

BACKGROUND INFORMATION

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 245 East 47th Street, New York NY 10017 Telephone (212) 371-3890

AGRICULTURAL BACKGROUND NOTE

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A NEW DIRECTION FOR THE CAP

Last week's decision on agricultural prices for the crop year 1977/78 by the Council of the European Communities marks a new orientation allowing for a European Common Agricultural policy that could affect farm structure. It steps away from interventionist policies and places less reliance on market prices.

The moderate price rise -- an average of 3.9 per cent for the nine nations of the European Community -- is considered remarkable in the current inflationary situation. The price package also includes revisions in compensatory monetary amounts paid to member states and redirects the Common Agricultural Policy into a tighter price framework. Taking into account the agro-monetary measures, the price rises result in price increases ranging from 2 per cent for West Germany to as high as 10.7 per cent for Italy and Ireland.

EC Agricultural Commissioner Finn Olav Gundelach said after the price package was accepted Tuesday, April 26, that he was "very satisfied." The package is close to the initial proposals and retains the essential elements for change in the dairy sector.

A spokesman for the main lobby groups representing the 9 million farmers in the EC said, however, that the package remained well short of the 7.4 per cent increase his organization had sought. The spokesman for the Committee of Agricultural Organization in the European Community (COPA) said that farmers' costs in the Community had risen by an average 13 per cent last year.

Both EC Commission President Roy Jenkins and Vice President in charge of Agricultural Affairs, Gundelach, had urged changes in the CAP.

In a February speech before the European Parliament, Jenkins said the EC farm price proposals would be framed so that they were consistent with overall EC economic objectives and with the need to combat inflation.

Gundelach had called in several statements for prudent price increases to make the forces of the market work and to reduce the member nations' dependency on the use of artificial "green currencies."

"We owe it to our farmers to avoid sudden changes in their working and living conditions," Gundelach said in a speech at Berlin's Green Week in January. "We must give our farmers the chance to switch to more viable forms of agriculture or other productions. That is the essence of the strengthened agricultural structural policy which we need. To this policy must be added strengthened regional policies designed to overcome geographical imbalances in our Community."

Action was particularly needed, said the Agricultural Commissioner, "in the area of surpluses and in particular in the dairy products section."

Difficulties in reaching agreement on the 1977/78 price increases centered on disputes over dairy products, sugar and on the "green" rates -- the artificial currencies that were created when exchanges began to fluctuate frequently.

New reductions in the green rates are expected to bring the currency rates used to calculate farm prices more into line with actual foreign exchange levels.

According to the Agriculture Council, the green rates for 1977/78 will be the following:

| | | |
|--------|-------------------------------|----------------------------|
| DM= | 0.293033 UA | (green UA = approx.\$1.35) |
| BF/LF= | 0.0202640 UA (rate unchanged) | |
| Fl.NL= | 0.293884 UA (rate unchanged) | |
| Ir.= | 1.35190 UA | |
| FF= | 0.172995 UA | |
| It.L= | 0.0970873 UA | |
| St= | 1.70463 UA | |
| DKr= | 0.122877 UA | |

Britain agreed to a reduction of the green rate in exchange for an EC subsidy on butter consumption (see Agricultural Background Note, 2/1977). The EC decision to move toward a price policy for agriculture and away from protectionist policies is expected to prompt a favorable response in the United States. Last year the United States had an agricultural trade surplus of \$ 5.2 billion with the European Community.

On sugar and isoglucose, the Council agreed to a 5 u.a. levy per 100 kilograms of dry matter on production of isoglucose (corn syrup), which competes with liquid sugar.

In the dairy products sector, which Gundelach has called the "problem child" of the Community, the Community seeks to reduce milk production through a co-responsibility levy on producers of 1.5 per cent from September 17, 1977 until the end of the 1977/78 milk year. A proposed tax on vegetable and marine fats was rejected in favor of the butter consumption subsidy.

