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BACKGROUND NOTE

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EC COMMISSION'S AGRICULTURAL PRICE PROPOSALS FOR 1977

EC Commission's Agricultural Price Proposals for 1977 Show the Lowest Increase in the History of the European Community

The Commission of the European Communities has proposed to the Council of Ministers that there should be an average increase of 3% in agricultural prices for the 1977/78 marketing year, the impact of which on the cost of living in the Community would not exceed 0.3%. The Commission considers that the need to combat inflation and to reduce the persistent surpluses, in particular in the dairy sector, call for a cautious price policy. As in previous years, the Commission suggests making a new effort to return to a single market by adjusting the "green rates" and consequently reducing the monetary compensatory amounts. The Commission emphasizes the need to adopt a number of measures to restore the balance on the milk market: apart from a few amendments, it therefore stands by the action programme on milk which it submitted to the Council in July 1976. Before July 1977 the Commission will make proposals on improving the organization of certain markets, in particular those in beef and veal, olive oil and starches. Suitable measures will also be proposed to strengthen structural policy, mainly in order to help the less-favoured regions.

The price increases

The Commission points out that agricultural prices must take into account the general economic situation and the longer-term reconsideration begun in the stocktaking of the Common Agricultural Policy of February 1975. This means pursuing the most efficient and low-cost policy and strengthening efforts by the Community and the Member States to combat inflation, without however affecting agriculture's contribution towards the general economic revival.

As every year the Commission adopted the "objective method" of average change in cost incomes, etc. over the last three years. However this method provides only a basis, which must be corrected to take into account monetary fluctuations, general economic developments and economic and political requirements such as the single market, the reduction of surpluses and the fight against inflation. All these considerations lead the Commission to propose an average increase of 3% in agricultural prices expressed in units of account (for increases for individual products, see the Table annexed hereto). The increases will take effect from the beginning of the marketing year of each of the products, apart from dairy products. In this sector, the Commission proposes that a 3% increase should take effect on 16 September 1977, in order to reduce the persistent milk surplus and to strengthen the effects of the other rationalization measures proposed.

The average 3% increase will have an effect on the cost of foodstuffs not exceeding 1.5%; the impact on the cost of living as a whole will not exceed 0.3%. It should also be emphasized that the increases are in institutional prices (intervention etc.) which for certain products, such as wheat, barley, pigmeat and beef and veal, are lower than market prices.

Adjustment of "green rates"

The Commission proposes that new adjustments should be made in the relationship of the national currencies to the unit of account used in the common agricultural policy. The monetary compensatory amounts with their obvious disadvantages (distortion of trade, discrimination between products, inefficient direction of resources) could therefore be reduced. In countries whose currency has appreciated, the fixed compensatory amount, which constitutes an export subsidy and an import levy, could be reduced from 9.3% to 6.55% for Germany and from 1.4% to 1% for the Benelux countries. The variable monetary

compensatory amounts which constitute import subsidies and export levies in countries whose currency has depreciated, could be reduced by three points in the case of Ireland, France and Italy and eight points in the case of the United Kingdom) on 14 February the monetary compensatory amounts were 9.5% for Ireland, 14.8% for France, 19.9% for Italy and 33.6% for the United Kingdom). The adjustments in the "green rate" would be applied at the beginning of the marketing years of the various products, except for milk where the new rates would be applied in the countries with appreciated currencies when prices were increased, i.e., 16 September 1977. In the United Kingdom the new green rate for the milk sector would be introduced in two equal stages on April 1, 1977 and September 16, 1977.

Although these adjustments will be a further step towards restoring single markets in agriculture, the Commission considers that more progress must be made in this direction on the basis of its proposal of October 1976 on the permanent adjustment of green rates.

Related measures in the dairy sector

To deal with the prospect of increasing surpluses in the dairy sector, it will be necessary not only to pursue a cautious price policy but also to introduce as soon as possible a number of effective measures to re-establish the balance on the market. The Commission has reconsidered the action programme on milk under discussion by the Council since July 1976. It stands by all the proposals contained in the action programme, although it has made some amendments to take account of the Council's discussions.

The Commission proposes that the coresponsibility levy should be set at 2.5% and applied from 16 September 1977 to all deliveries of milk except those in mountain areas. It reiterates its proposal for a levy on vegetable and marine fats but suggests as a possible alternative, if no agreement can be reached in the Council, increasing Community expenditure on encouraging consumption of butter and other milk products.

As regards the prohibition on the granting of national and Community aid to increase milk production, the Commission proposes some amendments, in particular relaxing the ban on aids for modernization. The Commission also stands by its proposals relating to grants for school milk and for the eradication of brucellosis, leucosis and tuberculosis in cattle.

