

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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AGRICULTURAL BACKGROUND NOTE

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AGRICULTURAL PRICE PACKAGE APPROVED: BRITISH BUTTER TO BE SUBSIDIZED

The European Communities Commission's agricultural price package for 1977, which is expected to increase agricultural prices an average 3 per cent for the 1977/78 marketing year, was formally adopted in Brussels early yesterday by the E.C. Council of Ministers.

Approval of the package, formulated by Agricultural Commissioner Finn Olav Gundelach, had been delayed for a month by British opposition primarily on the issue of subsidies for butter consumption.

The Commission had originally proposed that Britain be accorded a consumer subsidy this year of up to 50 u.a. (1 u.a.= about \$1.25) per 100 kilograms of which a maximum of 16.25 u.a. would be paid by the Community's agricultural fund.

Britain insisted, however, that Community subsidies on butter should be higher to compensate for general consumer price increases brought about by the agricultural price package.

According to the compromise worked out today, Britain will subsidize 33 u.a. per 100 kilos from May 1, 1977 to March 31, 1978, with the subsidy paid entirely by the Community's agricultural fund. At a five-day marathon session of the Council of Ministers in March, Britain had demanded Community subsidies for 38 u.a. and the Commission had countered by offering to raise the original proposal to 30 u.a.

Yesterday the Council also adopted a declaration stating that Community aid on the 33 u.a. will be progressively eliminated between May 1, 1978, and December 31, 1978. Britain could add to the 33 u.a. granted by the Community a national subsidy of up to 23 u.a., of which a quarter would be financed by the Community. But in view of current British limitations on public spending, it is believed unlikely that the British will request this additional subsidy.

The decisions on subsidizing butter sales, said Agricultural Commissioner Gundelach at the close of today's session, confirmed the priority of selling butter at reduced prices to Community consumers in lieu of exporting it in massive quantities.

Sales of surplus EC butter at reduced prices to the Soviet Union in February were severely criticized in the West German and British Parliaments. The Council agreed that butter subsidies to the eight other countries of the EC could reach 56 u.a. per 100 kilos with Community agricultural fund payment. The subsidy would be paid in two portions: up to 20 u.a. to be paid by the agricultural fund at 25 per cent and from 20 to 56 u.a. at 50 per cent.

At yesterday's meeting, the Commission also authorized a sale on subsidized butter to the other Community consumers. The planned sale, on which details are to be announced later, is seen as an alternative to a proposed tax on vegetable oils.

Mr. Gundelach said today he was satisfied with the Council's agreement on the agricultural price package, which he said confirmed a large part of the initial proposals and practically all the essential elements in the dairy section. He said the price package could be "a significant breakthrough" toward an agricultural policy for the EC that is aimed more toward a structural approach.

On the special treatment accorded Britain, Mr. Gundelach said all the delegations recognized that the measures demanded to bring the British economy into line with Community requirements would have reduced British butter consumption. A reduction of butter sales in Britain would have adversely affected the outlets of most dairy producers in other parts of the Community.

According to some observers, subsidizing butter sales may still not solve the Community's butter surplus. Experiments with cutting the price of butter in Britain and Ireland up to now have not markedly increased consumer buying. The Community still produces more than enough butter to satisfy its internal consumption and its export possibilities.