A complete table on the 1977/78 Agricultural prices follows:

Prices by sector

CEREALS

| Commodity | UA/t |
|-----------------------------------|------------|
| | 1977/1978 |
| <u>COMMON WHEAT</u> | |
| Common single intervention price: | |
| - in Denmark | 118.10 (1) |
| - in Ireland | 118.63 (1) |
| - in the United Kingdom | 111.55 (1) |
| - in the other member states | 120.06 |
| Reference Price bread wheat: | |
| - in Denmark | 133.58 (1) |
| - in Ireland | 132.07 (1) |
| - in the United Kingdom | 125.44 (1) |
| - in the other member states | 135.59 (2) |
| Target price | 158.08 |
| <u>RYE</u> | |
| Single intervention price | 128.96 (3) |
| Target price | 155.12 |

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- (1) From January 1, 1978, the Community intervention price and the reference price for common wheat of bread-making quality valid in other member states will apply in Denmark, Ireland and the United Kingdom.
- (2) Common wheat of bread-making quality meeting only minimum requirements for bread-making.
- (3) A special bonus of 3.11 UA/t is proposed for rye of bread-making quality with an amylographic index of 200 or more

| Commodity | UA/t |
|----------------------------------|------------|
| | 1977/1978 |
| <u>BARLEY</u> | |
| Common single intervention price | |
| - in Denmark | 118.21 (1) |
| - in Ireland | 116.88 (1) |
| - in the United Kingdom | 111.01 (1) |
| - in the other member states | 120.06 |
| Target price | 144.97 |
| <u>MAIZE</u> | |
| Single intervention price | 118.03 |
| Target price | 144.97 |
| <u>DURUM WHEAT</u> | |
| Single intervention price | 203.01 |
| Target price | 224.27 |

(1) As from January 1, 1978, the Community intervention price and the reference price for common wheat of bread-making quality valid in the other member states will apply in Denmark, Ireland and the United Kingdom.

Aid for durum wheat: 60 UA/ha; to be limited to the Italian Zone "A" plus the Marches, Latium and Tuscany, plus most mountainous areas in Italy.

Transfer from intervention stocks: An additional 200,000 t. of wheat to Italy from German intervention stocks before the end of the current marketing year, if necessary.

Abatement for maize levy in Italy: 3 UA/ton.

RICE

| | UA/t |
|---|-----------|
| | 1977/1978 |
| Intervention price at Vercelli (paddy rice) | 171.55 |
| Market component (including ACP/OCT) preference of 1.5 UA/t | 18.87 |
| Housing costs for paddy rice | 25.96 |
| Price of husked rice at Vercelli (coeff, 1.25) | 270.48 |
| Transport costs (Vercelli-Duisburg) | 24.90 |
| Target price for husked rice at Duisburg | 295.71 |

SUGAR AND ISOGLUCOSE

UA

| | 1977/1978 |
|--|-----------|
| Minimum price per ton of beet | 25.43 |
| a) Intervention price per 199 kg of white sugar | 32.83 |
| b) Storage costs levy | 1.77 |
| c) Total a + b | 34.60 |
| d) Target price per 100 kg of white sugar | 34.56 |
| e) Storage costs levy | 1.77 |
| f) Total d + e | 36.33 |
| g) Intervention price per 100 kg of raw sugar | 27.25 |
| h) Storage costs levy | 1.63 |
| i) Total g + h | 28.88 |
| Threshold price per 100 kg of white sugar | 39.72 |
| Refund of storage costs for white sugar (q1/month) | 0.30 |
| Coefficient for fixing the maximum quota | 1.35 |

National aid authorized in Italy: Maintained at 9.9 UA/ton for 'A' quota sugar increased by 170,000 tons. If total production exceeds 1.4 mio tons, the aid may be applied over the whole production within the total permitted limit of 106.62 mio UA.

OILS AND FATS OF VEGETABLE ORIGIN

UA/100 kg

| | 1977/1978 |
|-----------------------------|-----------|
| <u>Colza and rape seeds</u> | |
| - Target price | 28.53 |
| - Intervention price | 27.71 |
| <u>Sunflower seed</u> | |
| - Target price | 30.78 |
| - Intervention price | 29.89 |
| <u>Soya seed</u> | |
| - Guide price | 30.64 |
| <u>Flax + seed</u> | |
| - Guide price | 31.18 |

Linseed

Agreement in principle on a minimum aid level of 105 UA/ha for one year.

