



*European Communities
Commission
Press Release*

*20 Kensington Palace Gardens
London W8 4QQ
Telephone: 01-727 8090*

November 26, 1974

Stability the cornerstone of the CAP

On November 21, 1974, Commission member responsible for agriculture, Mr Pierre Lardinois, addressed the Royal Institute of International Affairs at Chatham House in London. His topic was "The prospects for improvement of the CAP".

"All too often there is a tendency to see agricultural policy in isolation, outside the general economic and political context. This is no fault of agriculture. On the contrary, farmers and politicians dealing with agriculture are more fully aware than anyone else of the connection and interdependence between agriculture and the economy as a whole. The common agricultural policy has undoubtedly contributed a measure of stability to our Western European economy in the present circumstances. I shall return to this matter later.

On the other hand, it is true that a great part of the difficulties which we are experiencing in the management of our agricultural markets have their origin in the economic and monetary instability.

When speaking of improvements to the agricultural policy, in the world today, we cannot ignore this aspect of the matter. An effective approach to the basic problems confronting our economies is of the greatest importance for the operation of the common agricultural policy. I am thinking here of the fight against inflation and unemployment, the energy situation, monetary developments, and regional and social problems. Because of the interdependence of our economies, a solution to these problems can only be found through a effective common action. I hope that the coming Summit Conference in Paris can achieve a breakthrough on these different issues.

The holding of summit conferences is in itself no sure guarantee that solutions will be found. Copenhagen was the best proof of that. Nevertheless, given the present situation, the coming Summit, provided that it is properly prepared, can fulfil a useful function but only if the political impulses launched by our Heads of Government are followed by decisions by the Community institutions. Here, too, we have already learned our lesson. Effective action is only possible if based on a common policy with a firm institutional infrastructure.

In spite of the economic and monetary instability of the last few years, we have still remained capable of ensuring the continued functioning of the common agricultural policy just because it is a common policy and provides for a distribution of responsibilities among the institutions which makes crisis management possible.

As a result of this decision-making set-up we have been able, in times of turbulent developments on world markets, to introduce some degree of stability into our economy. A stability which, in these times of scarcity of the most important agricultural raw materials, has first and foremost been of benefit to our consumers. And I can assure you that crisis management in times of

agricultural shortages is certainly more difficult than solving occasional problems of surpluses.

Stability is the cornerstone of our common agricultural policy. Stability both for consumers and producers, for the livestock and the arable farmer. For many years this policy seemed to be only benefitting the producer. In the last eighteen months, we have been seeing the other side of the picture. It is certainly true that during that first period, when the United Kingdom was not yet a member, our consumers had to pay higher prices, on average, for foodstuffs than prices on the world market. We must not forget, however, that precisely because in the past, through our market and price policy, we gave our producers the guarantee of a reasonable income, we are much better off to deal with today's food crisis in the world.

Precisely because of the CAP we have been able to achieve a higher degree of stability in farming and food production in the Community than anywhere else in the world under different systems. Our policy aims above all at stable prices for both producers and consumers. If we want to maintain sufficient agricultural production in Europe, then we must guarantee our farmers an acceptable income under average circumstances. As we did in the past. And again a guarantee of supply is in the first place in the interest of the consumer.

I have already stressed that the CAP benefits above all the consumers at the present time. Food prices are still a very important political item in this country."

Impact on food prices

"British people, British housewives, are entitled to know the facts on the impact of the CAP on food prices in this country. Some 10 days ago Mrs Shirley Williams said to the House of Commons that food prices would have been somewhat higher in this country if you were not a member of the Community. I should think she is a reliable source, being a distinguished member of the present government and a housewife as well. Her use of words, however, is a typical British understatement. Let me call a spade a spade. As far as food prices are concerned British housewives are certainly better off within the Community than outside.

Let me also give you some facts. In the first place some facts on cereals, which means not only bread, but poultry, eggs and bacon. The high cereal prices on world markets of 1973 have risen still further in the present year and the outlook for the coming winter is not an easy one. We have been able to keep our prices down by keeping our cereals in - that is, in the Community.

By applying substantial levies on exports, we have been able to keep Community prices at a level considerably below world markets: At the present time our export levies on wheat are £26 per ton, on barley £16 per ton, on maize £23 per ton.

Community wheat prices are generally one third lower than world market prices. These figures mean saving money for every household in Britain. The same applies to rice. The position on sugar in the Community and outside is very well known.

