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REPORT

drawn up on behalf of the Committee on Agriculture, Fisheries and Food

on the following proposals from the Commission of the European Communities to the Council :

- I. for regulations fixing the prices for agricultural products and related measures 1986/1987
(COM(86) 20 final)
 - II. for regulations concerning cereals
(COM(86) 30 final)
 - III. for regulations concerning beef and veal
(COM(86) 31 final)
- (Doc. C 2-194/85)

PART B - EXPLANATORY STATEMENT
ANNEXES

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PE 102 544/fin.
Or.En.

EXPLANATORY STATEMENTINTRODUCTION1. Dimensions of this report

The farm price proposals have become an annual fixture for which the Parliament has a set procedure. However, this year, there is a difference. Following the Commission's Green Paper (1) on the future of the Agriculture Policy, as well as the Memoranda on the Adjustment of the Market Organization for cereals (2), beef (3), the Memorandum on the Future of Agriculture (4), and the proposals for other commodities, the farm price proposals (5) must now be seen in the context of wider measures which are proposed as interdependent and complementary. Your rapporteur believes that in the light of these developments, it would be sensible to draw up this explanatory statement in two parts - the first part concerning the overall direction and policy relating to agricultural price supports, and the second making specific recommendations on farm prices and related measures. It is only by setting these specific measures in the context of an agreed policy covering a number of years that a coherent CAP will emerge. It is essential that the Parliament should take a medium-term view.

2. Parliament's role

In the preparation of this explanatory statement your rapporteur has consulted over 60 organizations, including producer and consumer organizations, academic bodies, FAO, the World Food Council and other Community institutions (6). The rapporteur hopes to reflect the views of the majority of the Parliament.

The CAP has reached a level of public awareness where it is necessary to face up to the criticisms made of it by the majority of Europe's voters. There is a need to seek real and lasting solutions to those

(1) COM(85) 333 final

(2) COM(85) 700 final

(3) COM(85) 834 final

(4) COM(85) 750 final

(5) COM(86) 20 final

(6) A full list is given in the Annex

criticisms within the context of the CAP's objectives and within the meaning of Article 39 of the Treaty in particular. Where necessary, Parliament will need to take a fresh approach to the difficulties facing the CAP, which may lead to the adoption of new policies in certain important fields (although it is unrealistic to hope for a consensus in all areas).

In this regard it will simply not be enough for Parliament to make a vague, general policy statement, totally divorced from the policy decisions that need to be taken, and then leave it to the Commission and especially the Council of Ministers to fight it out over the detailed legislation. It is by leaving all the detailed decisions to the Council to make in isolation from the wishes of the majority of voters in the Community that has led to the CAP being confronted by the difficulties that it presently faces.

SECTION I

AGRICULTURE IN THE COMMUNITY

3. The perspective

The CAP actually absorbs a small part of the Community's GDP (less than 1%), which is no more than in other developed countries, notably the USA, but at the same time directly affects over 3% of the Community's population, which is substantially more than in the USA where only 1.5% of the population is directly involved in agriculture. When the agricultural input and equipment industries and the agricultural and food processing industries are also taken into account, agriculture is by far the Community's largest and most important industry. In relation to that the cost of the CAP is modest. Unlike any other industry or economic activity, agriculture, and notably its output performance, is only determined in part by human activity, with a substantial contribution made by factors like weather that are beyond human control.

However, the CAP attracts widespread public criticism for wasting valuable resources, both natural and financial. At the same time, agriculture needs public and political support if it is to prosper. Criticism of

the CAP is a major factor undermining the Community as a whole and holding back progress towards further European integration. There are other priority policy areas, of which the most important is unemployment. The fact that many millions of Community citizens are living in poverty, the slow progress of technological development, social problems such as urban decay which leads to a breakdown in law and order, regional disparities and the loss of economic, and especially industrial, competitiveness are other vital issues. By cutting out surplus production, the Community could do more to alleviate these other priority areas. We can thus convince a wider section of the population of the Community's direct relevance to them. It is not a question of undermining agriculture; it is a question of improving the effectiveness of the Community's agricultural policy and therefore its public image.

Surpluses are diverting vital financial resources from sectors which are now more essential for economic progress of the Community. At the same time, agriculture as a resource remains one of the Community's economic assets and we cannot afford to allow it to be undermined.

4. Priorities for the future

It is clear that different interests and different Member States have different priorities. However, the approach adopted by the Council of reaching consensus by offering something to everyone has undermined the reforms called for by the Commission and Parliament. This does not provide any real solutions to the real problems. The CAP has performed magnificently in meeting the tasks originally set, notably in increasing self-sufficiency in a number of key agricultural products. But many of these tasks are no longer relevant to our present-day needs.

In essence, the objectives must be restated to meet these needs. It has to be recognized that farmers in the Community will continue to require support and funding. Agricultural policy aimed only at the most technically efficient result, would end up with an

agronomy consisting of large and efficient farms, but based on monoculture. This would result in the wholesale abandonment of the land, and of entire rural areas, as small and medium-sized family farmers would be unable to compete. This is the draw-back of drastic 'price cuts' which would cause the complete "desertification" of vast tracts of the Community and it is totally unacceptable, socially, politically and economically.

The question to be resolved, therefore, is how can agricultural production in the Community be brought under control without destroying the rural economy.

The Commission's Green Paper foresaw either price cuts or the extension of the "empire of quotas". This is to approach the problem from the wrong end. It tries to cure the symptoms rather than the disease. It is also to approach the wrong problem, or rather it ignores the real problem which is excessive market intervention. What is needed is less Commission intervention in the market; not more.

The Commission's approach, which the Council broadly follows, offers no fundamental reorientation of the CAP; it just provides yet another series of palliatives and expedients to give the world the impression that something is being done, when in fact nothing is actually being resolved for the longer term.

Farmers only produce because it is financially necessary or worth their while to do so. A prudent price policy, if continued over a number of years, would reduce production. But the consequence of small and medium-sized farmers being put out of business, would result in greater costs to the national exchequers than the budgetary savings to the CAP. An enormous burden to already over-stretched social security budgets would ensue. If these new unemployed were to gain useful employment, it would necessitate a substantial fall in wages and real standards of living in the rest of the economy. Neither of these effects would be tolerable for government or taxpayers.

What the Commission has failed to do in its Green Paper and in its current proposals is to set out a genuine policy for the long-term future of the CAP. Indeed, it has refused to re-examine any of the basic assumptions on which the present policy is based.

It is clear that we must re-define our objectives and this report must be seen as a first step in this direction. However, the Commission's proposed package of measures consisting essentially of price restraint, the introduction of new co-responsibility levies, a number of new or refined market intervention measures and a series of new spending proposals does not go far in the direction of restoring the balance in supply and demand nor of tight budgetary control.

