture as the committee responsible to include the following points in the motion for a resolution:

¹ Doc 613/78 p.47

² See Proceedings of the EP, of 19.1.1979, p.300 and Doc. 404/78, p.7

21. (The European Parliament) ... endorses the objectives of the Commission's proposals, namely to lessen the imbalances on several agricultural markets, in particular the milk and sugar markets, and to reduce the expenditure of the CAP, and calls on the Council likewise to support these objectives;

22. (The European Parliament) ... trusts that the Council will not make any decisions which jeopardize the objectives of the Commission's proposals; in particular, it hopes that the Council will not approve any price increases for products which are already heavily in surplus;

23. (The European Parliament) ... welcomes the Commission's proposal to reduce the price of fresh butter in the Community as a whole and feels that, provided it was applied for a sufficiently long period, such a measure, which would be to the advantage of both producer and consumer, could not fail to have the desired effect on the market;

24. (The European Parliament) ... calls on the Council and the Commission to consult Parliament in due course on the use of the resources generated by the co-responsibility levy and to allow representatives of the European consumer associations to participate in the Commission's 'Co-responsibility Group', as well as producers' representatives;

25. (The European Parliament) ... calls upon the Commission to provide clear, detailed information in the form of a 'green paper' to Parliament and European public opinion on all existing forms of national aid in the agricultural sector in general and in the milk sector in particular and to make energetic representations to the Council and the Member States to persuade them to dismantle national aids that conflict with Community measures;

26. (The European Parliament) ... hopes that the Commission will submit its price proposals for the 1980/1981 marketing year sufficiently early to enable the Parliament and its committees to draw up their opinions on these proposals under satisfactory conditions.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr P. CROZE

On 28 February 1979 the Committee on Development and Cooperation appointed Mr Croze draftsman of the opinion.

At its meeting of 28 February 1979 the committee considered the draft opinion and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Lagorce, vice-chairman; Mr Croze, draftsman; Mr Andersen (deputizing for Mr Dondelinger), Mr Broeksz, Mr Cunningham, Mr Delmotte, Mr Dewulf, Mr Didier (deputizing for Mr Flämig), Lady Fisher of Rednal, Mr Glinne, Mr Kavanagh (deputizing for Lord Castle), Mr Lezzi, Mr Lücker, Mr Nolan, Mr Seefeld (deputizing for Mr Würtz) and Mr Wawrzik

The Commission proposals are divided into three volumes, of which the first spells out the measures to be taken to fix the prices for certain agricultural products and for other related measures, the second details the financial implications of these measures and the third consists of proposals for Council regulations which are of a technical nature and which are to have the effect of harmonising price levels in different Member States by removing imbalances caused by currency fluctuations.

The Committee on Development and Cooperation is called upon to deliver an opinion only on a small part of these proposals, namely on the food aid measures proposed. This is the first time that this subject is dealt with in the Commission's proposals on the fixing of agricultural prices. The Commission points out that in the preliminary draft budget for 1979 it had proposed to the Council that 1,135,000 t of cereals, 150,000 t of milk powder and 55,000 t of butter oil be allocated in food aid. The Council agreed to the proposals for milk powder, but reduced the quantity of cereals to 720,500 t and that of butter oil to 45,000 t.

The Commission believes that the higher figures should be reinstated.

1. Cereals

It points out that with regard to cereals, the Council gave the Commission a brief on 28 November 1977 to negotiate the new Food Aid Convention with the Community's annual participation to be 1,650,000 t, and the "Budget" Council of 18 July 1978 gave an undertaking that if the Community participated in the world Food Aid Convention in 1979, the appropriate conclusions would be drawn at budgetary level.

The new Food Aid Convention is due to be signed around the end of February or beginning of March, and since the Commission has a mandate to increase the Community's participation, it is only logical for the Community to increase its financial commitment.

Although the Commission does not state what the costs of this increase would be (it reserves the right to submit appropriate measures to the budgetary authorities at the proper time so that the financial consequences can be taken into account) it should be remembered that the major feature of Community agriculture in 1978 is a record harvest of 116,000,000 t of cereals. It should perhaps also be pointed out that the cereal deficit in the developing world is growing continually and seriously, and that according to various estimates the deficit by 1985 will be something between 85,000,000 and 200,000,000 t per annum.

2. Butter oil

The Commission also believes that the total quantity of butter oil to be supplied should be increased to the 55,000 t it originally proposed in the preliminary draft budget for 1979. It points out that considerable aid must still be supplied to India under the large-scale rural development programme entitled "Operation Flood II" which alone accounts for an annual delivery of 12,700 t.

This aid programme, which is of a pioneering nature, since its intention is not simply to relieve basic needs, but to encourage local development is still of extreme importance, both to the beneficiary country and as a model for future programmes. Butter oil is also of great importance to developing countries, and the annual shortfall, has been estimated at 500,000 t.

The additional costs of supplying the extra quantity proposed by the Commission are estimated to be 13.8 M EUA in 1979.

3. Other measures

The Commission does not propose any other action with regard to measures concerning developing countries. It should perhaps be pointed out that the ACP States have indicated that they are interested in obtaining surplus Community agricultural products at stable prices over specific periods, and at preferential rates. These questions were discussed in the ACP-EEC Ministerial meeting in December 1978, when it was agreed that further discussions should take place, and raised again at the Joint Committee meeting in Bordeaux in January/February 1979. It is surprising that the Commission has not mentioned this aspect in its present proposals. In the case of skimmed milk powder, Community stocks have been reduced from 1.3 million t to approximately 700,000 t, which is still an extremely high figure. Your committee therefore believes that this question should be given far greater priority by the Commission, with a view to achieving agreement on at least some products as soon as possible, particularly for the poorest ACP countries.

The Committee hopes that the Commission's proposal will be implemented, and that serious consideration be given immediately to the other measures mentioned above which will reduce agricultural surpluses and be of benefit to developing countries, particularly for the poorest ACP countries.