Next year Britain will apply the Community system and price for sugar. That means today's scarcity of this product has to be shouldered on a Community level. The Community is and must be an entity not only responsible for surpluses but for shortages as well";

Consumer subsidies and value added tax

"According to article 92 of the Treaty, national food subsidies with a social character can be granted to individual consumers provided that such aid is granted without discrimination related to the origin of the products concerned. In reading this article one gets the feeling that the philosophy behind it is based on nineteenth century thinking. The Rome Treaty is against food subsidies on the basis that low food prices mean low wage levels and unfair competition in industry. This was a fair philosophy when the cost of food was 40-50 per cent of total expenditure, but it now makes up only 10 per cent, excluding packaging etc.

Today, in times of increasing inflation, there are certainly other reasons than social ones to grant consumer subsidies. On the one hand they can keep the costs of living and thereby inflation down, on the other they can stimulate consumption when there is temporary oversupply.

We must look at this when we come to changes under our stocktaking of the CAP. Subsidies are possible within the framework of the CAP under article 43. Consumer subsidies can be part of our market regulations. In fact we already have a Community consumers' subsidy on butter. I do think that we have to explore further possibilities in this field.

The same applies in my view to the VAT on food products. I have always been in favour of a reduced or even zero-tariff. On the Continent not everybody agrees with me on this point and convincing Ministers of Finance is not an easy job. I think, however, that more and more people are inclined to go along with this idea.

The real problem on consumer subsidies is the financial cost involved. What we can pay as a Community on lowering food prices is in any case the amount of the alternative costs of balancing the markets in other ways. Subsidies are very often more expensive and therefore national governments could supplement these costs when and if they are interested.

I gave you some facts on the impact of the CAP on consumer interests. Let me turn now to the producer side. One has to recognise that since the enlargement, Community institutions have taken very much account of specific problems of British farmers, for example of the unwillingness of successive governments to apply certain Community rules. I might even say to an extent that did raise some jealousy in different governments on the Continent and with your western Community neighbour.

In this context, the maximum use has been made of safeguard and other such clauses in order to meet legitimate wishes of British farmers. The last time was just a couple of days ago, when European Farming Ministers agreed on a specific scheme for British beef farmers.

Such decisions are not taken just to be nice to the British. Also in the Community of the original six, Community institutions always found ways and means to meet specific and real problems in particular member states or regions. The CAP is not a static policy. It does not follow necessarily a uniform pattern, without any variations. If you ask me what are the prospects of improvement of the CAP I could simply answer you: much better, thank you.

Adaptations and improvements are in fact a non-stop concern of our policy-making. And this process will go on notwithstanding the springtime rendezvous on the so-called "comprehensive stocktaking of the CAP". In agriculture we have no time to postpone decisions.

Yesterday we had a first debate in the Commission on the price proposals for the next campaign. We engaged ourselves to put forward these proposals before December 1. We will stick to that engagement. But we will accompany these proposals with a number of related measures, in the market field, in the monetary field, in the structural field. We tried to tackle the problem of "m.c.a.'s" in March 1973. It has been an important item in our Memorandum on the improvement of the CAP. In my view this time we are economically bound to make a breakthrough on this matter. Improvements of our beef market regulation are a must. We cannot postpone decisions on this point until after February 1. We have already waited too long for an effective application of the scheme for hill farming and other problem regions. Further delay on this matter is in my view unacceptable.

For several market organisations we proposed major improvements in our Memorandum of October 1973. In my view the Council has to settle in the coming price package a good deal of these matters. Our main aim of the Memorandum was achieving rationalisation of both policy and costs involved. These are matters which have to be dealt with now, if we want to keep our expenditure for next year within reasonable limits.

A year ago we proposed a scheme for sharing the responsibility with the producers, if and when surpluses in the dairy sectors exceed a certain limit: We haven't forgotten this idea, sharing responsibility for market management.

Of course there are still a lot of reasons to criticise the CAP. And I would be the last one to deny that on certain points these criticisms are justified. I would like to stress this. We try to improve the operation of our system continually. I can assure you that we take the preparation of the comprehensive stocktaking of the CAP very seriously within the Commission. We will not come forward with just another Annual Report. Our analysis will be accompanied by concrete conclusions. Our conclusions will have a follow-up in Commission proposals on those points which in our view need reconsideration.

The prospects of improvement of the CAP are much better than a year ago. If you ask me to come back here in one year's time, I hope to be able to stress without reserve that the state of affairs of the CAP is a good one."
