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THE MIRACLE OF THE CAP

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Movimento Giovanile della Coltivatori Diretti e Consiglio Europeo dei Giovani Agricoltori

Seminar on the future of the common agricultural policy

Stresa - 23-26 October 1983

The miracle of the CAP: the title I have chosen for what I am going to say may, in present circumstances, seem a little tendentious. I would prefer it to be taken as a call for a return to reality. I also think it is fair that we should recognize the debt we owe to those who, in the 26 years since the Community was founded, have contributed - and still are contributing - to designing and operating a policy which, until recently, was universally viewed as the cornerstone of the building of Europe and now, paradoxically and almost overnight, has come to be seen as the root of almost all the Community's evils.

I personally did not join in the unthinking defence of the CAP when this was in fashion, and still less do I now feel today that I can join with those whose criticism of the policy amounts in certain cases almost to slander. I consider both these approaches equally harmful for a policy which, in order to survive, must not and should not become fixed and immutable, but must adapt and evolve, on the basis of serious, objective analyses and not in response to demagogic name-calling.

The word "miracle" is hardly an exaggeration when we realise how different are the natural, economic and social realities in the context of which the common agricultural policy operates.

The following are just a few of these factors, which I consider to be particularly significant for the impact they have or may have on the management of the CAP.

- Firstly, inflation, which currently ranges from 2.5% in Germany to 18.7% in Greece. Production costs thus get out of line, leading to situations which are difficult to reconcile with a system providing for a single price to be set for the whole Community.

- Agricultural structures are equally important as regards their influence on incomes and the pressure which shortcomings in this respect may exert on prices. For instance, if we look at the size of farms, we see that in the United Kingdom the average is 16 times higher than in Greece.

- Inflation and structures are only two of the many factors which may influence incomes, which are extremely variable from one region to another and from sector to sector. On the basis of figures from the farm accountancy data network, which while admittedly not giving rigorously accurate results do provide us with useful indications, farm incomes are, on average, three times higher in the Netherlands than in Italy, and three times higher in pig-rearing than in fruit and vegetable growing.

- There is also the relative importance of the primary sector as a source of employment and income, which varies substantially from country to country. In the United Kingdom agriculture employs less than 3% of the workforce but more than 30% in Greece and over 19% in Ireland. Farming accounts for less than 2% of national value added in the United Kingdom but over 17% in Greece and over 13% in Ireland.

- I must also refer to the varying degrees of efficiency in national administrations which, as we too frequently forget, play a major role in administering the policy. Thus farmers and businessmen may receive money to which they are entitled under Community rules after a few days or perhaps weeks in some member countries, but after months and sometimes years in others.

It is no surprise that a policy dealing with such diverse realities should be the object of harsh criticism. But if we look closely, we see that a large proportion of the criticisms made over the last few years of the CAP and its mechanisms are due above all to the ever more obvious trend, a trend unfortunately now common to all Member States, to evaluate costs and benefits from an exclusively national viewpoint. An individual Member State may, of course, find that any given measure is pointless or too expensive: from the national viewpoint any expenditure is necessarily superfluous or excessive if it concerns products coming from beyond the frontiers of the country concerned. But it is much more difficult to find any particular measure on which all the criticisms agree. I rather doubt that it would be possible, on the basis of the arguments put forward by the many critics of the current arrangements, to design a Community policy which was economically, socially and hence politically acceptable to all and was not fundamentally much the same as the present one.

A further "miracle" is the existence and continued vitality of the CAP in view of the wide range of objectives given it by the Treaty, which are in some cases complementary but in others quite contradictory.

It is no accident that the CAP has been blamed for everything, even for diametrically opposed defects. But this universal condemnation in which it stands goes to show that by and large it has achieved a balance between opposing interests. Even the European Court of Auditors, which can in no way be suspected of over-indulgence towards the CAP, recognizes that it has had on the whole positive results as regards progress in farming, farm incomes, the stabilization of markets, the security of supply and prices to the consumer.

This is seen to be so if we make comparisons with the results obtained by other countries under their national agricultural policies, or if we compare what the Community itself has achieved in agriculture and in other sectors. The financial cost may indeed be considered excessive, at least in some cases, but I do not believe that comparisons with other countries or other sectors would show the CAP in a bad light in this respect either.

However, I would not like what I have said so far to give the wrong impression: in using the word "miracle" I wanted to attract attention to the policy's benefits, and they are manifold, but at the same time I wish also to stress its fragility, as it has to find the middle way among a vast multiplicity of interests and, in order to survive, must be aware of current developments and must be constantly adapting to new realities. This was the approach followed by the Commission in its document of last July (COM(83)500 final)
and in the formal proposals which followed,
and this is the aspect I would like you to pause to consider here, looking at more than your own short-term professional interests and taking account of the inter-connections between different sectors.

First of all we have to look at the budget problem. This is certainly the most delicate of all the problems involved, since rightly or wrongly it is seen as being at the root of all the other difficulties.

There would be no point in claiming that discussion of the common agricultural policy can afford to ignore the sheer bulk of our expenditure on agriculture, the way which it has grown, its distribution among Member States, the proportion of the Community budget for which it accounts and the consequences it is said to have had on the development of other Community policies.