In order to balance the market it is not sufficient merely to alleviate the budgetary cost of the imbalance by raising new levies on farmers and farm production in order to pay for the mistakes of the past. To restore market equilibrium, it is necessary only to re-establish proper balance between intervention and the functioning of market forces. It certainly does not require more intervention in the market. Quotas or levies will exacerbate, not alleviate, the problem. Proper balance means intervening in the market only where strictly necessary.

5. Articles 38-47 of the Treaty of Rome - Are they understood?

The classic argument is that under Article 39, we have to ensure a fair standard of living for the agricultural Community, particularly by increasing the individual earnings of persons engaged in agriculture. This argument fails to note that this is dependent on the previous paragraph of the Article, which states quite clearly that one of the aims of the policy shall be to increase agricultural productivity and ensure the development of agriculture through the optimum utilisation of the factors of production. It is therefore clearly stated in the Treaty that incomes can only rise as a result of increases in agricultural productivity.

While there has been much dispute about the consistency of the objectives, there is no sound economic argument for concluding that increased productivity, stabilized markets, availability of supplies and reasonable consumer prices cannot be compatible with each other. The disequilibria that presently afflict agricultural production and consumption in the Community result from the failure to adhere to this guiding principle in the practical implementation of the Treaty. Excessive emphasis has been placed on the interventionist instruments provided for in the Treaty, but these were never intended to pay for continuous production of surpluses. They were mainly intended to compensate for regional and structural disparities.

6. The price mechanism

The main reason for the overemphasis on intervention in the agricultural market has been the absence of suitable alternatives to the agricultural price mechanism. The price mechanism has been used as the agricultural policy instrument, almost to the exclusion of all other policy measures. This is illustrated by the fact that, for the 1984 budget year, guidance section expenditure accounted for only 5% of the total CAP budget; 95% was spent on price support. Clearly, however, adjustment of the price mechanism will have to be carried through gradually and will demand complementary measures.

The guidance sector is the proper instrument for adjusting regional and structural disparities. This fund should represent at least 25% of CAP expenditure.

In order to succeed in restoring the balance in supply and demand in the medium-term without provoking undue disturbance to farmers, the readjustment of the price mechanism must take place within the context of an agreed and established strategy for agriculture. The strategy should be agreed for the longer term. Such a strategy could consist either of a three-year rolling price-mechanism, or, if this were too rigid, could be price targets. In whatever form, once established, the strategy must be binding on the Council for its duration.

However, a price policy is not sufficient on its own to restore the balance. The Commission agrees with this in its Memorandum on "A Future for Community Agriculture". The present system of intervention actively discourages producers from being responsible for the disposal of their own produce, effectively isolating them from market forces, and leads to the problems on the international market. This severely damages the Community budget and also undermines the fragile development of agriculture in the world's poorest and least developed countries. Farmers must be involved with, not isolated from, the market. Exports, particularly to developing countries, must be co-ordinated so as not to damage the importing countries' rural economy.

7. Intervention ceilings

Whilst accepting the Commission's restrictions in cereal intervention, a further alternative could be the establishment of intervention ceilings.

Although the precise mechanism for restricting intervention will vary in accordance with the product concerned, a restrictive intervention policy should be based on the introduction of an intervention ceiling, which could evolve around a "standard quantity". They should be established for each of the relevant products, notably those in surplus. They should operate in a manner similar to the intervention system for bread making quality wheat (see, for example, Regulation 1810/84) (7). Thus, intervention would be available for a fixed quantity of produce meeting the quality requirements at a known annual budgetary cost.

In the event of excess offers being made to intervention agencies, preference could be given to smaller producers providing that this were done in a way that conforms with Article 40.3 of the Treaty. Therefore it would be up to the trader of grain to dispose of any excess in any manner he wishes. This approach would be particularly appropriate to the cereals sector, where, as seen above, it already operates in a limited way. An intervention ceiling should also involve a limit on the cost of refunds.

(7) Doc. B-1280/85, OJ L170 of 29.6.84

These principles are enshrined in Parliament's Resolution on the disposal of agricultural stocks adopted on 13 December 1985.

8. Complementary measures

More emphasis will have to be placed on complementary measures if the CAP is to perform its allotted tasks adequately. However, where complementary measures involve additional costs to the budget, they can only be introduced when the Community's budgetary resources permit. Otherwise, protecting agriculture from indiscriminate budget-cutters who only want a cheaper agricultural policy, not a better one, will become an ever more difficult task.

The following examples of complementary measures are not intended to be exhaustive, and they are not treated comprehensively. Some of these issues have been the subject of specific treatment in the Committee on Agriculture, Fisheries and Food (such as in the working document by FRÜH (8) on alternative crops and the discussion led by MOUCHEL on alternative uses) and it is not for a report on prices to go into detail on such matters. However, these examples are given to provide a framework for the consolidation and reinforcement of rural policy, in addition to the re-adjustment of agricultural pricing policy, which is to have a viable and vigorous agricultural industry for the remainder of this century and at the same time assist the rural population.

9. Farm incomes

The most important area for complementary measures is in the area of farm incomes. The opportunity to increase earnings has only been realized by the stronger and more efficient farms. Incomes, particularly among small and medium-sized farms, have been in decline. This has affected smaller farmers in the less favoured rural areas most seriously, precisely those areas where continuation of activity is most vital.

Direct income support specifically tailored to a specific need is much more effective for smaller farmers for whom the supports are primarily intended.

Research carried out in Ireland in 1984 by An Foras Taluntais estimated that in 1977 the value of CAP support averaged £ 2,144 per family farm worker in County Cork where average incomes were £ 6,140, whereas in Donegal the average was £ 270, where average incomes were only £ 1,735. This is clearly unjust. There is little reason to suppose that this situation is much different in other less favoured regions of the Community. It thus appears that CAP price supports, as presently conducted, tend to perpetuate inequality by supporting and reinforcing structural differences which already exist. This is exactly contrary to the requirement of Articles 39.2 and 42(a) of the Treaty of Rome.

The only way to rectify these imbalances, without destabilizing the markets contrary to Article 39.1(c) of the Treaty, is to introduce certain direct income support measures.

The Commission went some way towards recognizing this both in its communication of 29 July 1983 (9) and its Green Paper of 15 July 1985 where it suggests several options: a pre-pension for farmers, structural grants, social income benefits and buying out schemes. These suggestions tended to involve substantial additional budgetary expenditure and have not received an especially warm welcome.

Further measures that the rapporteur suggests for consideration:

- a) direct income supplements: as and when budgetary resources become available, a more generalized system of direct income supplements could be considered to stem a large scale haemorrhage of the rural economies especially of the less favoured areas. One of our aims must be to raise income levels in the poorest regions. It has been estimated that 216,000 farmers in the very poorest regions of the EC-10 could receive an income boost of 13% by a direct grant costing 130 mECU, averaging 585 Ecu per farmer.

