

# COMMISSION OF THE EUROPEAN COMMUNITIES

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The Common Agricultural Policy: the urgent need for a better equilibrium

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The Common Agricultural Policy: the urgent need for a better equilibrium

1. A year ago the European Council discussed the future development of the Common Agricultural Policy. The Commission had submitted its views in document COM(78) 700 of 29 November 1978, stating in particular that

"The Common Agricultural Policy is and always has been a cornerstone in the construction of the Community...

In recent years the application of the Common Agricultural Policy has met with serious difficulties...First, the imbalance between supply and demand in several major agricultural markets is worsening. Secondly, incomes disparities within the agricultural sector remain substantial. Thirdly, monetary upheavals have disrupted the common agricultural market."

2. Since then the Community has successfully launched the European Monetary System. The common agricultural market has consequently benefitted from greater exchange rate stability. Monetary compensatory amounts - which generate artificial distortions in competition - are now about half of last year's levels. On the other hand, the difficulties which result from serious market imbalances in certain sectors - particularly milk - still remain. These specific difficulties reflect adversely on the real advantages of the agricultural policy generally and cause problems for the budget. It is therefore necessary to tackle them in the interest of sustaining the policy for the 1980s.
3. The Commission has just submitted to the Council of Ministers a further package of measures with this essential objective: to strengthen and not to attack the Common Agricultural Policy but to adapt it so that it is not undermined by a failure to deal with the known specific problems. These problems must be tackled in any event but a solution to them can also help to reduce the pressures on the Community's budget and, in particular, to avoid the difficulties associated with the ceiling imposed by income from own resources. The package would lead to a substantial cut - of the order of 1 000 million UCE in a full year - in Community expenditure and should avoid the Community quickly exhausting its own resources. In addition, the Commission itself is seeking

savings through rigorous management of existing policies. The new measures would also permit a larger proportion of budgetary spending to be devoted to the improvement of structures and to general investment purposes, including a better balance between the Guarantee and Guidance Sections of the European Agricultural Guidance and Guarantee Fund.

4. In making its proposals the Commission has been guided by the following principles:

- high priority must be given to bringing balance to agricultural markets, especially for milk and sugar. This should be done by increasing internal consumption inside and outside the Community where this is feasible; and by restraining production
- for products in structural surplus, the cost of getting rid of future increases in production must fall on producers themselves
- unbearable income effects for small and medium-sized producers with no alternative types of production must be alleviated. The Commission is undertaking immediately a further examination of the situation of these producers
- available resources for the restructuring and development of agriculture should be concentrated on poorer farms and less developed regions.

5. The Commission's proposals include three main elements:

- a) a milk package involving a new approach to co-responsibility which would comprise a basic co-responsibility levy and a supplementary levy related to the costs of new surplus disposal. The existing premiums for conversion to other lines of production would continue. The Commission also notes that a more coherent policy for animal and vegetable fats and proteins may be needed particularly in the context of enlargement;
- b) a new sugar régime with reduced quotas;
- c) adaptations in the common market organizations for beef, processed fruit and vegetables, starch and rye.

6. These actions should ensure that the milk budget will not increase and justifiable savings will be made elsewhere.
7. These proposals must be seen in relation to the Community's action programme for Mediterranean regions and to the Commission's recent proposals on policy with regard to agricultural structures (COM(79) 122 of 19 March 1979). These structural measures aim to concentrate resources on poorer farms and less developed regions which will be of particular importance to certain Member States including Italy and Ireland. The Commission also envisages accelerating the implementation of some parts of the Mediterranean action programme (afforestation, irrigation).
8. If these measures are not taken, the Community's own resources will soon be exhausted by the agricultural budget. Other more drastic measures adversely affecting the CAP would then be necessary.

The Commission, therefore, invites the European Council to endorse the broad objectives in paragraph 4 and to ensure that early decisions are taken on the new proposals, with a view to alleviating the budget and to strengthening the Common Agricultural Policy.