As regards the premiums for non-delivery of milk and the conversion of dairy herds to beef production, the Commission now envisages it being possible not to apply these premiums in Italy, where dairy herds have decreased by over 20% during the last seven years. On the other hand it proposes increasing the EAGGF contribution from the 50% proposed initially to 80%, applying the aid measure to all milk producers, whose output does not exceed 120,000 Kg and giving greater aids to producers whose milk output is less than 30,000 Kg. The Commission also proposes increasing the financial contribution by the EAGGF to cessation-of-farming allowances for farmers aged 55-65 whose income depends primarily on milk production, and supplementing them by a variable allowance (partially financed by the EAGGF) of up to 100 u.a. per hectare of fodder area released.

Finally the Commission will encourage dairies to conclude one-year contracts for the supply of liquid skimmed milk to pig farmers. Dairies not willing to conclude such contracts may have their entitlement to deliver milk powder to intervention agencies restricted.

Presenting the proposals, Commission Vice President Finn Olav Gundelach made it clear that he regarded the Common Agricultural Policy as "sound in its basic principles". He said, "I think it has served the Community well. It has safeguarded an agricultural population economically and politically, and it is an important element in the whole of European Civilization. But he added that the policy "cannot be seen in isolation from the rest of the economy. It is part of our overall economic policy, and it must be adapted to changing circumstances. Otherwise it cannot survive."

Proposed prices and amounts

Product	Category of price or amount	Amounts fixed 1976/77 u.a. / tonne	1977/78 proposals		Period of applica- tion of the proposed prices
			u.a./tonne	Percentage change from 1976/77 to 1977/78	
1	2	3	4	5	6
Durum wheat	Target price	218.80	223.20	2.0	1.8.77-31.7.78
	Single intervention price	202.00	202.00	0.0	
	Aid	0-21-50 UC/ha	.50 UC/ha	-	
Common wheat	Target price	152.00	156.50	3.0	1.8.77-31.7.78
	Common single intervention price	—	119.50	3.0	
	Single intervention price for bread-wheat	131.00	—	—	
	Reference price for bread-wheat	—	135.00	—	
Barley	Target price	137.80	144.20	4.7	1.8.77-31.7.78
	Single intervention price	116.00	—	—	
	Common single intervention price	—	119.50	3.0	
Rye	Target price	149.15	153.60	3.0	1.8.77-31.7.78
	Single intervention price	124.00	127.70	3.0	
Maize	Target price	137.80	144.20	4.7	1.8.77-31.8.78
	Single intervention price	112.20	117.50	4.7	
Rice	Target price-husked rice	284.52	292.98	2.97	1.9.77-31.8.78
	Intervention price-paddy rice	164.16	—	—	
	Single intervention price - paddy rice	—	170.73	4.0	
Sugar	Minimum price for sugarbeet	24.57	25.31	3.0	1.7.77-30.6.78
	Target price for white sugar	348.70	361.40	3.6	
	Intervention price for white sugar	331.40	344.20	3.9	
Olive Oil	Producer target price	1 850.00	1 868.50	(1)	1.11.77-31.10.78
	Market target price	1 448.90	1 412.00		
	Intervention price	1 376.40	1 339.50		

Product	Category of price or amount	Amounts fixed 1976/77 u.a./tonne	1977 proposals		Period of appli- cation of the proposed prices
			Percentage change u.a./tonne from 1976/77 to 1977/78		
1	2	3	4	5	6
Oilseeds	Guide price for soya seed	285.00	305.00	7.0	1.11.77-31.10.78
	Target price				
	. Colza and rape seed	275.70	284.00	3.0	1.7.77-30.6.78
	. Sunflower seeds	286.30	306.30	7.0	1.9.77-30.6.78
	Basic intervention price				
	. Colza and rape seed	267.70	275.70	3.0	1.7.77-30.6.78
. Sunflower seed	278.00	297.50	7.0	1.9.77-31.8.78	
	Guide price flax seed	290.00	313.20	8.0	1.8.77-31.7.78
Dehydrated fodder	Fixed rate aid	9.00	9.50	—	1.4.77-31.3.78 dehydrated potatoe 1.7.77-30.6.78
Cotton seeds	Fixed rate aid (per ha)	103.20	104.00	—	1.8.77-31.7.78
Flax and hemp	Fixed rate aid (per ha)			—	
	. Fiber flax	188.15	191.91	—	1.8.77-31.7.78
	. Hemp	174.04	176.00	—	
Seeds	Aid (per 100 kg)				
	. Monoecious hemp	8.00	9.00	—	
	. Fibre flax	13.00	13.00	—	
	. Seed flax	—	10.00	—	1.7.77-30.6.78
	. Grasses	10 to 31	10 to 33	—	
	. Legumes	4 to 25	4 to 25	—	
Table wine:	Type RI	1.96	2.02	3.0	
	Type RII	1.96	2.02	3.0	
	Type RIII	30.58	31.50	3.0	16.12.77-
	Type A I	1.84	1.90	3.0	15.12.78
	Type AII	40.75	41.97	3.0	
	TypeAIII	46.53	47.93		