- b) a disaster relief fund: this should be a fund set up at Community level and operated, probably by national authorities or authorized independent authorities, in accordance with strict common rules, to assist farmers in the event of severe income loss, caused by a disaster; such a scheme would probably have to feature a minimum loss threshold, below which the applicant would not be eligible for assistance.
- c) an agricultural income insurance scheme: such a scheme could be operated in a number of ways, from totally privately funded to partially publicly funded; in the latter case, some form of Community guarantee would have to be provided to encourage insurance firms to offer such policies. Certain common rules would have to be laid down at Community level.
- d) a Community agricultural loan guarantee scheme: such a scheme would be intended to provide short-term, zero- or low-interest loans (perhaps related to farm size) for the purpose of assisting farmers in overcoming current financial burdens caused by a disaster. The loan would not be available for capital investment projects. Such a scheme should not be expensive, but a small commitment might have to be entered into the budget to offset bad debts.
- e) a hardship grant: another scheme would be to provide a jointly financed grant by the Community and the Member States for small farmers. The grant would be provided according to common rules by the national authorities, which would be reimbursed in part from Community funds. In terms of the Community budget, such a system would be an effective and efficient means of farm income support. The Member States could thus offset such payments with savings in their social security payments.
- As an example, if such a scheme made assistance available to all those with less than 70% of the average agricultural income (based on the Commission's figures for the EC-10), with a 50% Community contribution, there would be some 2.5 million farmers who would benefit at a cost of around 2,000 million Ecu to the Community budget. This would provide a payment to each farmer of 1,600 Ecu. Is it not worth saving this sum within the CAP budget to assist those in greatest need?

10. Promoting the rural economy

Rural incomes can also be supported by indirect means which have, as their primary function, the improvement or readjustment of agricultural production. The main thrust of these indirect measures must be to establish the framework for the future of a flourishing agricultural sector which will contribute to the revitalisation of the overall rural economy. Agricultural production in the future must be more oriented towards producing the raw materials for the non-food sectors of the economy. Community expenditure must be directed towards investing in the future, not paying for the past. The aim should be to make the rural economy competitive with the urban economy so as to attract employment to the countryside. This calls for integrated programmes and integrated measures.

Your rapporteur suggests that the main priorities should be given to the following sectors.

- a) Forestry: a major priority must be the reafforestation of marginal land. The Community imports around 50% of its timber requirements. Such a level of import dependence is a significant drain on the Community's economy. Putting marginal land under timber will both reduce the overall level of production of other, notably surplus, products and increase the overall productivity of these crops. However, to make afforestation profitable for the farmer, a substantial level of incentives will be required from Community funds. Support for timber need not to be any more expensive than support for other products presently receiving EAGGF assistance. Proposals will also have to be made for encouraging large scale forestry in traditional temperate areas.

- b) Structural policy: much greater emphasis needs to be put on structural measures, especially with the accession of Spain and Portugal. Structural inadequacies are the predominant factor causing regional disparities. Parliament must insist on at least 25% of EAGGF expenditure being devoted to structural measures. These measures must be aimed at boosting the entire rural economy.

Farmers only thrive in a flourishing economy. Particular attention must be paid to developing integrated programmes. The coordination of all the Community's structural funds must lead to the establishment of a rural development fund, thus promoting the expansion of the total ruraleconomy. Basic infrastructure is required to attract high technology industries to the rural areas. At the same time, the Commission must take a much tougher line on stamping out national aids which undermine Community policy. It must make much greater use of instruments like Article 101 of the Treaty to prevent distortions to competition and trade caused by national measures.

c) Agriculture and the environment

Farmers have always been the custodians of the rural environment. However, there is growing concern about modern farming practices. It is essential for the Community to encourage farmers to adopt environmentally acceptable techniques. For agriculture to prosper, a healthy environment must be preserved. The Commission must therefore support the improvement of the environment. It should also be recognized that European agriculture can contribute to improving the world's environment: by maximizing the use of our annually renewable resources we can prevent irreparable damage to developing countries' ecologies.

d) Training and research

Rural employment can be increased by coordinating and increasing training in rural areas, notably in the services sector. Diversification from agriculture requires training in new technologies, notably those using agricultural products. Training to improve quality standards can assist the marketing of agri-food products. Consumer demand for healthy products must be met and research to this end must be encouraged. Coordinated research is necessary to develop new technologies in the agri-food sector.

(e) New technologies

New technologies are revolutionizing agricultural inputs. If the CAP does not adapt to these, agriculture will be left behind by the rest of society and by our international competitors. These developments are leading to the introduction of new crops and varieties which will encourage the replacement of surplus products. This is important for crops in which the Community is deficient.

New technologies will also revolutionize agricultural output. This is leading to the development of new uses for traditional crops like cereals and sugar. Exciting possibilities are being opened up by the development of techniques such as whole crop harvesting of cereals, leading to new industrial uses. This development alone could lead to a substantial increase in rural employment, and to increased profitability for farmers, but only if the raw materials are available at realistic prices. New industry will not invest on a foundation of unpredictable subsidies.

11. Development aid

It is absurd that in a world with an estimated 365 million tonnes of agricultural stocks, hundreds of millions of people are afflicted by hunger. The FAO predict that food aid will be required for at least another 20 years. Until developing countries are self-sufficient, food and development aid must be co-ordinated to prevent starvation and to develop their indigeneous agricultural production. (10)

(10) A statement on food aid requirements by the Director-General of The Food and Agricultural Organization (FAO) is contained in the Annex.

SECTION II

THE 1986/87 PRICE PROPOSALS AND RELATED MEASURES

12. The market and budgetary context

It is abundantly clear that the 1986/87 price proposals are being made in the context of an acute crisis.

The CAP, in 1986 and 1987, is facing its most ominous challenge yet, with severely depressed Community and international markets, and impending budgetary 'Armageddon'. Furthermore, real farm incomes are declining, severely affecting small farmers.

The market situation is dominated by the extremely high level of stocks of certain important products, notably cereals, dairy, beef and veal, wine and olive oil. These stocks cause a double drain on the CAP: they depress prices, forcing more produce into intervention, and they bleed the budget. There are presently some 17 million tonnes of cereals in intervention. While this is only a small proportion of recent Community production, the stock is nonetheless worth around 3,300 million Ecu. It would be extremely costly to dispose of these stocks (more than 1,700 million Ecu in present conditions) even supposing outlets could be found at current world market prices.

The situation is even more serious for butter, as the Community's stocks represent over 140% of annual world trade. The cost of disposing of these stocks, even if the world market situation permitted it, would be at least 3,000 million Ecu.

Surplus wine production accounted for 30% of total annual production prior to enlargement. Wine based alcohol now accounts for 40% of the total alcohol market and is the main reason for the alcohol surplus. A surplus of 14 million hectolitres would cost 852 million Ecu to convert into petrol over and above the compulsory distillation costs.

