

BACKGROUND INFORMATION

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AGRICULTURAL BACKGROUND NOTE

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AGRICULTURAL PRICE PROPOSALS FOR 1978/79 SENT TO COUNCIL

Agricultural prices within the nine-nation European Community will increase an average of about 2 per cent--as expressed in units of account (1 UA = about \$ 1.42*)--if a proposal made last month by the Commission of the European Communities is approved by the Council of Ministers.

This price increase would be one of the lowest in the 26-year history of the Community's Common Agricultural Policy. The proposed low increase can be viewed both as an acknowledgement of growing consumer power in the Community and as a step by the Commission toward achieving a better balance in Community agriculture between farmer and consumer.

The average increase in food prices under the proposal would amount only to around 0.5 per cent.

Although the Commission's agricultural price package, put together by Agriculture Commissioner Finn Olav Gundelach, would reduce the Community's overall spending on agriculture by around 8 million units of account in 1978, it does not end the current division of the agricultural market into seven zones for monetary compensatory amounts. These MCA's were established as a bridge between real and agreed prices when national currencies within the Community varied widely because of currency fluctuations.

Efforts to abolish this system and to re-establish a unified agricultural market will have to be continued, a Commission statement said. It stressed the "necessity of the Council's adopting the progressive abolition of the compensatory amounts over a seven-year period."

* In mid-January, 1 UA was roughly equal to US \$ 1.42, on the basis of actual market rates of exchange between the dollar and the various EC national currencies. This rate may vary weekly by a few cents.

In preparing its price package, the Commission studied projected trends in income, production costs and technical progress that indicated an average price increase for 1978/79 of 4.2 per cent in units of account. But since "the real trend in agricultural incomes between 1968 and 1976 has been more favorable than in other economic sectors," the Commission statement said, the proposed price increase was set lower.

The Commission also acknowledged that structural surpluses in milk, wine and sugar had increased, indicating a diminished consumption that would have been aggravated by further price increases.

The Commission statement added that agriculture is "better protected" against the effects of economic recession than other sectors of the Community. This protection is offered through guaranteed price and disposal systems, protection against external competition through variable levies occasionally reinforced by customs duties, the monetary compensatory amounts, financial support for structural adaptations and the maintenance of agriculture under unfavorable natural conditions, e.g. in mountain areas.

As regards monetary measures, changes resulting from the Commission's proposals will reduce the existing monetary compensatory amounts by at least one-seventh. Larger changes may be proposed later by the Commission, depending on how the Council discussions on agricultural prices go. The compensatory amounts will be reduced by changing the rates of conversion between national currencies and the "agricultural" unit of account or the "green rate". This means that the price increase in national currency terms in each Community country will be the equivalent of a 2 per cent average increase in prices in units of account, increased or reduced by altering the conversion rates.

The Commission is also proposing related measures in several areas (cereals, fodder, seeds, fruit and vegetables, etc.). For sugar, a surplus commodity, it is proposing a reduction in the B quota from 35 per cent to 20 per cent of the basic quota. Detailed examination of the Commission's communication on improving the Community market in beef and veal is in progress at the Council, and it would be premature to introduce detailed proposals for beef and veal at this stage.

The Council is expected to approve the agricultural price package at its March meeting. Current prices will remain in force until the new package is approved. When the proposal was presented to the Council in December, all agriculture ministers of the nine EC states agreed on the necessity of moderation in a price increase, but there was no agreement on how this could be effected. The Benelux countries wanted higher prices; Britain wanted to freeze all prices in surplus areas; France praised the Commission proposal because it would aid and improve the organization of the Community's Mediterranean agricultural regions.

Product	Category of price or amount	Amounts fixed 1977/78 u.a. / metric ton	1978/79 proposals		Period of appli- cation of the proposed prices
			u.a. / metric ton	Percentage change from 1977/78 to 1978/79	
1	2	3	4	5	6
Durum wheat	Target price	224.27	218.46	- 2.59	1.8.78 - 31.7.79
	Single intervention price	203.01	195.72	- 3.59	
	Aid	60 u.a./ha	66 u.a./ha (1)	----	
Common wheat	Target Price	158.08	162.39	2.72	1.8.78 - 31.7.79
	Common single intervention price	120.06	121.57	1.26	
	Reference price for bread wheat	135.59	139.80	3.10	
Barley	Target price	144.97	147.23	1.56	1.8.78 - 31.7.79
	Common single intervention price	120.06	121.57	1.26	
Rye	Target Price	155.12	154.65	- 0.30	1.8.78 - 31.7.79
	Single intervention price	128.96 (2)	127.00 (2)	- 1.52	
Maize	Target price	144.97	147.23	1.56	1.8.78 - 31.7.79
	Single intervention price	118.03	----	----	
	Common single intervention price	----	121.57	(3.0)	
Rice	Target price - husked rice	295.71	296.15	0.15	1.9.78 - 31.8.79
	Single intervention price - paddy rice	171.55	171.55	0.0	
Sugar	Minimum price for sugarbeet	25.43	25.73	1.16	1.7.78 - 30.6.79
	Target price for white sugar	345.60 (3)	349.60	----	
	Intervention price for white sugar	328.30 (3)	332.10	1.16	
Isoglucose	Production levy (4)	50.00	50.00	----	1.7.78 - 30.6.79
Olive Oil	Producer target price	1 877.80	1 877.80	0.0	1.11.78 - 31.10.79
	Market target price	1 419.10	----	----	
	Intervention price	1 346.20	1 454.90	8.07	
	Production aid	----	350.00	----	

