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1978 will go down in the farming record as a year of great bounty. output of many products reached record levels.

the community has had its biggest-ever cereal harvest which will bring benefits not only to farmers but also to our balance of trade with the rest of the world.

the sugar harvest was again a record, being even bigger than last year's huge crop.

the quantity of milk delivered to our dairies went up by more than 4 percent and the community deployed massive budgetary resources to increase internal and external demand.

Of course, I am the first to admit that results are not so good for sectors like pigmeat.

The weather and modern farm technology must take the credit for these spectacular results. But the common agricultural policy is the economic foundation for agricultural well-being. Thanks to the policy and its system of price guarantees, the blessing of a record harvest will not turn into the curse of ruinous prices.

satisfactory prices mean satisfactory incomes. and when I look at the first estimates of what actually happened to agricultural incomes last year, I find that I can sound a confident note.

real incomes in agriculture grew more quickly than those in the rest of the economy, where the picture of continued low economic activity contrasts sharply with the rapid growth of farm output. figures also show that 1978 was not a flash in the pan, not a single good year among a whole run of bad years.

even if we go back as far as 1970, we find that on average the real incomes of farmers have grown more rapidly than those in the rest of the economy. one must recognise, of course that there are regional problems and that the picture is not so bright for everybody.

farmers in general, then, have improved their incomes in relation to the rest of the economy. the common agricultural policy has guaranteed their price levels and has helped them develop markets abroad. in these two ways it has strengthened their basis for future development.

but the common agricultural policy also exists to help consumers. and, at the moment, they are asking what benefits they are getting as a result of agricultural plenty. they argue that they support farmers by paying higher prices in years of short supply and are therefore entitled to some benefits when supplies are abundant.

the policy has as one of its aims reasonable prices for consumers, we have sought to meet this objective in the past but i think we need to give a larger interpretation of the aim in order to take account of times like the present, surely prices can only be reasonable if they pass on the benefit of agricultural bounty.

ever since i became commissioner for agriculture i have pursued a policy of price moderation. this line of reasoning will make it necessary this year to ask farmers to accept a rigorous price policy.

quite clearly this line of action is also dictated by the lack of balance on many of our markets. we must recognise problems where they exist and we must admit that the growth of agricultural output in 1978 was frequently not justified by market needs. we do not and we will not need much of the milk, butter, skimmed milk powder and sugar that farmers have produced.

now stocks are a necessary market regulator and work to the benefit of consumers as well as farmers, but our stocks of these products go beyond our needs to assure supplies, to stabilise prices and to provide for stable export patterns. the stocks, then, are high enough but it is not so much their present level that causes me concern as the growing gap between consumption and production. it is this that compels action. if we do not act now we shall soon be faced with absolutely massive stocks or excessive expenditures because we have already pushed our sales to the absolute limit.

we have invested an enormous effort in increasing our sales. despite high levels of supply on world markets, and despite an uncomfortably wide gap between eec and world market prices, we have increased exports of sugar, butter, cheese, milk powder and cereals. all this has had a cost, both in economic terms and in terms of political credibility.

in the face of low world prices and a falling dollar, the budgetary cost has been heavy

- in the face of high world supplies, the tendency everywhere has been towards protection. in the gatt talks we have been under considerable pressure to limit our exports. we have fought back to defend our rightful place in world trade. as the world's biggest food importers, we cannot be denied our fair share of exports.

we have also increased our internal sales effort. we have pushed more and more money into special promotion schemes for skimmed milk powder and liquid skimmed milk for farmers. we have sold several hundred thousand tons of butter to consumers at low prices. but we must do more to stimulate internal consumption. this also argues in favour of passing on to consumers the benefits of our current agricultural bounty. we must stop the widening of the gap between production and consumption.

i want to emphasise that increases in internal consumption are in the farmer s best interests. if internal demand continues to stagnate, more and more production will go straight into the intervention store. it can be nobody's interest to produce commodities that nobody wants.