The sheer magnitude of the budgetary problem is daunting. It is estimated that since 1983, 4,000 million Ecu has been saved from CAP expenditure as a result of various decisions that have been taken, i.e.

milk-quotas. However, over the same period, the value of stocks of agricultural produce has increased from around 2,000 million Ecu to 10,000 million Ecu now, an increase of 8,000 million Ecu. Butter stocks of 1 million tonnes alone cost the budget 365 million Ecu a year. That is a cost of 1 million Ecu per day.

Furthermore, external factors are having a serious impact on the budgetary situation. The Commission already anticipates submitting a supplementary budget of 750 million Ecu to offset the cost to the EAGGF of the fall in the dollar, without allowing for any further fall. In addition, declining world prices increase the cost to the EAGGF of Community exports. The budgetary cost resulting from the fall in world cereal prices since the beginning of January is estimated, on the basis of the Community's traditional level of exports, as being in excess of 600 million Ecu in 1986. The Commission intends to dispose of an extra 500 million Ecu worth of stocks onto the world market. Depending on the level of this stock disposal, the additional costs caused by external factors could be as much as 2,000 million Ecu, where the Commission has only allowed 750 million Ecu.

Despite the Commission's hopes, there is a very real likelihood of EAGGF expenditure exceeding the 1.4% ceiling in 1987. Funds will have to come from somewhere if stock disposal is to be considered, and the market situation is to be alleviated. It is hard to see how the Commission's estimated savings of 385 million Ecu in 1986 and 770 million Ecu in 1987 will be adequate to meet these commitments without drawing funds away from other areas of Community expenditure.

The Community, including the Parliament, as a part of the budgetary authority, is faced with the drastic choice of either controlling agricultural expenditure or abandoning all other Community expenditure, notably the Social and Regional funds, to honour obligatory commitments. Politically, the latter choice is unacceptable to the Parliament. The legal proceedings that the Council has taken against Parliament were brought about by Parliament increasing Social and Regional Fund expenditure by 535 million Ecu in the 1986 Budget vote.

The CAP, indeed the Community, simply cannot afford to carry on like this. Unless this situation is brought under control very rapidly, there is a grave risk that there will be no Common Agricultural Policy by the end of the decade. We cannot allow the CAP to become a hostage of the Member States, and their national Parliaments in particular. But that will happen if we fail to keep EAGGF expenditure within the limits set by the budget.

The key to the solution lies with the basic market Regulations themselves. The problem Parliament has always had with CAP expenditure is that, because it is obligatory expenditure, Parliament's budgetary powers are curtailed under the Treaty. The level of CAP expenditure is not determined by the budgetary process, but by the basic market Regulations. To establish Parliamentary control over obligatory expenditure, it is necessary to amend the basic Regulations.

13. The Commission Proposals

- a) The main features: The Commission has proposed what it considers to be a package. The package consists essentially of a
- price freeze in nominal terms (subject to a number of variations and green rates),
 - a number of related measures,
 - a planned but as yet unproposed de-stocking programme,
 - a planned but as yet unproposed structural package.

The Commission package of detailed proposals is thus incomplete and cannot really be called a package. At the date of drafting this report, there is no indication from the Commission of the income effects on farmers or of the budgetary consequences.

Apart from the overall price freeze, the main thrust of the Commission's proposals, as anticipated, is in the cereal and beef sectors.

- b) Cereals: The cereals package, as expected, consists of a
- (i) restrictive price policy,
 - (ii) a coresponsibility levy,
 - (iii) quality improvements, and
 - (iv) an adjusted intervention mechanism.

(i) The Commission proposes a more or less across the board price freeze of the cereals intervention price, with the notable exception of durum wheat, for which the intervention price is to be cut by 4.4%. This price cut is to be offset by an increase in the production aid, which is only paid in Italy, of 6.8%. It also proposes to abolish the reference price for the lowest quality of bread-making wheat. Its justification for these measures is that the enlarged Community is 118% self-sufficient in cereals; for durum wheat, this figure is 124%. The aim of the proposals on durum wheat is to discourage growing of durum wheat in non-traditional areas, while safeguarding the income of farmers in Italy. These measures should be seen in the light of the fact that 50% of French and 25% of Italian pasta is made from wheat imported from the U.S.A.

(ii) In order to contribute to the cost of cereals disposal, the Commission proposes that producers should pay a 3% coresponsibility levy, although to meet the full costs of the eligible surplus, according to the Commission's calculation, the levy should be 6%. By exempting the first 25 tonnes marketed, the Commission hopes to be able to raise around 470 million Ecu from the levy. The 25 tonne exemption is the major plank in the Commission's 'central concern' for 'special measures even in the markets policy to ensure that the limited funds available are concentrated more on small and medium-sized farms'. (11)

(iii) The Commission aims to improve the quality standards of cereals by abolishing the reference price and by basing intervention on wheat of bread-making quality. A price differential of 5% shall be applied to wheat not meeting this standard, as well as a 9% differential for barley to make it more competitive as a feed cereal.

(11) Press Conference 5.2.86, Statement by Mr ANDRIESEN

(iv) The Commission aims to discourage market rigidity and sales to intervention by limiting intervention availability to five months of the year (from December 1 to April 30).

- c) Beef and veal: The Commission aims to rectify the build-up of beef stocks (presently 730,000 tonnes) by freezing the price, limiting intervention to an emergency role and by altering the premium. The beef premium will consist of a flat-rate grant of 20 Ecu per head of beef over six months old up to a maximum limit of 50 head; and a suckler cow premium of 20 Ecu per head to which Member States may add a further premium of up to 25 Ecu per head. The premium will not be available to units with a dairy quota. The new regime will come into effect, if the Commission's proposals are accepted, on December 1, 1987, after a transitional phase.
- d) Fruit and vegetables: With the exception of aubergines and cauliflowers, which receive a price increase of 1%, the Commission proposes a general price freeze in the fruit and vegetable sector. However, for some products, the Commission proposes altering the price coefficients which will mean in practice cuts of 2.5% for citrus fruit, 5% for tomatoes and apricots and 10% for peaches. The Commission hopes this will be enough to prevent the substantial withdrawals of recent years.
- e) Dairy products: The Commission proposes a freeze of prices to prevent the risk of increasing milk production. However, because of the increasing stocks of butter and the cost relativities between butter and skimmed milk powder, the Commission proposes a 4% cut in the butter intervention price and a 3.5% increase in the skimmed milk powder intervention price. It hopes that this will encourage less milk to be converted into butter and more into powder. The co-responsibility levy is to be maintained at 2% of the milk guideline price and the super-levy is to be paid bi-annually.

