

EMBARGO 15.3.78 at 16.00 hrs.

STATEMENT MADE BY MR. BURKE DURING THE EUROPEAN PARLIAMENT DEBATE ON THE COMMISSION'S PROPOSALS FOR FARM PRICES AND CONNECTED MEASURES FOR 1978/79

---

I want to deal specifically with the implication of these proposals for consumers.

It has long been recognized that the income problem, which is a severe one in many rural areas of the Community, cannot be dealt with adequately and fairly by price policy alone. The same is true of the related social problems, and of the structural problem.

One very interesting note which I have found in the debate this year is the observation made by your Committee on the Environment, Public Health and Consumer Protection, to the effect that a drastic price policy, consisting of a price freeze for surplus products, would have anti-social effects on many small farmers in the present difficult economic climate.

The statement that price policy alone cannot deal with income, social and structural problems has a logical corollary, which has been pointed out by that Committee: it is that price policy on its own seems to be a most unsuitable instrument for restoring market balance in the short term. Other measures are needed.

The Commission agrees with this point of view.

As my colleague, Vice-President Gundelach has clearly stated, our proposals have been carefully developed with full consideration being given to the general economic background. In particular, they take account of the unsatisfactory growth rate of real disposable income in the Community.

Looked at from the consumer's point of view, this is clearly a factor of major importance. Equally, it is a very important factor from the producer's point of view. The evidence of this statement can be

clearly seen in the abundant indications of price resistance on the part of consumers, especially in relation to products in which we have structural surpluses.

We cannot overstress the fact that it is in the interests of both consumers and producers to ensure a better balance between supply and demand. The continued production of large quantities of agricultural commodities destined for intervention stores cannot be a viable policy. It will eventually work to the producers' disadvantage - indeed it has already done so - just as it already works to the disadvantage of the consumer.

In some sectors, selling to intervention amounts almost to a normal practice for many operators. Large-scale intervention, carried out over a long period, divorces producers from the realities of the market, and can sometimes lead to a sclerosis of the normal marketing function.

I would like to underline some of the reasons why consumers take a particularly close interest in the Common Agricultural Policy.

Firstly, they must pay the prevailing prices for foodstuffs. These prices are influenced, to a varying but usually substantial extent, by the level of Community prices fixed in the context of the CAP.

Secondly, individual consumers pay a considerable proportion of total taxes in all Member States. For the moment, an important proportion of the Community budget is financed from Member States' revenues. Thirdly, levies and duties on imports of agricultural products from third countries affect consumer prices, and constitute part of the Community's own resources, used to finance the budget.

Lastly, when the own resources system comes into full operation, Value-Added Tax, which is a tax on consumption, will provide a substantial proportion of Community financial resources.

To sum up, consumers pay prices which are partly determined by our market support mechanisms and they pay a substantial proportion of the cost of operating these mechanisms.

Consumers benefit directly from some of our CAP measures - the beef premium is a good example of this. In addition, there is a long-term benefit from our structural policy. These are both areas to which consumer opinion wishes to see greater attention given.

So much for the background to our proposals. A close examination of these proposals will, I think, show the importance we attach to the various elements which I have outlined.

Everybody will agree that the price increase proposed is a modest one. It is, I think, the smallest overall price increase in units of account ever proposed by the Commission.

This is justified by reference to the general economic situation, the state of markets and the trends in supply and demand, and by a concern to ensure; in this policy area, that we reinforce action being taken to hold down the general rate of inflation.

We clearly have to judge the balance of effects on the different groups concerned: I believe that you will find that this balance has been struck in a way which takes account of all the elements of Article 39 of the Treaty.

Our price proposals are, of course, accompanied by an agri-monetary proposal. The result of this is that the final effects of the package are different in each Member State. The agri-monetary system was originally conceived as a means of cushioning the effects of exchange rate fluctuations on both production and consumption of agricultural products. With a system of common prices, the effects of a given exchange fluctuation on consumption is the opposite of that on production.

The same applies to measures which we take to phase out the cushioning mechanism. These effects are unfortunately inevitable, since we cannot accept that such an adjustment mechanism should be allowed to become a permanent fixture.

We have just recently put forward a number of supplementary proposals for the milk, beef and starch sectors,

In the milk and beef sectors, these proposals meet many of the concerns expressed in the context of our surplus problems.

In the beef sector in particular, our proposal amounts to a refinement of the intervention system, in order to allow normal market forces a greater role in the process of adjustment. We believe that there are very strong arguments for this, from the point of view both of consumers and of producers.

I would remind you that in December last, the Consumers' Consultative Committee adopted an opinion which supports the Commission's proposals. This opinion, which has been sent to the Parliament, was, of course, adopted before the Commission's supplementary proposals. My impression is that these supplementary proposals would also command a large measure of support in the CCC.

I would conclude therefore, that our proposals for 1978/79 represent a serious attempt at securing an equitable balance between the various interests involved, while making further progress towards improving the fundamental balance in the market.