I would not ask for a rigorous price policy if I felt it would create intolerable hardship for marmers. But I think agriculture can live with it. I will of course not fall into the trap of thinking that i can freeze farmers' prices from here to eternity. farmers have income requirements just like any other members of society and these have to be met.

but in some areas, price policy alone can never stop the worsening disparity between production and consumption. other measures are needed. that is why i envisage several measures for the milk sector.

the main element here is a complete remodelling of the co-responsibility levy and the development of the principle accepted by farmers two years ago. i aim to make it an integral and vital element of milk market policy. up until now it has been an inefficient appendix of our marketing organisation. in future the proceeds of the levy will be channelled through the agricultural budget to provide a massive stimulus to consumption, without putting any extra strain onto the milk budget wich is already big enough.

the co-responsibility levy will also have the effect of bringing market realism into the milk sector by making milk production less attractive. but my proposals also include mechanisms to safeguard the smallest and most vulnerable farmers. this does not mean that i am waging war on efficiency. i am however against a development in production that makes the community over-dependent on supplies of cheap feedstuffs from overseas and thus exposes us to the volatility of world politics and world markets.

Increases in productivity can also, to an important extent, be attributed to an increase in the use of energy, fertilizers, etc. The price of energy has increased and may increase again. There clearly is a scarcity and a need for using less. Full compensation of energy price increases therefore defy an economic use of energy resources.

my initiative in structural policy will strengthen the position of farmers in less-developed regions. this is important because, if we expect farmers to adapt to new forms of production, we must provide measures which help them to do so. problems of regional backwardness and natural handicaps, again, demand other instruments and this is the context in which one must view last year's measures for the development of our mediterranean regions. this year we must make a further step along this road towards a bigger range of policy instruments and we must not overlook the contribution that other policies can make.

this problem of overproduction is capable of solution within the agricultural forum. but one of the problems facing farming is perhaps more dangerous and - because it does not originate in agriculture - is much more difficult to solve. i am thinking now of our monetary problem.

the monetary disorder of recent years has bequeathed to the agricultural policy different and diverging national price levels. monetary compensatory amounts make trade difficult and distort production patterns. they are also costly.

for years the agricultural policy has had to grapple with these problems. now, all of these difficulties have rebounded into the financial world in the most tragic of circumstances by delaying the start of the european monetary system.

when ems will be fully operational it will limit the divergence of our community currencies. then it will give us a real opportunity to phase out mca's. it would be difficult because of the economic repercussions - but it could be done given time, a background of monetary stability and the political will.

we cannot ignore the fact that monetary compensatory amounts are intimately related to prices and incomes. this is the constraint under which we must operate. we must be realistic.

the eradication of mca's remains our clear objective but we must not push for a solution which would create more difficulties than it would solve.

We must find a compromise which is fair to all parties concerned. Let us not forget that this is a community problem and not a mere confrontation between some member states. That is why we will undertake consultations with all member states before finalizing our proposals on prices and on the monetary issues. We cannot afford to risk failure in such an important and delicate subject.

it remains my firm conviction that it would be fundamentally wrong to look for a solution which would involve almost automatic increases in farm and food prices. such price rises would bring the current market surpluses to explosion point.



that is the dilemma we are in. we cannot allow mca's to stand in the way of ems, which must take priority. without it, the process of european integration will come to a standstill. without it, monetary compensatory amounts will continue to bother us and the promise of the agricultural policy will never be fulfilled.

it is, as i have just said, tragic that agricultural problems should block such an important initiative as ems. faced with this fact, there are some who say it is high time that the common agricultural policy were dumped overboard.

these people reason as if the cap was something in a vacuum instead of something that reflects the priorities of our society.

one of these is that everyone should receive a reasonable income, another is that we should fight unemployment, yet another is that well-being should be geographically spread.

these priorities apply for our society in general, how then can they be denied to agriculture? the cap brings to agriculture the same stability that general economic policy brings to the rest of society.

all policies cost money. our policies for industry encompass subsidies for production, investment, employment, market development and so on. alongside these are the social policies that currently provide at least a basic income for six million people who can find no employment. not one of these payments raises fundamental debate. why then should payments to agriculture, as long as they are rational and effective, be considered undesirable. after all it is a vital sector of our community economy.

we could, if we wanted, have a much more radical agricultural policy, one which seeks to develop an industrial agriculture.

in other words, we could aim for a second agricultural revolution.

this decision would have the most profound impact on our society, on our environment, on our economy and on our political fabric. i for one believe it would destroy the Community.

in some areas the result would be a social and environmental catastrophe. for all of these reasons, i turn this approach down.

i have said before and i still feel deep in my bones that our present agricultural policy is based on sound principles. it offers justice to consumers and producers and is still the adhesive element of the community. change is certainly necessary but it is adaptation that is called for rather than revolutionary reform. we must ensure the policy's continued existence because, along with the new monetary system, it is the precondition for a rational solution of europe's economic problems.