- f) Wine: In the context of the 1984 Dublin agreement and the serious structural imbalance on the wine market, the Commission proposes a price freeze. However, on the basis of an unchanged policy, the supply-demand imbalance on the wine market for the EC-12 will still be 22 million hl. in 1991/92.
- g) Oilseeds: The main innovation in this sector is the introduction of a system of standard quantities to bolster the guarantee threshold, and thus bring EAGGF spending under control. The Commission also puts forward its earlier proposal to add a 1.25 Ecu/100 kg. bonus to the target price for '00' rape.
- h) Tobacco: Although there has been a steady trend of increased tobacco production, the main problem has been the continued growing of varieties for which there is declining demand in the Community, notably for black tobaccos. To encourage production away from these varieties and towards varieties more in demand, the Commission proposes a range of price adjustments from a freeze for varieties most in demand to a cut of 6% for those least in demand.

14. Rapporteur's Conclusions

In the light of the above, the conclusion must be: What a feeble, emaciated, one-legged creature has crawled out of the woodwork!

The proposals and related measures are feeble and emaciated because they do precious little to provide for the long-term viability of the Common Agricultural Policy, despite all the tough, brave words spoken since the new Commission took office. They are one-legged because they contain no structural measures without which there is no package. They contain no details of the de-stocking programme.

The Commission has produced price proposals without the essential compensating measures. It plans a de-stocking programme without establishing where the funds will come from and with no guarantee that it will be a one-off measure. What kind of a package is that?

a) General observations

(i) Agricultural markets:

The proposal for a virtual freeze (and in some cases a reduction) of prices can in general be justified on the grounds of creating a better balance between supply and demand. Greater market orientation is a principle that Parliament strongly supports. But the Commission's attachment to greater market orientation is half-hearted, at best, as it now proposes further interference in the market.

(ii) Budget

The proposals state that in 1986, savings of 385 mEcu may be achieved and that in 1987 this figure could rise to 770 mEcu. But the Commission says a supplementary budget of 750 mEcu will be required for 1986. So, despite all the talk of savings, agricultural expenditure will in fact increase. Moreover, as outlined above, this is still probably an underestimate of the EAGGF's increasing demands. In other words, this package will do nothing more than maintain the status quo. On current trends, it is likely that spending on the CAP alone will breach the 1.4% ceiling in 1987.

In budgetary terms, CAP expenditure is rising inexorably and catastrophically. This development is totally unacceptable and we must secure the future of the CAP.

Outside the budget, the Commission is talking about a stock disposal programme costing up to 3,000 million Ecu, over three years. This will be taxpayers' money, but Parliament will not be properly consulted. The Commission appears to believe that it can evade Parliamentary scrutiny by the simple expedient of asking for money from Member States. Parliament should not tolerate such an attitude as we must have control of total European expenditure.

If this expenditure genuinely solved the problems of excess production in the Community, it might be acceptable as a one-off measure. But nothing in the Commission's proposals so far indicates that it is

solving any major problems at all. It is the status quo dressed up as radical reform. But the Commission expects the taxpayer to meet the bill for the fancy dress.

(iii) Farm incomes

In view of the need to produce this report quickly, and given the lack of information from the Commission, it has not been possible to quantify the negative effect on farm incomes. However, farmers will suffer from the proposals, and since there are no compensating measures yet put forward by the Commission, it would be rash to assume that the overall income effect will be neutral.

As seen above, the Commission pays lip service to concern about the small farmer. But how can a small farmer benefit positively by not having money taken away from him? This is hardly making 'funds available' to small farmers.

Market adjustment through the price mechanism is only acceptable politically if it is combined with essential income supplements and other structural measures, as outlined in Section I. Otherwise it is not.

(iv) Structural measures

The Commission has not yet produced any proposals. Your rapporteur considers that they must include the following elements:

- a commitment to achieve a 25:75 ratio between Guidance and Guarantee expenditure to be achieved within five years by a fixed increment in Guidance expenditure each year;
- the development of integrated programmes for the least-favoured areas as a main priority;
- enhanced coordination of all Community structural funds leading to the development of a Rural Fund;
- direct farm income measures to assist those in greatest need;
- special measures to encourage new crops and uses and to improve the environment.

Consideration should also be given to the establishment of a mechanism according to which any guarantee regime where CAP expenditure exceeds a certain proportion (e.g. 25%) of total market output should automatically trigger a structural programme in the sector. Such a system would assist the people directly involved and not the product concerned.

b) Specific sectors

Your rapporteur can recommend the positive elements in the Commission's proposals for Parliament's support. The proposals may be deemed broadly acceptable (subject to the receipt of more detailed information) where no comments are made. The following section concentrates on deficiencies in the proposals.

(i) Cereals

The proposed co-responsibility levy is the central element of the Commission's approach to the cereals sector. It is one Parliament must reject if it is to be consistent with previous decisions.

A co-responsibility levy has not proved a disincentive to increased production. It is fatally flawed as a market regulating measure. It penalizes efficiency without assisting the structural difficulties of the small farmer; it reduces competitiveness, especially on the international market, thus reduces the European farmer's ability to export; but if it were clawed back on exports, it would discriminate against domestic consumers. It distorts the internal market and discriminates between users. It would exacerbate the problems of imports of cereal substitutes. The 25 tonne threshold is almost certainly illegal under the Treaty. Perhaps even more intolerable, it would be difficult to enforce and so give rise to fraud and 'tax-dodging'.

But most of all, it is diametrically opposed to the market oriented policy that the Commission claims to espouse. A co-responsibility levy is further interference in the market place; not less.

It is, in short, a method of raising revenue, avoiding proper Parliamentary control, while giving the appearance of adopting stringent measures. This is not acceptable.

While fully endorsing the Commission's desire to improve quality standards, your Rapporteur believes a single quality standard should be set for admissibility into intervention, with market demand establishing the price differential for lower quality produce. On this basis, the Commission's proposal is acceptable as a first step towards this objective.

Your Rapporteur first suggested the idea of restricted intervention, to operate as a mopping up exercise, over five years ago. He naturally fully endorses this element of the Commission's proposal, subject only to the condition that the period of access is gradually reduced to three months at the end of the marketing year. This will encourage traders to dispose of their cereals without recourse to the intervention mechanism, while still providing a safety net.

The Commission has no real proposal for stemming cereal production, but the proposals are a step in the right direction. The guarantee threshold is the mechanism for achieving this aim. Its only deficiency is that it does not apply automatically during the year in which the surplus is produced. The solution is the one which the Commission is now proposing for the oilseeds sector. That is to reinforce the existing mechanism whereby a standard quantity would come into force automatically when production exceeds an established threshold. There could also be a concurrent budgetary ceiling for export refunds. Such a system would constitute sound market and budgetary management and would provide farmers and traders with a predictable market framework within which to operate. Thus, it would leave farmers the freedom to expand their production in line with market requirements, while still providing a safety net for the smaller farmer. We must ensure a prosperous future for cereal farmers while still containing the budgetary cost of increasing output.

(ii) Beef and veal

The Rapporteur endorses the Commission's proposals for the beef and veal sector on the proviso that the reduction of intervention is phased in gradually over a number of years to allow producers to recover from the disturbances to the beef and veal market caused by the introduction of dairy quotas.

