

European Community

News Release

EC FARM MINISTERS AGREE ON REDUCED DAIRY PRODUCTION AND ON SOCIO-STRUCTURAL PACKAGE

The Council of Agricultural Ministers of the 12-member European Community agreed at a meeting last week on the detailed implementation of the December 1986 package for reducing EC milk production and bringing under control the level of sales of dairy products into storage. The decisions have resolved some of the difficult political issues before the beginning of the negotiations of the 1987-88 agricultural prices.

Commenting on the Council of Ministers' decision, Mr. Frans Andriessen, EC Commissioner for Agriculture, emphasized the importance of the Council agreement to limit intervention buying. «For the first time in the history of the Common Agricultural Policy, the Council has taken this step. We have crossed the threshold», he said.

Mr. Andriessen underlined that some reform had to be undertaken. Milk was the last sector where major changes had been lacking. The upcoming 1987-88 price negotiations will now no longer be burdened by this politically difficult subject.

The agreement comprises the following main elements:

1. a) Six Community regulations on the dairy market, providing for a quota cutback of 9.5% over two years, of which 6% will take effect in April 1987, a further 2.5% in April 1988 and 1% to be achieved by limiting the transfer of quotas.
- b) A formula for payment of compensation to dairy producers and the phasing in of reductions in milk quota allocations.
- c) Changes in the intervention system which will allow the Commission to suspend purchases of butter and skimmed milk powder.

As far as butter is concerned, offers for sale into intervention will be monitored as from March 1. When they reach 180,000 tonnes, the Commission may suspend intervention purchases in the whole Community or in a part of it. The Commission will take alternative measures to prevent a downward spiral in market prices, but if the weighted average price fall below 92% of the intervention price, intervention purchases will be resumed in the Member States concerned. The period of payment would be roughly halved.

If actual stocks as from March 1 rise to 250,000 tonnes, the trigger price of 92% will be reduced to 90%.

As for skimmed milk powder, intervention may be suspended each year during the period March 1 - August 31 as soon as the quantities offered for intervention exceed 100,000 tonnes, not taking account of offers prior to March 1.

2. A socio-structural package amounting to 350 million ECU (approx. CAD 528 million) over an initial three-year period. Three measures are covered:
 - a) Special aid to compensate farmers who adopt less intensive farming methods for products in surplus.
 - b) Aid for farmers who practise husbandry compatible with protection of the environment in environmentally sensitive areas.
 - c) Modifications to the scheme for payments of compensatory allowances in less favoured and mountain areas.
3. A regulation allowing the Federal Republic of Germany to bring forward to 1987 the quota reductions envisaged for 1988.
4. A further allocation of 20 million ECU to the Community's Agricultural Research Program.

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