



*European Communities
Commission
Background Report*

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FARM POLICY DECISIONS 1978/79

Price increase among the lowest ever

Summary

The farm price determinations for 1978/79 which were agreed in Brussels last month after a marathon session of the agriculture ministers will increase EEC official support prices by about 2½ per cent. This makes it one of the smallest annual increases in the 10 years since the common agricultural policy was fully established.

Among the measures agreed were:

- a reduction in quotas for EEC produced sugar
- a cut in the milk co-responsibility levy
- wider application of the premiums for leaving milk production
- extension of school milk subsidies
- further EEC finance for butter subsidy in Britain
- other butter subsidy schemes
- amendment of the milk regulations to safeguard UK milk boards
- relaxation of beef intervention system
- continuation of variable beef premium system
- new basis for calculating mca on pig exports
- provision of extra money to help with major capital projects
- an arterial drainage scheme on both sides of the Irish border
- a major improvement scheme for Mediterranean farming
- changes in olive oil and wine market support systems.

Prices in the shops

The 2½ per cent increase in support prices will cost the British consumer about ½p in the pound insofar as it works through to shop prices. If taken in conjunction with the changes in the 'green' exchange rates used to calculate unit of account prices in national currencies, the price change could raise British food prices by about 2p in the pound over a full year.

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Maintenance of the EEC butter subsidy and the variable premium system on beef should help to keep down prices in the shops without undermining producers' returns.

Price changes and green rates

The combined effect of the 2½ per cent and green rate changes made at the price review and earlier in the year (including the UK's 7½ per cent green £ devaluation) gives a net increase in guarantee prices of less than 2 per cent to farmers in Belgium, Denmark, Germany, Luxembourg and the Netherlands. Of countries with weaker currencies, the French have a net 5.6 per cent increase, Ireland 8.3 per cent, the United Kingdom 10.1 per cent and Italy 14.1 per cent. In all member countries, the net change is well below the rate of inflation in farm input costs.

The new green rates are as follows:

Belgium/Luxembourg 1Bf/Lux	0.020264 ua
Denmark 1Dkr	0.116733 ua
France 1Ff	0.160639 ua
Germany 1Dm	0.293912 ua
Ireland £1	1.27079 ua
Italy 100Lit	0.0866551 ua
Netherlands 1Fl	0.293884 ua
United Kingdom £1	1.57678 ua

In most cases these take effect from the beginning of the 78/9 marketing year.

Cereals

It has been Community policy for several years to keep down the prices of home produced feed grain such as feed wheat and barley. This process has continued, with an increase of only 1¼ per cent in intervention prices for these crops. A special reference price is fixed for wheat of bread-making quality at 12.66 per cent above the intervention price. The actual reference price thus increases by just over 1 per cent.

The Commission intends to apply special intervention measures for bread-making wheat for at least three months from August 1 1978 to steady the market.

Sugar

The Council agreed a 2 per cent increase in the common prices in the sugar sector, but with a cutback in the 'B' quotas which qualify for a guaranteed price, albeit at a reduced rate. The 'E' quota will now amount to 27½ per cent of the fully guaranteed 'A' quota, as against 35 per cent in 1977/8 and 45 per cent in 1976/7.

The production levy on isoglucose (high fructose syrup) is to be maintained at 5 ua per 100kg until the end of the 1979/80 marketing year.

Negotiations are currently under way with the ACP suppliers to fix prices for their 1.3m tonne export quotas to the Community.

Milk and milk products

There is a 2 per cent increase in the milk target price combined with a reduction in the co-responsibility levy. This levy drops from $1\frac{1}{2}$ to $\frac{1}{2}$ per cent of target price. The Commission has been asked to submit a report on the problems of the milk sector before August 1 1978, accompanied by any new proposals. The Council has agreed that by October 1 1978 it will take a decision on the proposed suspension of skimmed milk powder intervention during the winter months and will decide the level of the co-responsibility levy.

More milk producers will be able to consider taking advantage of the non-marketing and beef conversion premiums. The 120 000 kg ceiling for grant of premiums has been abolished. The rate of premium will be 17.50 ua per 100kg up to 120 000kg and 11 ua per 100kg for amounts in excess of that quantity (about £11.10 and £6.98). By next February the Commission will draw up a report on the operation of the schemes and may propose a further extension if premiums have not then been granted for 1.3 million cattle.

Community aid for consumption of milk in schools is to be raised to 13 ua per 100kg (8p a litre), which should make it available at about half price. The range of products eligible for the aid has been increased, so it now includes unprocessed cheese, skimmed milk flavoured in various ways and yoghurt.

The butter subsidy in the United Kingdom, which is currently worth about 9p per lb and is wholly financed from the Community budget, will continue at this level until June 30 1978. It will then drop to about $6\frac{1}{2}$ p until December 31, when it will fall further to 5p a lb until March 31 1979. The British government could provide an extra subsidy over and above these amounts, but would only receive 25 per cent of the extra cost from the Community budget. Value of the EEC subsidy to Britain will be about £26m.

A subsidy of $14\frac{1}{2}$ p per lb would be payable for sales of cut-price butter to special categories of consumer under a scheme to be proposed by the Commission and an additional 50m ua (about £33m) is being set aside for other measures to boost consumption of butter.

Milk Marketing Boards

The Council agreed to the Commission proposals amending the basic milk regulations in such a way that the milk marketing boards in the UK would not be at risk from legal action taken under Community law, with the proviso that there should be certain conditions designed to prevent any distortion of competition. It has been agreed that special help can be given, if necessary, to milk producers in Northern Ireland.