(iii) Fruit and vegetables

While sharing the Commission's concern at the substantial quantities of certain fruit and vegetables withdrawn from the market, your Rapporteur rejects any effective price cuts for these products. Very often, withdrawals of these products are not caused by a real surplus of production, but rather because the variety or quality of the product grown is not what the market wants. To encourage the production of marketable high quality products, it is essential, to provide incentives to producers to improve the quality and marketing of their produce, and to discourage varieties that are not wanted in the market-place. Consequently, it is neither just nor efficient to penalise all producers indiscriminately. The cost of this will be relatively insignificant, because Mediterranean products generally are not provided with the comprehensive support mechanisms that the main northern products receive.

(iv) Dairy products

Your Rapporteur accepts the Commission's proposals for a price freeze for milk, and the adjustment to the price relativities between butter and skimmed milk powder. But it is important that these proposals are, and are seen to be, a step in the direction of restoring market balance in the dairy sector. As the proposed milk outgoers scheme appears to be suspended in the Council, it is necessary that further measures are taken to restore market balance. The most appropriate measures to take would be an all-round 3% cut in the quota.

(v) Wine

While acknowledging that the Commission's room for manoeuvre is very restricted by the 1984 Dublin agreement, your Rapporteur is extremely concerned by the grave imbalance within the wine sector itself, and in the alcohol market. He also recognizes the structural and social difficulties confronting many of the Community's wine producers. Production of low quality wines, must be discouraged. The only medium-term solution to this problem is a co-ordinated programme of structural and social measures. The Council must take decisions on proposals now before it.

(vi) Tobacco

While fully endorsing the Commission's proposal for the 1986/87 market year, your Rapporteur is convinced that a regime that requires more than 60% of market output in the form of CAP support to make the product competitive is a misconceived regime. However, Mediterranean tobacco producers face severe structural and social disadvantages. The only solution in the medium to long-term is a coordinated structural and social programme to convert producers to adapt production to current needs.

(vii) MCA's

The Commission's proposals for negative MCA's are acceptable. However, while the political difficulties with regard to positive MCA's are understandable, your Rapporteur is not convinced that concentrating the remaining legally binding cut to one year is really in the best interests of producers, and will not prove to be any more politically realistic than phasing them over two years.

STATEMENT GIVEN TO THE RAPPORTEUR, MR JAMES PROVAN, BY MR EDOUARD SAOUMA,
DIRECTOR-GENERAL OF THE FOOD AND AGRICULTURE ORGANIZATION (FAO) CONCERNING:

POSSIBLE IMPROVEMENTS IN FOOD AID PROVIDED BY THE EEC

Emergency food aid requirements

As a result of the African crisis, emergency cereal requirements have been running at exceptionally high levels. It can reasonably be hoped that needs will decline in the next year or two. FAO is therefore not recommending an increase in provisions for emergency cereal aid over the level attained in 1984/85. However, the experience of the recent past has shown that it is difficult and relatively slow for donors to make additional amounts of emergency aid available when there is a major crisis.

What is needed is a stand-by arrangement, which would enable large allocations to be made when necessary, but which would not be drawn upon in an average year. Such an arrangement could be made by the European Economic Community, either acting alone or as part of a wider international agreement. One approach which has been proposed is to supplement the existing International Emergency Food Reserve (IEFR), administered by the World Food Programme. On top of the IEFR's basic target of 500,000 tons of cereals, there would be an additional component of 1,500,000 tons to be held by donors on a stand-by basis as suggested above.

Improvements in responsiveness of emergency food aid

Advantage is taken of this opportunity to indicate a number of other actions that the international community, in particular the EEC, could undertake to achieve maximum efficiency in emergency operations to meet famine and food shortages.

Delays in procurement and transportation of emergency food supplies can be considerably reduced by prepositioning of food stocks in advance of possible emergencies, in disaster-prone areas, or alternatively in the strategic locations from which grains can be forwarded expeditiously in times of need to areas actually stricken by disaster. The Government of the Netherlands is currently prepositioning a small amount of food aid

stocks in Rotterdam, but the EEC has not yet adopted such a policy. The prepositioning of stocks could also be combined with arrangements for the pre-shipment of food supplies to an affected country as soon as early signals are received regarding likely food shortages.

The purchasing of foodstuffs in the country or region for distribution to emergency victims is another widely adopted technique. In this connection triangular transactions, to which the Community is already making an important contribution, continue to merit particular consideration when surpluses are not available for purchase within an affected country.

At the country or regional level the EEC could consider increasing its technical and financial support for the establishment and improvement of national and regional early warning systems, mainly in those countries where the food situation is more precarious and data collection less reliable. Greater participation in multi-donor missions to assess needs would also enhance ability to respond expeditiously to emergency.

Finally, the African crisis has shown yet again the importance of overcoming bottlenecks in transportation of relief supplies to remote areas. While improvisation will probably always be needed, the EEC could set up permanent arrangements of a "fire brigade" nature, so that resources of equipment, expertise and finance can be mobilized at short notice when required.

Non-emergency food aid requirements

Apart from the impact of natural disaster and man-made emergencies, there are strong indications that much of Africa is going to have serious difficulties in securing its food supplies in coming years. The extremely high rates of population growth and urbanization are outrunning feasible

increases in domestic food production, even if policies and priorities are changed in favour of agriculture. Poor export prospects for many countries can hardly encourage optimism regarding their capacity to finance rapidly mounting food imports.

The structural food deficit which results will have to be met - in a proportion that can be expected to vary from year to year and from country to country - by food aid. While not emergency aid in the customary sense of the term, such assistance has a quasi-emergency character: failure to provide it is likely to result in widespread suffering, particularly in urban areas. The forward planning of the European Economic Community could provide for a substantial amount of aid to be available to meet such requirements. The food provided would either be sold through commercial channels, with the counterpart funds so generated being used for development purposes, or else distributed free through special feeding programmes to target groups. Arrangements could be made with individual countries on a multi-year basis, and might be associated with assistance for developing domestic food production.

Studies made by FAO and the World Food Programme show that food aid needs for developing countries as a whole can be expected to approach 20 million tons of cereals per year - double the level of the recent past. Of this, on average 3 million tons per year would be needed to meet emergency needs, with the remainder required to meet structural deficits. The dangers of discouraging local food production are fully recognized, and must be guarded against. However, evaluations have shown that, if it is well administered, food aid can lead to production increases rather than to the depression of domestic agriculture. In fact, the extremely low prices of cereals which now prevail on international markets are much more insidious in dissuading governments of low-income food-deficit countries from making the efforts and sacrifices needed to revolutionise their agriculture.

Developmental food aid needs to be integrated with the recipient country's overall development programmes and policies. When this is done, it offers many opportunities for strengthening the various aspects of food security: achieving optimum levels of production; bringing about greater

stability in the flow of food supplies to the points of need; and securing better access to food on the part of the most deprived population groups.