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			u.a./metric ton	Percentage change from 1977/78 to 1978/79	
1	2	3	4	5	6
Oilseeds	Target price				
	. Colza and rape seed	285.30	296.70	4.0	1.7.78 - 30.6.79
	. Sunflower seed	307.80	320.10	4.0	1.9.78 - 31.8.79
	Basic intervention price				
	. Colza and rape seed	277.10	288.20	4.0	1.7.78 - 30.6.79
	. Sunflower seed	298.90	310.90	4.0	1.9.78 - 31.8.79
	Guide price				
	. soya seed	306.40	318.70	4.0	1.11.78 - 31.10.79
. Linseed	311.80	324.30	4.0	1.8.78 - 31.7.79	
. Castor bean	----	400.00	---	1.10.78 - 30.9.79	
Fixed rate aid (per ha.)					
. Cotton seed	104.52	108.70	---	1.8.78 - 31.7.79	
Dehydrated fodder	Fixed rate aid	9,55	3.00	---	1.4.78 - 31.3.79
	Target price	----	102.00	---	
Peas and Legumes	Trigger price	----	230.00	---	1.7.78 - 30.6.79
	Minimum price	----	150.00	---	
Flax and Hemp	Fixed rate aid (per ha.)				
	. Fiber flax	194.76	202.55	---	1.8.78 - 31.7.79
. Hemp	176.88	183.96			
Seed	Aid (per 100 kg.)				
	. Monoecious hemp	9.00	10.50	---	1.7.78 - 30.6.79
	. Fiber flax	13.00	14.50	---	
	. Seed flax	10.00	11.50	---	
	. Grasses	10 to 33	10 to 38	---	
. Legumes	4 to 25	4 to 28	---		
TableType RI Wine: RII RIII AI AII AIII	Guide price (per degree/hl. or per hl. according to type)	2.03	2.07	2.0	16.12.78 - 15.12.79
		2.03	2.07	2.0	
		31.65	32.28	2.0	
		1.90	1.94	2.0	
		42.18	43.02	2.0	
		48.16	49.12	2.0	

Product	Category of price or amount	Amount fixed 1977/78 u.a./ metric ton	1978/79 Proposals		Period of appli- cation of the proposed prices
			u.a./ metric ton	Percentage change from 1977/78 to 1978/79	
1	2	3	4	5	6
Raw tobacco	Norm price Intervention price	(5)	(5)	2.0 (on average)	1.1.78 - 31.12.78
Fruit and vegetables	Basic price Buying-in price	(6)	(6)	2.0	1978 - 1979
Milk	Target price for milk Intervention price . for butter . for skimmed milk powder . for cheese - Grana padano 30-60 days - Grana padano 6 months - Parmigiano-Reggiano 6 months	173.50 2 309.50 940.90 2 237.20 2 693.40 2 925.70	177.00 2 353.30 956.30 2 273.10 2 731.30 2 963.60	2.0 1.9 1.6 1.6 1.4 1.3	1.4.78 - 31.3.79
Beef and Veal	Guide price for adult bovines (live weight) Intervention price for adult bovines (live weight)	1 229.00 1 106.10	1 244.40 1 120.00	1.25 1.25	4.4.78 - 3.4.79
Pork	Basic price (slaughter weight)	1 202.00	1 238.10	3.0	1.11.78 - 31.10.79
Silkworms	Aid per box of silk seed Aid to recognized producer groups (per box)	40.20 14.07	50.00 ----	--- ---	1.4.78 - 31.3.79

- (1) Aid limited to the Italian zone A.
- (2) In 1977/78, a special subsidy of 3.11 u.a. per metric ton was granted for rye bread of a quality index of at least 200 units of starch content; for 1978/79, an amount of 6.1 u.a. per metric ton is proposed.
- (3) Does not include storage reimbursement.
- (4) Extension until June 30, 1980, of period for production levy is proposed.
- (5) The price of nineteen varieties of tobacco are used in the harvest of a calendar year.
- (6) Products of Annex II of the Council regulation of May 18, 1972, and periods varying according to the product:

Cauliflowers	: 1.5.1978 to 30.4.1979	Lemons	: 1.6.1978 to 31.5.1979	Apples	: 1.8.1978 - 31.5.1979
Tomatoes	: 1.6.1978 to 30.11.1978	Pears	: 1.7.1978 to 30.4.1979	Mandarines	: 16.11.1978 - 28.2.1979
Peaches	: 1.6.1978 to 30.9.1978	Table grapes	: 1.8.1978 to 31.10.1978	Sweet Oranges	: 1.12.1978 - 31.5.1979

Increases of 2 % for oranges, mandarines and clementines are proposed in the monetary compensatory amounts designed to promote the marketing of Community citrus production on Community import markets. For lemons, decreasing compensatory amounts are maintained.