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# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

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## Report

on behalf of the Committee on Agriculture  
on  
the proposal from the Commission of the  
European Communities to the Council  
(Doc. 413/74) for regulations on the/fixing  
of prices for certain agricultural products  
and connected measures for the 1975/76  
marketing year

Rapporteur: Mr J. de KONING

By letter of 10 December 1974 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 proposal from the Commission of the European Communities to the Council for regulations on the fixing of prices for certain agricultural products and connected measures for the 1975/1976 marketing year.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

The Committee on Agriculture appointed Mr de Koning rapporteur.

It considered this proposal at its meetings of 28 and 29 November, 17 and 18 December 1974 and 7 and 8 January 1975. At its meeting of 7 and 8 January 1975 the committee adopted the motion for a resolution by 11 votes to one with 5 abstentions.

Present: Mr Laban, vice-chairman and acting chairman; Mr de Koning, rapporteur; Mr Baas, Mr Brugger, Mr Concas (deputizing for Mr Hansen), Mr De Keersmaeker, Mr Della Briotta, Mr Deschamps (deputizing for Mr Lücker), Mr Frehsee, Mr Früh, Mr Howell, Mr Hunault, Mr Martens, Mr Nolan (deputizing for Mr Gibbons), Lord St. Oswald, Mr Scott-Hopkins.

The opinion of the Committee on Budgets will be published separately.

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

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MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products for the 1975/76 marketing year and connected measures.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council, (COM(74) 2001 fin.);
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 413/74);
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 437/74);
- whereas the Council, in view of the disturbing rise in agricultural production costs, decided on 2 October 1974 to agree with the Commission's intention to base its price proposals for the 1975/76 marketing year on production cost trends over the years 1973/74, taking into account the price decisions already taken for the 1974/75 marketing year, and other factors such as incomes, the agricultural market and the economy in general;
- whereas, along with marketing and structural policy, price policy remains one of the most important instruments for implementing the common agricultural policy, which also aims to ensure a comparable income for agricultural workers;
- whereas achievement of the above aim is endangered because on the one hand production costs rose more rapidly than anticipated in 1974 and will continue to rise appreciably in view of the pressure on the fodder and fertilizer markets, while on the other hand the guide prices fixed in the meat sector were far from being realized; whereas moreover the exceptionally bad weather in autumn 1974 had negative repercussions on agricultural incomes, and whereas the world food situation which threatens to become disastrous makes it necessary particularly to encourage the production of certain agricultural products;
- having regard to the objective criteria applied in determining the agricultural prices based on a guarantee of a fair income to modern farms, the situation on the agricultural markets and production cost trends over the last two years, and the decision not to take into account the inflationary cost increase in Italy, partly compensated by the interim adjustments of the representative rate of the 'green lira' for Italian agriculture;

5. Believes that it would be best to make the total milk price increase effective from 1 February 1975; doubts the expediency of maintaining the present relationship between the value of milk fat and the value of milk protein as it must be feared that the substantial increase in the price of butter in some Member States will result in an appreciable decline in consumption;
6. Considers it important for a better price relationship for cereals that the price increases for maize and barley should be relatively higher than increases for the other types of cereals;
7. Considers that the price increase for durum wheat, having regard to the market situation, should not be allowed to fall behind that for common wheat;
8. Recalls the European Parliament's position<sup>1</sup>, that the support for olive oil should be equal to the difference between the production target price and the market price actually realized, and requests the Commission to submit proposals on this in good time; considers that with this aim the production target price for olive oil should be increased more than the Commission now proposes, in order to avoid a relative fall in the incomes of olive oil producers;
9. Agrees with the price increase for fruit and vegetables in general, and with the extra increase in the reference price for glasshouse products, and invites the Commission to investigate how the reference price system for fruit and vegetables and for glasshouse products can be made to work better in future; is, however, convinced of the continuing need to apply the current regulations on grubbing up apple and pear trees; awaits with interest the specific proposals regarding the restructuring of glasshouse horticulture and invites the Commission to bring forward measures on a Community basis to replace existing national subsidies designed to compensate growers for the increased cost of fuel used by the glasshouse industry;
10. Considers that, having regard to general economic developments since the guide prices were last fixed, to the production costs increase and to the importance of wine prices in the incomes of a large number of farmers in various areas of the Community, the proposal to increase the price of certain types of wine by 8% is justified, while the price for type RII wine will be increased slightly more to align it with the guide price for type RI table wine; urges the Commission to submit without delay the necessary proposals to allow measures to improve the market situation for certain types of wine which have been made necessary by the continuing price falls for certain categories of table wine over the last few years, with adverse effects on the incomes of the vintners affected which could no longer be coped with through the price policy;

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<sup>1</sup> SCOTT-HOPKINS report, Doc. 366/73

States must be aimed at, with as a first immediate step an increase of around 3% in the representative rate of the 'green D-mark' accompanied by an extension by one year of the direct compensation made through VAT in connection with the 1969 revaluation;

20. For reasons of clarity, states that it is in agreement with the proposals not exclusively mentioned in this resolution;
21. Requests the Commission to incorporate the proposed amendments in its proposal to the Council, in accordance with Article 149(2) of the EEC Treaty;
22. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

1. In accordance with the commitment given by the Commission in October 1974 and approved by the Council, to submit the price proposals for the 1975/76 marketing year before the end of November 1974, so as to enable Parliament and the Council to fix agricultural prices for certain products before the start of the normal marketing year, the European Parliament was consulted by the Council on 9 December 1974 on the price package submitted to it and certain related measures.

