

28.7.1983

Speaking note for Mr. DALSGER

COMMON AGRICULTURAL POLICY

Press Conference, 29.7.1983

President Thorn has already presented to you the general lines of the proposals which the Commission is making for the common agricultural policy. I want to give you some more details, and to answer your questions - and I am sure you will have many questions on this important package.

First let me underline that, although these are new proposals, they do not represent a change of direction by the Commission as regards the agricultural policy. The problems which we have experienced in the last two years - problems on the internal markets, on the external markets, with the budget, and so on - all these developments prove one thing : that the guidelines which the Commission proposed for the CAP in October 1981 were just, sound and prudent.

We said then that it was no longer possible to continue with unlimited guarantees of price support when the Community has passed the point of self-sufficiency for many products, and there is doubt about the future level of demand. At the time, not everyone was convinced. Now, I think there is general acceptance that our diagnosis is correct.

So the question is not where we go with the agricultural policy : it must be in the direction of a better control of farm production and expenditure, by fixing thresholds beyond which producers will take their share in the costs of disposal. The real question is how we go in that direction - how rapidly, and by what concrete steps.

The proposals which the Commission is now making are both courageous and well-balanced. Courageous, because they will mean changes in the market organisations and the instruments of our policy. Balanced, because those changes will require efforts from all parties concerned.

Let me now summarise the proposals. First, the market organisations.

MILK

It is obvious that the most urgent question which the Community has to face is ^{the} milk surplus, which is increasing rapidly. This year we expect deliveries to increase by at least 3.5 %. Coming after last year's increase of 3.5 %, it means that the guarantee threshold for 1983 will be exceeded by at least 6 %.

We have to take steps to control this situation. If we reduce the price next year by sufficient to recover the whole cost of disposing of the extra production, then we would have to make an abatement of the milk price by as much as 12 %. This would have grave and immediate effects on producers' incomes, but would take some time to influence production.

So the Commission has concluded that in future the guarantee threshold for milk should be applied by means of a quota system, accompanied by a restrictive price policy. A reference quantity, or quota, will be established for each dairy, based on deliveries in 1981. All deliveries

in excess of this quantity will pay a supplementary levy. Dairies will in turn apply the charge to producers according to criteria to be fixed in Community regulations.

Many of the details of this system remain to be worked out. But it will have several advantages :

- Within a certain quantity of production, corresponding to the guarantee threshold, producers will enjoy a full price guarantee.
- Production beyond that quantity will pay a levy based on the full cost of disposal.
- This will have a rapid effect in discouraging extra-production; and in case production increases, it will provide receipts sufficient to pay for the disposal.

This more effective method of applying the guarantee threshold is the ^{2 or} contrepièce of our proposal for milk.

But in addition we propose :

- A levy on intensive production, to stop the development of "milk factories".
- The suspension of intervention for milk powder during the period of the year when it is less needed.
- The withdrawal, in two stages, of the consumer subsidies for butter, which are not really cost-effective.

CEREALS

For cereals, the main problem which we have in applying the guarantee threshold is the growing imports of cereals substitutes. We have already taken action on manioc and brans. The Commission now proposes to take steps, in accordance with GATT, to stabilise imports of corn gluten feed and citrus pellets.

Another objective will be to accelerate the narrowing of the gap between our cereals prices and those of our competitors; and to improve the price relations between the different qualities of wheat.

We propose to introduce a guarantee threshold for durum wheat, for which the Community is approaching self-sufficiency.

BEEF

The intervention measures for beef must be adapted. The premiums for beef production also have to be reviewed, since there are now a number of different systems whose justification is not so clear. The Commission considers that :

- The suckler cow premium should be retained as the single Community premium;
- The variable premium in the United Kingdom, which has not proved a satisfactory alternative to intervention, should be discontinued;

- The calf premium should not be extended, since it has achieved its objective in arresting the decline of the beef herd in Italy, and in any case tends to encourage milk production.

The import concessions for beef should be managed more flexibly, according to the real needs of the market.

SHEEPMEAT

Experience with the sheepmeat regulation - which has only existed for 3 years - suggests that the variable premium in the United Kingdom has encountered problems because of its weakening effect on the market price. The Commission therefore proposes that this premium should be limited to a certain percentage of the reference price.

There should also be an examination of the possibility of negotiating a reduction in the quantities imported, and the introduction of a minimum import price.

FRUIT AND VEGETABLES

For fruit and vegetables, the Commission proposes the adaptation or withdrawal of some of the aids and premiums, for which there have been difficulties of cost or control.

OILSEEDS

For sunflower seed, we propose the introduction of a guarantee threshold.

OLIVE OIL

There are serious administrative problems with the production aid for olive oil. The Commission proposes better control of the payment of this aid by producer groups. If that does not work, we shall have to exclude the producer groups from administering the aid.

We also think that the control problem could be eased by a system of flat-rate payment for small producers.

TOBACCO

We have to continue shifting production of tobacco away from varieties for which there is no demand, towards the marketable varieties.

WINE

The market balance for wine has to be restored mainly by limiting the planting of vines. The Commission also proposes adaptations of the arrangements for storage and distillation of wine, improvements in quality, and the use of must in place of sugar.

TAX ON OILS AND FATS

Finally, the Commission considers that action must be taken to correct the imbalance in the price structure, between olive oil and other vegetable oils on the one hand,

and butter and other fats on the other. It therefore proposes a tax on the consumption of oils and fats other than butter, whether produced in the Community or imported. Such a tax would of course be in accordance with our international commitments.

I have given you a brief account of our proposals for the different products. You will find more details in the documents which are available. Let me turn next to monetary compensatory amounts.

Monetary Compensatory Amounts

The Commission firmly believes that a better discipline is needed for the dismantling of monetary compensatory amounts. The so-called Gentlemen's Agreement of 1979 has not operated well. We propose therefore a system in which:

- existing MCAs should be phased out over two years;
- new MCAs should in future be dismantled by one third as soon as they are created; by another third at the start of the next marketing year; and by the remaining third at the start of the next year.

Financial Guidelines

The Commission repeats its view that the rate of increase in agricultural expenditure should be less than that of own resources. In its proposals, it will respect this guideline, and invites the Council to do the same. If the Council wishes to exceed it, there should be a special meeting including Ministers of Finance as well as Agriculture.

I want to make it very clear that the Commission does not consider that agricultural expenditure can be contained in rigid limits: it naturally varies from year to year, because of the climate and other factors. That is why we propose to improve the budgetary procedures, by creating a special reserve in the budget to cover unexpected expenditure for agriculture, and by carrying forward unused credits of the Guarantee Section from one year to the next.

Finally, I conclude my remarks with a special appeal to the farming community - to those 8 million workers whose income and way of life depend on agriculture, and on the common agricultural policy.

Europe needs a sound and well-based agriculture, to supply its own consumers. It wants agriculture to export on world markets. It does not want to stop the progress of the last twenty years.

But in return, Europe has a right to demand comprehension and cooperation. We cannot isolate agriculture from the factors affecting modern society; in fact, only by a better integration into the economy can we improve agriculture's lot. We have to ensure the most efficient

use of public money in agriculture, as in other sectors.

That is why I say to our farmers : do not resist changes which are designed to improve and strengthen the CAP. Unless we adapt the policy, it will not survive. Unless we rationalise the policy, it will be renationalised. The Commission's proposals go in the right direction: I appeal to Europe's farmers to support them.