



*European Communities
Commission
Press Release*

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THE COMMON AGRICULTURAL POLICY : NECESSARY BUT ADAPTABLE

Finn Gundelach speaks at Cirencester, Glos.

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The common agricultural policy was a necessity and remains a necessity for the European Community, Commission Vice President Finn Gundelach told a conference at Cirencester on Friday May 13. "There is no alternative to having a common agricultural policy basically of the type which we have. It is a fairly simple policy which can be adapted to the political will, adapted to the needs of our economies. I therefore see no reason for the clamour for fundamental change of the policy."

When the c.a.p. was established, said Mr Gundelach, there was not a single industrial country in the world which did not interfere in the markets for agricultural produce. It was inconceivable that the EEC could introduce free trade in other products and leave agriculture to a jungle of protectionist policies applied in one way or another in all European countries. A policy had been needed which would provide for a reasonable degree of free trade in agricultural goods and would replace existing systems with a uniform system.

The c.a.p. is a series of mechanisms, in itself neutral, said Mr Gundelach. It can be used as a highly protectionist or a non-protectionist policy depending on how it is applied, at what price levels and with what alternative measures.

Switching to free trade in farm products was not realistic. "The free international market for foodstuffs does not exist. Some 3-4,000 tonnes of butter sold to Russia is not a world market. Reference to prices of that kind is a total illusion."

We did need to adapt the c.a.p. to current needs, supplementing it with necessary reforms.

The consequences for the British economy of adopting the c.a.p. were "not dramatic in the sense that the public debate often seems to indicate." For instance, since phase 2 began in August 1976, the food price index had gone up 18 per cent. But products subject to the c.a.p. had risen only 9 per cent of which a small fraction was caused by higher farm support prices. Foodstuffs not subject to the policy were 26 per cent up. "The impact of the guaranteed prices for the c.a.p. is of a very moderate nature. This is true of the latest price fixing."

Monetary questions

The intention of monetary compensatory amounts was as a buffer

mechanism to deal with the shock effect of re- or devaluation of currencies, not as a permanent cushion to prevent changes in value having their normal effect on the economy.

"I believe that too often changes in currencies are an evil for economic development in Europe. Constant devaluation is no solution to the problems of deficit countries. The desired effects on exports are not obtained and inflation is worsened." The m.c.a. system had led governments to rely more on devaluation than was sound for the development of their economies.

M.c.a.s had tripled the cost of the Community budget over a short period. They were distorting trade in the Community and for this reason alone must be got under control. "Abolition cannot be a sudden operation, but I am equally convinced that more progress could be made in moving from current levels. It would have alleviated the problems of the pig sector if there had been more ability to move on the monetary side."

Constructive steps to deal with the m.c.a. problem were high on the list of Mr Gundelach's priorities.

Surpluses

Failure to come to grips with the problems of structural surpluses would prove that there was not the will to use c.a.p. mechanisms as they should be used, said Mr Gundelach. The existence of certain stocks to stabilise prices was a normal thing, but with butter, milk powder, sugar and certain other commodities there was a discrepancy between rising production and static consumption.

"We are thus faced in these products with a situation which is untenable, if the c.a.p. has to operate in such a way that producers no longer produce for the market, but straight for intervention."

The European dairy market would not expand and there was precious little possibility of expanding in third countries.

The aim was to build more secure supplies for consumers. "We are not living in a world where food is becoming more abundant. Unwillingness to pay the basic cost to the producer was no way to protect the consumer interest."

Mr Gundelach emphasised that there must be a chance for the most efficient producer to take a bigger share in the market, but we must then fund structural measures to help the less efficient producer in a socially acceptable way to switch, regroup etc. "It is in this sense that I was very pleased that the last price package introduced changes in this direction, giving new muscle

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to the possibilities of carrying out a reconstruction policy.

Milk Marketing

"I see considerable merit in the function of the Milk Boards, in their pooling and distribution at least." Difficulties arose in the context of competition rules.

"Since there undoubtedly is great merit in the boards, my intention is that we must find a way to keep them in such a way that Community rules are not violated. My aim is to find a solution so that the boards can continue to function."

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