Product	Category of price or amount	Amount fixed 1976/77 u.a./tonne	1977/78 proposals		Period of applica- tion of the proposed prices
			u.a./tonne	Percentage change from 1976/77 to 1977/78	
1	2	3	4	5	6
Raw tobacco	Norm price Intervention price	(3)	(3)	1,5 (on average)	1.1.77 - 31.12.77
Fruit and vegetables	Basic price Buying-in price	(4)	(4)	2 5	1977 - 1978 (4)
Milk (5)	Target price for milk Intervention price . for butter (6) . for skimmed milk powder . for cheese - Grana padano 30-60 days - Grana padano 6 months - Parmigiano-Reggiano 6 months	162,90 167,60 2 180,00 2.238,00 901,60 913,70 2 089,10 2.137,90 2 506,90 2.558,40 2 718,10 2.769,60	167,60 172,60 2 238,00 2.298,00 913,70 936,50 2 137,90 2.192,40 2 558,40 2.616,00 2 769,60 2.827,20	3,0 2,68 2,49 2,55 2,25 2,08	1.4.77 - 31.3.78
Beef and veal	Guide price for adult bovines (live weight) Guide price for calves (live weight)	1 187,40 1 390,40	1 223,0 -	3,0 -	1.4.77 - 2.4.78
Pigmeat	Basic price (slaughter weight)	1 144,80	1 190,60	4,0	1.11.77 - 31.10.78
Silkworms	Aid per box of silk seed Aid to recognized producer groups (per box)	40,00 15,00	40,00 13,61	- -	1.4.77 - 31.3.78

(1) 1 % increase in the producer target price in u.a. Retention of market target price both in Italian liras and French francs. Retention of the difference between the market target price and the intervention price. The amount of the aid moves from 401,1 u.a. a tonne to 456,5 u.a.

(2) Prices differentiated for new Member States:

		<u>United Kingdom</u>		<u>Ireland</u>	
Fibre flax	Aid	161.34 u.a./ha		(191.91 u.a./ha common level)	
Butter	Intervention price	1 April 1977	1 996.30 u.a./t	1 April 1977	2 199.20 u.a./t
		16 September 1977	2 050.20 u.a./t	16 September 1977	2 258.60 u.a./t
Adult bovines	Guide price		1 177.00 u.a./t		
			up to 31.12.1977, then common level		

(3) Nineteen varieties of tobacco, the prices for which apply to the calendar year crop.

(4) Products in Annex II of Council Regulation 3052/72 of 18 May 1972 and periods varying according to the product:

Cauliflowers:	1.5.1977 to 30.4.1978	Lemons	: 1.6.1977 to 31.5.1978	Apples	: 1.8.1977 to 31.5.1978
Tomatoes	: 1.6.1977 to 30.11.1977	Pears	: 1.7.1977 to 30.4.1978	Mandarins	: 16.11.1977 to 28.2.1978
Peaches	: 1.6.1977 to 30.9.1977	Table grapes:	1.8.1977 to 31.10.1977	Sweet oranges:	1.12.1977 to 30.4.1978

Increases of 2% for oranges, mandarins and clementines and 2.5% for lemons are proposed in the financial compensation designed to promote the marketing of Community citrus production on Community import markets.

(5) In this sector, two periods of application in 1976/77, from 15.3.1976 and from 16.9.1976; and in 1977/78, from 1.4.1977 and from 16.9.1977 (price changes from 16.9.1977). Increases are calculated in relation to the second period of the previous marketing year.

(6) Consumer subsidy for butter in 1976/77 a maximum of 50 u.a./100 kg (of which a maximum of 16,25 u.a. payable by the EAGGF); in 1977/78 the same maximum with EAGGF contribution of 25 % between 0 and 20 u.a. and of 50 % between 20 and 50 u.a. (of which a maximum of 20 u.a.). Maintenance of the present level of subsidy for skimmed milk powder for use as animal feed.

NB Aid for the 1975 hop harvest ranging from 200 to 650 u.a./ha according to variety.

With regard to fishing, different prices for each product covered by the Council Regulation of 20 October 1970. In December 1976 fixing of (guide) prices for products in Annex I, A and C of this Regulation (guide) prices for products in Annex II of this Regulation, intervention prices and Community production prices for the 1977 marketing year. Intervention prices for sardines and anchovies are automatically calculated at the rate of 45% of guide prices.