Cotton seed

Agreement in principle on annual aid at 104 UA/ha.

Fiber flax

Agreement in principle to increase the aid to 194.74 UA/ha (in the United Kingdom 163.72 UA/ha).

Hemp

Agreement in principle to annual aid of 176.87 UA/ha.

Dehydrated fodder

Agreement in principle to production aid of 9.55 UA/t.

Silkworms

Agreement in principle to annual aid at 40.20 UA pe box of silkworm eggs used with the understanding that the additional aid be fixed at 14.07 UA.

Olive oil

| | UA/100 kg 1977/78 |
|-------------------------|----------------------|
| Target production price | 187.78 |
| Target market price | 141.91 |
| Intervention price | 134.62 |

Seeds

| CCT heading No | Description of goods | Amount of aid UA/100 kg |
|----------------|--|-------------------------|
| ex 12.01 A | Linum usitatissimum L. partim (fibre flax) | 13 |
| | Linum usitatissimum L. partim (lin seed) | 10 |
| | Cannabis sativa (L. monoica) | 9 |
| | 1. GRAMINEAE | |
| ex 12.03 C | Arrhenatherum elatius (L)J. and C. Presl. | 31 |
| | Dactylis glomerata L. | 27 |
| | Festuca arundinacea Schreb. | 27 |
| | Festuca ovina L. | 19 |
| | Festuca pratensis Huds. | 21 |
| | Festuca rubra L. | 18 |
| | Lolium multiflorum Lam. | 11 |
| | Lolium perenne L. | |
| | - of high persistence, late or medium late | 17 |
| | - new varieties and others | 13 |
| | - of low persistence, medium late, medium early or early | 10 |
| | Lolium x Lybridum Hausskn. | 11 |
| | Phleum pratense L. | 33 |
| | Poa nemoralis L. | 19 |
| | Poa pratensis L. | 19 |
| | Poa trivialis L. | 19 |
| | 2. LEGUMINOSAE | |
| ex 07.05 A I | Pisum arvense L. | 4 |
| ex 07.05 A III | Vicia faba L. ssp. faba var. equina Pers. | 4 |
| | Vicia faba L. var. minor (Peterm.) bull | 4 |
| ex 12.03 C | Medicago sativa (ecotypes) | 8 |
| | Medicago sativa L. (varieties) | 13 |
| | Trifolium pratense L. | 22 |
| | Trifolium repens L. | 24 |
| | Trifolium repens L. var. giganteum | 25 |
| | Vicia sativa L. | 14 |

FRUIT AND VEGETABLES

1. Intervention prices

- + 4% for cauliflower, tomatoes, peaches and lemons
- + 3% for apples, pears, oranges, mandarines
- + 2% for table grapes.

Marketing period for oranges: Extended until May 1978, the price for the month of April being applicable.

Marketing premium for oranges, mandarines and clementines: increased by 3%.

TOBACCO

a) Norm price: To be increased between 0% and 4% according to the variety.

| No. | Variety | % premium increase |
|-----|-------------------------|-----------------------|
| 1 | Badischer Geudertheimer | 4.5 |
| 2 | Badischer Burley | 4.5 |
| 3 | Virgin D | 8 |
| 4 | Paraguay | 5 |
| 5 | Nijkerk | 3 |
| 6 | Burley (B + B) | 3 |
| 7 | Misionero | 5 |
| 8 | Philippin | 6 |
| 9 | Semois | 6 |
| 10 | Bright | 4 |
| 11a | Burley I | 2.5 |
| 11b | Maryland | 4 |
| 12 | Kentucky | 4 |
| 13 | Nostrano | 0 |
| 14 | Beneventano | 0 |
| 15 | Xanti Yaka | 1 |
| 16 | Perustitiza | 2 |
| 17 | Erzegovina | 1 |
| 18 | Round Tip | 2 |
| 19 | Brasile | 8 |

WINE

| Type of wine | | 1977/1978 |
|--------------|----------|-----------|
| RI | (UA/•hl) | 2.03 |
| RII | (UA/•hl) | 2.03 |
| RIII | (UA/•hl) | 31.65 |
| AI | (UA/•hl) | 1.90 |
| AII | (UA/•hl) | 42.18 |
| AIII | (UA/•hl) | 48.16 |

The conversion premiums are extended to the 1977/1978 and 1978/1979 marketing years at the rates applicable for the 1976/1977 marketing year, i.c. a basic premium of 1,500 UA/hl.