Beef and veal

Official prices for beef and veal go up by 2½ per cent, with the intervention price pitched at 90 per cent of the guide price, but more flexibility has been built into the intervention system. Conditions of admission to intervention can be changed and purchases even suspended in a member state or region of a member state if the market price for a specific quality rises above the maximum buying-in price for that quality.

Provision for a mixed system of support in beef has been agreed for 1978/9. Under this system, applied especially in the UK, a direct payment is made to producers if their average return falls below the target price level. Intervention can still operate to put a floor in the market, but the price received at intervention is the buying-in price less the variable premium. The UK target prices for 1978/9 vary seasonally, ranging between 63.90p and 70p per live kg.

The Commission has recently agreed that 1000 tonnes of intervention beef should be made available in the UK for social institutions.

Pigmeat

The pigmeat price goes up 2 per cent, but the minimum buying-in price at which optional support buying can be used is cut from 85 to 78 per cent of the basic price. This means a cut in the monetary compensatory amounts payable in trade between member states (exports from Denmark to Britain, for instance), because the mcas are calculated on the minimum buying-in price. Taken together with the green £ devaluation for pigmeat, it will cut the mcas by 16 per cent on British bacon and pork imports.

Miscellaneous

The Council agreed to more effective intervention in the wine market in the event of another year of over-production. Intervention prices for fruit and vegetables (which are pitched at roughly half the average market price) were increased by 2 per cent. Permanent marketing premiums were agreed for oranges, mandarins, clementines and lemons, including measures to encourage processing of lemons into juice and extend the use of blood oranges. A processing aid will be given for peeled tomatoes, tomato concentrates, tomato juices, peaches and prunes.

Aid is to be granted to encourage production of proteins such as peas, broad beans and fields beans as animal feed. Further special help is also to be given to production of dried forage. A revised system of deficiency payments has been agreed for olive oil.

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Drainage in Ireland and Northern Ireland

The Commission is to submit a proposal for a joint programme for arterial drainage of cross-border catchment areas between Ireland and Northern Ireland at a maximum cost to the Community budget of 8m ua (£5.2m). The EEC contribution would be 50 per cent.

Individual capital projects

The Council agreed to extend the application of regulation 17/64, under which major capital projects can qualify for Community aid. Member States can submit individual projects until October 1 1978. Up to 70m eua (£45m) will be available. Applications for fishing boat purchase will be considered.

The Mediterranean package

A substantial five-year programme of structural improvement and modernisation costing the Community budget an extra 910m eua (£592m) is to be put into effect in the Mediterranean regions of France and Italy. In outline the measures agreed are as follows:

- i) Processing and marketing: A higher contribution from FEOGA (the Community's Farm Fund) will be payable for projects in the Italian Mezzogiorno and the South of France under regulation 355/77, which provides finance for agricultural processing and marketing. Extra cost over five years is reckoned at 210m ua.
- ii) Improvement of vineyards: Special help is to be given to modernise wine production in Languedoc-Roussillon, Ardèche, Bouches-du-Rhône, Vaucluse and Var. The aim is to improve the quality of the areas remaining under the vines and to convert areas which are not suited to vine-growing to growing other crops. Some 66 000 hectares (160 000 acres) will be involved. Total cost is estimated at 105m ua.
- iii) Irrigation: In order to increase farm incomes in the Mezzogiorno, a programme of collective irrigation works will be implemented with 50 per cent FEOGA contribution. Total cost expected to be 260m ua.
- iv) Rural infrastructure: Improvement of public facilities in certain rural areas, mainly in the Mezzogiorno and the South of France, will qualify for Community finance.
- v) Advisory service and afforestation: The Council will decide on Commission proposals for forestry in dry Mediterranean areas and advisory services in Italy before September 30 1978.
- vi) Producer groups: The producer groups regulation which has been under discussion for nearly 10 years, has been approved for application in the whole of Italy, Belgium and the South of France.

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The function of these producer organisations is to improve marketing of farm products. FEOGA help will be provided for establishment of the groups and their associations.

EEC farm support prices 1978/79

COMMODITY AND MARKETING YEAR	Common EEC price level	
	ua per tonne	£ per tonne
CEREALS 1.8.78- 31.7.78		
COMMON WHEAT		
Target	162.39	102.99
Reference breadmaking wheat	136.96	86.86
Single intervention	121.57	77.10
BARLEY		
Target	147.23	93.37
Single intervention	121.57	77.10
RYE		
Target	155.12	98.38
Single intervention	130.25	82.61
MAIZE		
Target	147.23	93.37
Single intervention	121.57	77.10
SUGAR 1.7.78-30.6.79		
Minimum beet	25.94	16.45
Target for white 100/kg	35.25	22.36
Intervention for white "	33.49	21.24
MILK 22.5.78-31.3.79	ua/100kg	litre
Target	17.70	11.56
Intervention for butter (82% fat)	235.72	1,494.95
Skimmed milk powder intervention	95.78	607.44
BEEF AND VEAL 22.5.78- 1.4.79		
Guide live 100/kg	125.97	79.89
PIGMEAT 1.11.78-31.10.79		
Basic	122.60	77.76

- (1) Prices in sterling have been calculated at the representative rate of £1=1.57678 ua.
- (2) Prices as at August 1 1978. Prices in the cereals sector are subject to monthly increments.
- (3) In the UK the minimum beet price will be £17.28/tonne and the intervention price for white sugar will be £21.87/100kg.

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