This yearly fixing of common agricultural prices for the products covered by market regulations is of particular importance in the present economic situation.

2. The cornerstone of the common agricultural policy is the common price, the function of which is to allow free movement of agricultural products within the European Community and to act as a determining factor in achieving the fullest possible harmonization of income structures at Community level. Finally, it should have a regulating effect on the adjustment of production to real demand.

With this central function attributed to the common price, the following two problems naturally arise:

- firstly, the problem of how this price, to be determined on the basis of Community criteria, can be made to relate in the best way possible to the widely varying conditions in European agriculture,
- secondly, definition of the criteria for determining the price so that it can meet the requirements made of it under the smoothest possible conditions.

In dealing with the first problem, it must be noted at the outset that the system of common prices has so far functioned only in one year since the creation of the European Communities, i.e. in 1968, and definitive conclusions cannot be drawn from this experience.

As regards the second problem, the Community decision-making bodies and the professional organizations have agreed on the following method. The common price should increasingly be determined in such a way as to make the incomes earned on a modern farm<sup>1</sup> comparable with income received from non-agricultural work. The price must also reflect supply and demand on the various markets. This implies recognition of the fact that the price has an economic function, as is generally the case in other economic sectors.

<sup>1</sup>This relates to farms already achieving the comparable earned income referred to in Article 4 of Directive No 72/159/EEC of the Council of 17 April 1972 on the modernization of farms (OJ No L 96, 23 April 1972, p. 3).

5. Some of these proposals; which constitute a basic element in the Commission's scheme will be considered in more detail below. These observations relate to the Commission's proposals in the monetary field.

Monetary uncertainty was unfortunately a characteristic of 1974 as of other years, and as a result the Community agricultural market, based on a common price presupposing fixed parities, was undermined.

The intended 'singleness' of the agricultural market, which was decided on years ago did not prove urgent enough to induce the governments to take concrete decisions on an economic and monetary policy coordinated at Community level in order to make the achievement of this objective possible.

It does not seem likely that the countries of the Community will be in a position to overcome the adverse effects on agriculture of the present monetary crisis in the coming year.

In the present situation of floating, revalued and devalued currencies, it seems essential to introduce a system of monetary compensatory amounts to bridge over the differences in prices.

The divergent economic and monetary situations in the Member States have led to considerable differences in price and cost levels expressed in national currencies between Member States with revalued and devalued currencies.

If the ratio between the agricultural price expressed in units of account and the parity of a national currency has to be changed the monetary compensatory amount which is then necessary serves initially to fulfil a temporary function and not to create vested interests, the more so in that it can be assumed that long-term application of these amounts would have a distorting effect on competition.

The Commission has therefore proposed a partial reduction, and in some cases abolition, of the monetary compensatory amounts in order to adjust the proposed price increases to existing price levels in the Member States according to the position of their currency. This adjustment should mean that the amounts applied by Germany in trade in agricultural products would be reduced by about 5% and that in the case of the Benelux countries the compensatory amounts, which now stand at 2.76%, would be abolished, while in France there would be a reduction of 3.5%.

The Committee on Agriculture appreciates the Commission's monetary proposals. Your committee has always shared with the Commission the opinion that there must be a continuous effort for a return to the unity of the common market in agriculture.

In this connection, it asks the Commission to submit as soon as possible a single coherent document showing the changes and other proposals relating to the common organization of the market in beef and veal, so that Community beef and veal producers can obtain a clear picture of how they should organize their production on a profitable basis.

7. In connection with the fixing of milk prices, it is again recalled that efforts to improve the pricing situation for milk in the long term, with adaptation to the real market demand for milk protein and milk fats, should be continued. The Committee also feels that with present inflationary price trends, it is desirable to continue special marketing measures for butter which should also benefit the hardest hit sectors of the population.

8. In agreement with the Commission's proposals, the Committee on Agriculture also feels that some simplification of the system of aid for hard wheat and olive oil should be given consideration. Care must, however, be taken to ensure that this does not lead to a reduction in producers' incomes.

As regards fruit and vegetable production, including greenhouse produce, the reference price does not seem to provide a watertight guarantee against dumping. The Commission is therefore asked to report in the near future to Parliament and the Council - preferably when it presents its review of the common agricultural policy - on this problem, proposing solutions where possible.

Finally, your committee wonders how the price reductions on two particular varieties of tobacco proposed by the Commission can be justified in the present cost situation, even if warranted by market policy considerations.

9. In the interests of clarity, the Committee on Agriculture wishes to point out that it approves those proposals on which it has not delivered a specific opinion.

10. The Committee on Agriculture recommends, subject to the changes and suggestions submitted by it that the European Parliament adopt the Commission's proposals.