A positive approach to the planning and management of food aid resources is also necessary on the part of donors if food aid is to be a more efficient instrument for food security. In particular, multi-year commitments are indispensable for the effective utilization of food aid as part of a package of development resources. Multi-year programming enables food aid to be closely tailored not only to the food security objectives of the recipients, but also to its wider development aims. An assurance of food aid supply over several years also gives the recipient country flexibility in mobilizing the essential complementary resources.

Higher multi-year food aid commitments from the European Economic Community could be handled bilaterally, or multilaterally through the World Food Programme. Resource shortages are compelling the WFP to cut back its project commitments: consequently, there is going to be substantial absorptive capacity both in the Programme itself and in recipient countries. The pledging target for the biennium 1987-88 has not yet been set, but the Community could contribute even more generously than in the past once the figure has been established.

Conclusion

There is room for further upward movement in levels of food aid: for stand-by purposes in coping with emergencies and for filling the highly dangerous structural food deficits which are appearing in Africa while simultaneously supporting development projects and programmes. Nevertheless, food aid should be conceived as a way of solving the problems of its recipients, not the problems of the donors. The present state of agricultural policies in the European Economic Community offers an opportunity for increased generosity towards low-income food-deficit countries, but there can be no reasonable expectation that food aid can avoid the necessity of policy measures to reduce surplus production.

LIST OF ORGANISATIONS CONSULTED

Producer Organisations:

COPA

(Comité des Organisation Professionelles Agricoles de la CEE)

COGECA

(Comité Général de la Coopération Agricole de la CEE)

FIPA

(Federation Internationale des Producteurs Agricoles)

ASSILEC (also ASFALEC and ASSIFONTE)

(Association de l'Industrie Latière de la CEE)

CCPF

(Central Committee of the Forest Ownership in the EEC)

CAOBISCO

(Association of Sugar Products Industries of the EEC)

CLITRAVI

(Centre de liaison des industries transformatrices de viandes de la CEE)

EUROMAISIER

Liaison Committee of Rice Starch Manufacture of the EEC

Wood Industries Committee of the EEC

EUROMALT

(Working Committee of the EC Malting Industry)

Groupement des Associations Meunieres des Pays de la CEE

Liaison Committee of the EEC Food and Processing Industries

UNECOLAIT

(Union Européenne du Commerce Laitier)

CECPA

(Euro Centre for Trade in Starch Products and Derivatives)

AGNIB

(Association of National Trade Groups Wood and Derived Products in countries of the EEC)

CIMO

(Confederation of Importers and Marketing Organisations in Europe of Fresh Fruit and Vegetables)

Union Européenne du Commerce de Gros en Fruits et Legumes

COCERAL

(Committee of the Cereals and Animal Feed Trade of the EEC)

Committee of the EEC for Industry and Trade in Wines, Aromatic Wines,
Sparkling Wines and Liqueurs

ASSUC

(Association des Organisations Professionnelles du Commerce des Sucres pour Les
pays de la CEE)

EUCOLAIT

(European Union for Trade in Milk and Derived Products)

European Spirit Trade

CMC Engrais

Comité Marché Commun de l'Industrie

(Common Market Committee of the Nitrogenous and Phosphatic Fertiliser
Industry)

FEFAC

(Federation Européenne des Fabricants d'aliments composés pour animaux)

GEFAP

(Euro Group of the National Association of Pesticide Manufacture)

CIAA

(Confederation of the Food and Drinks Industries of the EEC)

UNICE

(Commission of the Agriculture and Food Industries of the EEC)

Grain and Feed Trade Association

Bacon and Meat Manufacturers Association

Food and Drink Federation

UKASTA

(United Kingdom Agricultural Suppliers Trade Association)

UK Association of Frozen Food Producers

Syndicat de l'Industrie Chimique Organique de Synthèse et de La Biochimie

Consumer organisations:

BEUC

(Bureau Européenne des Unions des Consommateurs)

Organisations representing people in agriculture:

EFA

(European Federation of Agricultural Workers within the Community)

CEJA

(Conseil Européenne des Jeunes Agriculteurs)

NFU

(National Farmers Union)

National Farmers Union of Scotland

Scottish Landowners Federation

COFACE

(Confederation of Family Organisations in the European Community)

Country Landowners Association

Development organisations:

FAO

(Food and Agriculture Organisation)

WFC

(World Food Council)

IFAD/FIDA

(International Fund for Agricultural Development)

OXFAM

Academic and other organisations:

Centre for European Policy Studies

Rural Forum

Institute of Development Studies

Centre for European Agricultural Studies

Wye College

CLEO

(Centrum voor Landbouw Economisch Onderzoek)

INRA

(Institut National de la Recherche Agronomique)

An Foras Taluntais

(The Agricultural Institute)

Instituto Sperimentale per la Cerealicoltura

Bundesforschungsanstalt für Landwirtschaft

ASG

Agrarsoziale Gesellschaft

Landbouwhogeschool

Countryside Commission

Institute for European Environmental Policy

Council for the Protection of Rural England

Internationales Institut für Umwelt und Gesellschaft

Centre d'information sur l'environnement

ASBL

Bundesvereinigung der Deutschen Ernährungsindustrie e.v.

Motion for a Resolution (Doc. B 2-395/85)
tabled by Mr Musso
pursuant to Rule 47 of the Rules of Procedure
on clementine prices

The European Parliament,

- A. having regard to the Commission's farm price proposals,
- B. having regard to the proposal to lower fruit, vegetable and especially citrus fruit prices,
- C. whereas the Community is not self-sufficient in clementines and has not arranged for this variety of citrus fruit to be withdrawn from the market,
 - 1. Requests that clementines should not be included in the list of fruits subject to price reductions;
 - 2. Instructs its President to forward this resolution to the Commission.

Motion for a Resolution (Doc. B 2-893/85)
tabled by Mr Happart, Mrs Van Hemeldonck, Mr Remacle and Mr Glinne
pursuant to Rule 47 of the Rules of Procedure
on measures applicable in the cherry-growing sector

The European Parliament,

- A. having regard to the Treaty establishing the European Economic Community, in particular Articles 42 and 43 thereof,
 - B. whereas fruit and vegetable production is an important source of income for farmers,
 - C. whereas imports of cherries from third countries have considerably hindered the marketing of fresh cherries produced in the Community,
 - D. having regard to the high quantity of stocks in the Community,
 - E. whereas under these circumstances the Community market is under threat, which puts the survival of many farms in jeopardy,
 - F. whereas the import and placing on the market of processed cherries at a price below the reference price is extremely disturbing for Belgian farmers and leads to distortion of the market,
- I. Requests:
- (a) that the sensitive nature of European production be taken into account and limits be set on the quantities of preserved cherries imported from third countries, at least in the period preceding the cherry harvest in the Member States;
 - (b) that an intra-Community system of surveillance be set up as a matter of urgency, to ensure that the limits are observed over the whole range of products, be they cherries or products derived therefrom;
 - (c) that a balance be achieved between supply and demand, at a fair price for farmers and promoting specialization within the Community;
 - (d) that commercial relations on the basis of fair competition be made easier;
 - (e) that sanctions be imposed to combat any infringements;
- II. Instructs its President to forward this resolution to the Commission and the Council of the European Communities.

