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Speech by Christopher Tugendhat, Member of the EEC-Commission to the European Movement in Brussels, 2 May 1977, 8 p.m.

AGRICULTURAL PRICES: WHO CARES FOR THE TAXPAYER?

Throughout the European Community, there have been expressions of profound relief that the Agricultural Council of Ministers has at last reached agreement on this year's agricultural prices package. Such a response is understandable, for very great dangers have undoubtedly, for the moment at least, been avoided. As was generally recognised, failure to agree to a settlement at last Monday's Council meeting in Luxemburg would have been a major threat to the Common Agricultural Policy, which is one of the main foundations of the Community itself.

But legitimate satisfaction that the immediate threat to the C.A.P. has been averted, must not be allowed to distract attention from the serious defects disfiguring the settlement which has just been concluded. In particular it is important that it is made very clear indeed that the manner in which the Member States have chosen to reconcile their differences is one which will grossly distend the European Budget, and will therefore impose a severe burden upon European taxpayers.

The original proposals .../...

The original package of proposals put forward by the Commission in February would have meant an average rise in agricultural prices in units of account of only 3%. The package which was eventually agreed last Monday will increase average agricultural prices in units of account by about 3½%. Not much different, you may think. But in addition, the Council modified the Commission's proposals for changes in monetary compensatory amounts. The result is that the average increase in prices in national currencies will be markedly higher, though this is not of course the case in Germany. And it is the prices in national currencies we pay and the farmers receive. Furthermore, milk producers will get their increase from 1st MAY , instead of having to wait, as was originally envisaged, until 16th September.

Because these higher national currency prices will, on the one hand, encourage a continued excess in agricultural production (particularly of milk), and on the other, discourage consumption, they are certain to lead to a significant increase in the Community's agricultural surpluses, especially the surpluses of butter and skimmed milk powder.

These surpluses ...//....

These surpluses are immensely costly to store and even more costly to dispose of. Consequently, even this year, the additional prices increases decided by the Council combined as they are with expensive offsetting measures such as the U.K. butter subsidy, will add around 210 in million units of account, (i.e. £ 87 million , 770 million Deutschmarks)[1] to the agricultural budget, over and above the 38 million units of account, (i.e. £ 16 mill. , 139 mill. Deutschmarks)[2] entailed by the Commission's original proposals.

The result is that instead of costing something like 250 million units of account (i.e. £ 104 mill., 915 mill. Deutschmarks)[3], in a full year to the Community Budget, which was the Commission's original proposal, the final agreement will cost about 1 000 million units of account, (i.e. £ 417 mill., 3 660 mill. Deutschmarks)[4] - or four times as much. (An expensive 1/2%)!

It is very important .../...

(1) = in million: 760 hfl., 10 500 bfrs., 130 000 lit., 1160 FF, 1570 dkr.
(2) = in million: 137 hfl., 1 900 bfrs, 23 750 lit., 211 FF, 285 dkr.
(3) = in million: 905 hfl., 12 500 bfrs., 156 000 lit., 1390 FF, 1870 dkr.
(4) = in million: 3620 hfl., 50 000 bfrs., 625 000 lit., 5554 FF, 7500 dkr.

It is very important that the European public should understand that these expensive changes to the Commission's original proposals came about as a result of deliberations within the Council of Ministers. Governments of Member States frequently attack the Commission for not being sufficiently cost-conscious and Community policies for being too expensive. But it was as a result of decisions taken by Ministers that the budgetary cost of the C.A.P has been so significantly increased and as a result of this increase the stocks of surplus products will rise still further.

From the perspective offered by my responsibilities for the Community budget, it is clear that the frankly irresponsible attitude towards cost which has too often characterised agricultural decisions at Council level, stems to a great extent from a serious institutional problem which the Community can no longer afford to ignore.

At present decisions on agricultural prices are not reached as a result of a debate between the representatives of agricultural interests on the one hand and those identified with other relevant but different interests, including those of taxpayers and consumers on the other. On the contrary, the debate takes place almost exclusively between Agricultural Ministers, who understandably conceive their primary responsibility to be to support their different national farming lobbies.

The consequence of this is that the recurring pattern of negotiation in Agricultural Councils which has emerged over the years is one in which Agricultural Minister X consistently accepts substantial price increases for the particular products of special concern to Agricultural Minister Y, so long as Minister Y similarly concedes substantial rises for the products which most acutely worry Minister X.

Thus year after year, the inadequate representation of non-agricultural interests in the decision taking process, means that we are treated to the now familiar, but still bewildering spectacle of members of the very governments which constantly, and no doubt sincerely, criticise the Common Agricultural Policy, themselves taking steps to increase the cost and waste which, in its present form the C.A.P. entails.

More effective ways must be found for engaging other interests, especially those of the taxpayer and the consumer in the settlement of agricultural prices. I say this because I want the C.A.P. to survive and to continue to be a cornerstone of the European Community. If it is to maintain that position it needs the support of all sections of the public and to be seen to be organised in the interests of all.

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