European Parliament, Strasbourg, 14.3.1984

Declaration by Poul Dalsager, Member of the Commission of the European Communities

Mr President,

You have had from the President of the Commission a report on the general situation in which we find ourselves before next week's summit.

I want to give you now a rapid survey of the agricultural dossier from the point of view of the Commission. I know that every member of this House will want to be well informed on these matters, before you commence your important debates today and tomorrow.

The progress which the Council has made in the last few days on agriculture is very encouraging. The Commission has played its part, and I want to pay tribute also to Mr. Rocard and to the other Agriculture Ministers who have shown the sense of responsibility and urgency which the situation demands.

The Council, which met on Sunday, Monday and Tuesday, will resume its work on Friday. So far, it has discussed prices, monetary compensatory amounts and milk. On all these points, it has made a real breakthrough. But there remains a difficult discussion on the other products, in order to complete the dossier before the European Council.

I must underline that political decisions remain to be taken at the top level. We must all be conscious that the European Council next week has to consider this agricultural package, which forms part of a major reform of the Community's policies.

So far, the Council has taken no formal decisions - and naturally it could not do so in advance of the Parliament's opinion. The Council has simply worked out the basis on which a decision on the agricultural questions could be possible. Before proceeding further, the Commission and the Council must take account of what Parliament has to say this week.

For my part, I hope that your opinion will go in the sense of confirming and strengthening the common agricultural policy, on the sound bases which the Commission has proposed.

Let me therefore address myself to the information which you want on three essential points :

- prices
- monetary compensatory amounts
- milk.

Prices

In its proposals for agricultural prices, the Commission put before the Council a modulated set of proposals, with a freeze for several products, and limited increases for others. In the present state of the markets, we could not do otherwise. A restrictive price policy is an absolute necessity.

The Council's deliberations have confirmed our approach.

Indeed, I believe that the rapporteur for prices, Mr Woltjer, has proposed to this House a formula which expresses a point of view common to Commission, Parliament and Council. He says that "in fixing prices, one must take account of the objective method, but with the extreme circumspection which is dictated by the situation of agricultural markets".

In the Council, the pressure has been not for higher increase in prices in ECU, but even for lower increases. The basis worked/ out by the Council at the present stage therefore includes the following orientations for common prices :

- a reduction of 1 % for cereals, sugar, olive oil, beef, pigs and sheepmeat
- a freeze for milk
- very limited increases for other products such as rice, cotton, durum wheat.

Monetary Compensatory Amounts

However, this formula for the prices in ECU must be appreciated against the background of the Council's approach on monetary compensatory amounts. Here, there is a basis for a comprehensive solution for the dismantling of existing MCAs, and for avoiding the creation in future of positive MCAs.

Let me deal first with the existing stock of MCAs. In the context of the price decisions, there would be the conversion of 3 points of positive MCAs into negative MCAs, and the dismantling of the negative MCAs thus created.

This operation would result in price increases in national money in seven Member States - Italy, France, Belgium, Luxembourg, Ireland, Greece and Denmark. In addition, decisions would have to be taken on a dismantling of the negative MCAs which already exist for Greece, France and Italy.

At the beginning of 1985, a further stage would be undertaken by the dismantling of 5 points of the MCA for Germany, accompanied by a compensation for German farmers through the system of VAT. At the same time, smaller reductions would be made in the MCA for the Netherlands, accompanied if necessary by compensation. The possibility of a Community financial contribution to this compensation is envisaged.

Finally, the remaining MCA for Germany and the Netherlands would be dismantled by the beginning of the 1987/88 marketing year. The Council has thus opened the way for a complete dismantling of the positive MCAs for these two countries; for the United Kingdom, whose money is not stabilised within the EMS, it is not possible to fix a programme for the later stages, but it will participate in the first stage.

Next I turn to the future monetary compensatory amounts which may be created in the case of changes of parities. The basis on which the Council envisages to resolve this problem is by calculating future MCAs on the basis of the strongest currency, which will thus lead to the creation of only negative MCAs. These in turn will be dismantled on proposals of the Commission, in the light of the economic and monetary situation prevailing, and the development of agricultural incomes. This new system would apply for 3 years, with a report by the Commission before the end of 1986.