BEEF AND VEAL

| 1977/ 1978 | |
|--------------------------------|---|
| Ireland and the United Kingdom | Other member states and from 1 January 1978 all member states |
| 118.27 UA/100 kg | 122.90 UA/100 kg |
| 106.44 UA/100 kg | 110.61 UA/100 kg |

Guide price for beef animals (liveweight)
Intervention price for beef animals (liveweight)

Agreement in principle to maintenance of existing arrangements concerning the slaughter premium for certain adult bovine animals for slaughter during the 1977/78 marketing year. The system of calving premiums (35 u.a. per calf) and the conditions for its application is extended until the 1977/78 marketing year.

PIGMEAT

1977/1978

Basic price (pig carcasses) 120.20 UA/100 kg
(as from 1/11/1977)

MILK PRODUCTS

1977/78
UA/100 kg
on 1 May 1977

| | |
|---|--------|
| Target price for milk | 17.35 |
| Intervention price: | |
| Butter | |
| - in Ireland | 226.96 |
| - in the United Kingdom | 205.45 |
| - in the other member states and from 1 January, 1978, in all member states | 230.95 |
| Skimmed milk powder | 94.09 |
| Grana Padano cheeses | |
| - aged from 30 to 60 days | 223.72 |
| - aged over 6 months | 269.34 |
| Parmigiano-Reggiano cheese aged over 6 months | 292.57 |

The Agreement in principle on a general butter subsidy, of which the Community contribution will be as follows:

- (a) for subsidy levels up to 20 UA/100 kg, the Community contribution will be 25%, and
- (b) for subsidy levels between 20 and 56 UA/100 kg, the Community contribution will be 50%.

Consumer subsidy for butter in the United Kingdom: 33 UA per 100 kg with effect from May 1, 1977, until March 31, 1978, to be financed 100% by the EAGGF, in respect of Community butter only. Subsidy to be gradually reduced as from April 1, 1978, so as to cease completely on December 31, 1978.

Non-marketing subsidy and conversion premium

The EAGGF financial contribution will be 100% (60% from the "Guarantee" Section and 40% from the "Guidance" Section).

Amounts are as follows: up to 30,000kg, 95%; from 30 to 50,000 kg, 90%; and from 50 to 120,000 kg, 75%, of the target price. The conversion premium is to be 90% of the target price for up to 120,000 kg.

General rules on the granting of aid for skimmed milk and skimmed milk powder intended for use as feedingstuffs:

- Grant supplementary aid for liquid skimmed milk used by pig farmers and for skimmed milk powder used in the manufacture of compound feedingstuffs for pigs or poultry (including fresh powder),
- Set a maximum for the water content of skimmed milk powder for which aid may be granted.

* Community actions for the eradication of brucellosis, tuberculosis and lukosis in cattle: Commission proposal adopted and date for enforcing criteria set at August 1, 1977.

School milk: Commission proposal adopted.

Intervention prices for Italian cheeses: Grana and Parmesan cheese prices fixed to take account of a 10% increase in manufacturing margins.

Temporary suspension of aid for the purchase of dairy cows: To remain in effect until December 31, 1979

* See Agricultural Background Note 1/1977

SCHEDULE OF EVENTS -- MAY 1977

(All events are in Brussels unless otherwise noted)

- May 3 - Foreign Affairs Council convenes
- May 5 - President Roy Jenkins visits Luxembourg
- May 5 - 6 Negotiations continue on fishing : EEC/Poland
- May 7 - 8 London economic summit
- May 9 - 13 European Parliament convenes in Strasbourg
- May 10 -11 Negotiations continue on fishing : EEC / East Germany
- May 16 - 17 Council on Agriculture
- May 30 - June 1 Conference on International Economic Cooperation : Paris
North / South Dialogue
- May 31 Meeting of Council on Foreign Affairs
- May 31 Conference of Economic and Financial Ministers