Motion for a Resolution
tabled by Mr Staes
pursuant to Rule 47 of the Rules of Procedure
on an independent definition of the fat and protein content of milk that would
be applicable in all Community Member States

The European Parliament,

- A. whereas at present there are no uniform European standards defining the fat and protein content of milk on an independent basis,
 - B. whereas the fat and protein content determines the price the milk producer receives for his milk,
 - C. whereas in a number of Community Member States many dairies define the fat and protein content themselves, which makes all sorts of abuses possible and places producers in an extremely uncertain and dependent position, with the result that in the present circumstances arbitrary decisions cannot be excluded,
 - D. whereas agricultural organizations have for years been calling for the fat and protein content to be defined independently,
 - E. whereas the agricultural policy is of great importance in the Community in general and for milk production in particular,
 - F. whereas the present almost chaotic situation works largely in the interests of the dairy industry and not of the producer or the consumer,
 - G. whereas the common agricultural policy is based not only on guaranteeing minimum prices for the producer but also on safeguarding low prices and sufficient quality for the consumer,
 - H. whereas in this connection the independent definition of fat and protein content is of great importance and the present situation is not conducive to the achievement of the Community's agricultural objectives as stated in recital 6,
 - I. whereas this problem cannot be dismissed on the grounds that it concerns what is a strictly commercial relationship between the dairy industry and the producer, particularly as the entire common agricultural policy frequently intervenes in the commercial relations between agricultural industries and the producer,
 - J. whereas this matter affects Community farmers' livelihood, and whereas the data required to safeguard employment in the agricultural industry are elementary,
1. Decides that an independent definition of the fat and protein content of milk must be established at European level, to be valid in all Community Member States;
 2. Instructs its President to direct the Commissioner responsible for the common agricultural policy to take the necessary measures as a matter of urgency.

Motion for a Resolution (Doc. B 2-1358/85)
tabled by Mr Howell
pursuant to Rule 47 of the Rules of Procedure
on the EEC cereal market

The European Parliament,

- A - deeply concerned that the agricultural industries of the European Community face growing dangers and difficulties,
- B - concerned particularly that the cereal sector, the very basis of the industry as a whole, faces a growing crisis of confidence,
- C - whereas there is an apparent inability for the Council of Ministers to take meaningful decisions to rectify the situation in the cereal sector,
- D - recognising that the Council has still to formally accept the 1.8% cut in cereal prices imposed by the Commission in respect to the 1984/1985 price proposals,
- E - deeply concerned that the agricultural industry has lost all confidence in the Commission's ability to control the agricultural industry,
- F - particularly aware that the cereal sector supply situation must be controlled and a better balance achieved avoiding the production of structural surpluses beyond the demands of domestic and international marketing possibility,
- G - deeply concerned by the Commission's latest proposals on the creation of a co-responsibility levy which are transparently political in attempting to create a two-tier price structure, and are certain to fail as an instrument in reducing supplies from farmers,
- H - convinced that the price-cutting mechanism will in the short term significantly increase supplies of grain to the market,
- I - convinced further that such a mechanism will work in the long term by forcing many farmers into bankruptcy, thereby removing productive land from the arable acreage,
- J - utterly convinced that such a rule would have devastating effects on the economy of the countryside and will be unacceptable to the citizens of the European Community,

Calls on the Commission

1. To reject the 'price-cutting' mechanism to reduce cereal supplies;
2. To reject any para-fiscal tax mechanism, which is transparently a selective 'price cut' such as the proposed co-responsibility tax;
3. To bring forward a system of voluntary direct grants to be awarded to any farmer who volunteers to take cereal acreage out of production;
4. To set the grant at a level of approximately 200 ECU/a year/a hectare, index linked;
5. To require such land offered to be planted to appropriate woodland;

6. - Thereby to seek to remove 10 million hectares from the arable acreage of the European Community,
 - Thereby returning the market in cereals to a balance that will require no Community finance to maintain,
 - Thereby recreating a new employment base in the countryside,
 - Thereby laying the foundations for a new timber industry for the next century and removing a balance of payment deficit in timber,
 - Thereby recreating a new environment in the countryside for the enjoyment of the European citizen and as a habitat for the Communities' wild life structure,
7. To produce such proposals with a minimum of delay so that a new confidence and stability can return to the countryside, the cost to the Community tax-payer be significantly reduced, and a new investment in the future of the countryside be made.

Motion for a Resolution (Doc. B 2-1543/85)
 tabled by Mr Boutos
 pursuant to Rule 47 of the Rules of Procedure
 on the imposition of a corresponsibility levy on maize

The European Parliament,

- A. having regard to Article 3 of Regulation 2727/75 which provides for the fixing of a guarantee threshold for cereals other than durum wheat,
 - B. whereas the agricultural incomes policy is founded on a prices policy based on modern methods of production,
 - C. having regard to the structural agricultural surpluses and the resulting burden on the budget, notably as regards the Guarantee Section of the EAGGF,
 - D. having regard to the Commission memorandum to the Council on the adjustment of the market organized for cereals (COM(85) 700 final), which proposes that a coresponsibility levy be imposed on cereals sold on the market or to intervention, with a derogation in respect of the first 25 tonnes delivered by each grower,
 - E. whereas maize accounts for only 15% of total cereal production which totalled 528 m tonnes for the four-year period from 1981-1984 and the Community of the Ten were only 79% self-sufficient in maize,
 - F. whereas maize accounts for 58.4% of total cereal imports from third countries but only approximately 3.7% of total cereal exports (imports = 47.2 m and exports = 88.7 m tonnes for the four-year period from 1981-1984),
 - G. whereas the coefficients of market prices for maize in the various producing countries fluctuated on the basis of the intervention price in 1984-1985 as follows: France: 1.10, Italy: 1.20, Greece: 1.14,
 - H. whereas following the third enlargement, the Community will only be 66% self-sufficient (compared with 79% for the Ten) owing to the considerable underproduction of maize in Spain and Portugal (33% and 42% self-sufficient respectively),
 - I. whereas maize constitutes a negligible burden on the Community budget as regards protection of producers' incomes intervention costs and export subsidies and, furthermore, there are no structural surpluses in maize,
1. Calls on the Commission of the European Community to amend its proposals to the Council (COM(85) 700 final) and proposes that the coresponsibility levy on maize be lifted;
 2. Calls on its competent committee to draw up an own-initiative report on this matter;
 3. Instructs its President to forward this resolution to the Commission and the Council.