Milk

Among the agricultural problems which the Community has to resolve, the question of milk is among the most difficult. The absolute necessity to achieve a better control of milk production has to be reconciled with the obligation which the Treaty lays on us to protect agricultural incomes.

That is why the Commission already last July proposed a system of quotas. The vast majority in this Parliament, I believe, accepts that this is the only practical course, difficult as it is. At last the Council has recognised the force of our case.

The basis on which an agreement now seems possible in the Council can be summarised in ten points.

1. There would be a control of production by means of a system of quotas, valid for 5 years. In order to take stock of experience, the Commission would make a report after 3 years.

2. The global quantity guaranteed at the Community level would be 97.2 million tons of milk. This, as you know Mr President, is figure which the Commission proposed. It is a realistic figure. It would be divided up between member state on the basis of 1981 deliveries plus 1 %, as we proposed. But we know - and I think the Parliament recognises - that provision has to be made for a reserve to deal with special difficulties. That is why, in addition to the 97.2 million tons, a Community reserve of 0.6 million tons would be envisaged.

3. Another problem which we must recognise - and it is a political and social problem of the first importance - is the passage from the present level of production to the new system. That is why for the 1984/85 marketing year an additional quantity of 1 million tons would be added to the global quantity.

4. For the application of the quota system, there must be the maximum flexibility, taking account of the structure of milk production. That is a point on which the report of the Parliament's Committee for Agriculture lays great emphasis. That is why there would be a choice for member states between allocating quotas either at the level of the individual farm or at the level of the dairy. In the first case, there would be a supplementary levy of 75 % on quantities exceeding the quota, and in the second case 100 %.

5. In order to avoid distortions, the system of control would also have to apply to direct sales which do not pass dairies.

6. Cases of difficulty, such as farms with development plans, or farms affected by disease in the reference period, would have to be resolved by the constitution of an initial reserve within the quantity allocated to member states. That is another point which your rapporteur emphasises; and he makes a very important link between the development of structures and the reallocation of quotas, including the possibility of encouragement for cessation of production.

7. Another key problem, which your rapporteur highlights, is to alleviate the effects of this system on small farmers. Here the Council's orientation would be to renew the Community aid of 120 million ECU for 2 years.

8. With an effective system of quotas, it should be possible to continue the aids for restructuring milk production within the context of the structural directives on which the Council should soon take a decision in the light of Parliament's opinion.

9. Again in the context of an effective system of quotas, and to ensure a balanced result for the different member states, the tax on intensive milk production could be dropped.

10. Finally, thanks to the reduction of the intervention price for butter, it should be possible to cut the consumer subsidy for butter by 75 % without adversely affecting the price to consuemrs.

Mr President, I have given a very brief outline of the milk package which is emerging in the Council. It is, I believe, a good package which would safeguard our milk policy. It is very close to the proposals of the Commission : and where it departs from them, it would include an element of self-finance through an increase in the coresponsibility levy of 1 % to permit the additional flexibility of 1 million tons for the next year.

Conclusion

Mr President, I have tried to give you as briefly as possible an outline of the state of progress in the Council. During the course of your debates, today and tomorrow, I can of course complete and amplify this information. I realise that there are many points on which members of this House will have questions.

I conclude with three remarks :

- first, /as President Thorn has already made clear to you/ some elements of this package, as it is at present developing in the Council*, would imply additional expenditure on agriculture in 1984. In any case, the conjuncture of the agricultural markets itself implies extra expenditure this year. This financial aspect will, of course, have to be dealt with in an overall settlement.

* and particularly the solution on monetary compensatory amounts,

- Second, I underline again that what I have reported to you today is the state of progress in the Council, and the basis on which an overall settlement could be possible. The Commission has contributed to that progress. But we have not formally modified our proposals, and we are not in a position to do so until we know the results of Parliament's deliberations.

- Third, I rejoice in the fact that the progress which has been made follows closely the guidelines which we proposed in our document 500 of last July, guidelines which Parliament itself endorsed in its resolution of 18 November 1983. In that resolution, you said that monetary compensatory amounts should be eliminated

in 3 years, without a reduction in farmers earnings; and for the milk sector you embraced the principle of a quota system limited in time, and with maximum flexibility. The Council is now poised to follow you - and us - in a courageous effort to reform and improve the agricultural policy.