However, the Commission has repeatedly denied stereotyped reports about the cost of the CAP, which is not at all disproportionate if we compare it with the support given to their farm sector by those non-Community countries which are closest to the Community in production structures and level of economic development.

The Commission has also refused, when making proposals, to subordinate farming interests to budgetary considerations and to make slashing, across-the-board cuts, as some would like. This having been said, it is none the less true that budgetary constraints are bearing ever harder upon the action which can be taken by the powers that be. This is true at national level, and it would be strange if it were not so at Community level.

The resources available for Community policies do not generate themselves from thin air, they come from each of us as European taxpayers and consumers. It is therefore in the interests of all of us that they should be managed equitably and effectively.

To the extent that farmers want their problems to be looked at and resolved in a Community context, I think it is fair that they should try to understand the reasons if sometimes we are less than willing to go along with what they want and, when this is justified, that they should be ready to eliminate the causes of this reluctance.

One stumbling block here is the fact that too much of the CAP's resources goes to finance surpluses which are difficult to market and which, if exported with large subsidies, become continual bones of contention with the Community's trading partners, whether industrialized or developing countries - not to mention those surpluses which have to be denatured or, worse still, destroyed.

The problem of the budget is thus closely linked with that of surpluses. Structural surpluses, that is those not due to exceptional weather but those which are constant or tend to grow year by year, show that something is not working properly in the mechanisms devised and that the agricultural policy is no longer responding in a balanced way to the objectives laid down for it in the Treaty. In such cases rationalization is not only possible but indispensable.

The most serious problems of surpluses arise in the dairy sector. The proportion of EAGGF Guarantee expenditure accounted for by the dairy sector and the current stock situation (over 900 000 tonnes of butter and over 1 million tonnes of milk powder) demonstrate this quite clearly, I think. Given a situation which was clearly intolerable and which was likely to put the whole common agricultural policy in serious danger, the Commission had basically two options:

- to drastically reduce the intervention price
- to introduce production quotas.

I have to confess that the temptation to opt for reducing the intervention price was very strong, in that this would certainly have avoided making administration and management more complex and would have had an effect on consumer prices, and hence on the cost of living, which would have been very welcome in the current difficult economic context. But the Commission has, in the end, opted for quotas, precisely because of difficulties within the farm sector itself. A price reduction big enough to have a real effect in reducing stocks would have led to major difficulties for producers, above all producers with weaker farm structures and those in less-favoured areas.

In this respect I find it difficult to accept the arguments of those who consider such quotas unjust in deficit areas, where in their view anything produced cannot be regarded as a surplus. Such a view would seem to deny that the Community is a single economic entity. If several people are simultaneously filling a bathtub with buckets of water and the bathtub overflows, how can we objectively argue that one of the buckets, even if it is the smallest of them all, had no part in spilling the water? However, if we admit joint responsibility, it is also fair that we should recognize that the smaller buckets are less to blame than the big ones. The system suggested by the Commission implicitly recognizes this: the so-called "super-levy" will impose less of a penalty on farmers in less naturally-suited areas who, over the last few years, have seen their production increase less. If, on the other hand, we were to opt for the alternative and reduce prices, which as I have said would have certain advantages from a non-agricultural point of view, all producers would be penalized, apparently to the same extent - although in reality marginal producers with higher production costs would suffer more.

Here, amongst ourselves, we must speak plainly. Those who talk about deficit areas have a compartmentalized view of the Community. This is a very dangerous way of seeing things, for if it were extended to agriculture as a whole it would inevitably lead to the end of the common agricultural policy.

It is more likely however - and in this sense I can understand them - that such arguments constitute a bargaining position for negotiations which are likely to be particularly tough.

Another point which I think we should look at is the balance among sectors, which some complain has not been given enough attention in the Commission's proposals, particularly at the expense of Mediterranean products.

I must say that of all the criticisms made of the Commission's proposals this is one of those that I consider to be most unfair.

Even a cursory glance at the document sent to the Council should, I believe, show that completely different approaches have been adopted in the sectors with large surpluses and those without. In the case of olive oil, for instance, or wine, the proposals included rationalization measures which had long been under consideration. The aim here is not so much to reduce the amount produced as to eliminate unnecessary expenditure and the danger of fraud.

As regards wine, the main proposal was for a ban on chaptalization. I do not see how this can harm Mediterranean producers, who are already subject to such a ban. The idea is to put everyone on the same footing and to avoid distortions of competition.

I would now like to finish by going back to what I said at the beginning.

Incontestably one of the CAP's handicaps is that it has to operate in the context of greatly differing real situations. Over the last few years, unfortunately, the divergences have become more rather than less acute. Unless we succeed in reversing this trend, or at least some ot its main components, then our future course is likely to be disturbed and full of pitfalls.

It will become ever more difficult, and eventually impossible, to fix common prices if the differences in inflation rates between Member States are not reduced quickly. This is in any case indispensable if we want to get rid once and for all of monetary compensatory amounts, which create so many distortions in trade. In this respect it is certainly possible, as the Commission has proposed, to ask the countries with strong currencies to eliminate positive compensatory amounts quickly. But it is difficult to see them doing this over and over again, with the effect we all know it would have on prices expressed in national currency, simply because the weak currency countries have failed to do what was needed in order to put their economies in order.

The same may be said of certain structural differences, which could lead to almost insoluble problems if a rigorous prices policy was to become necessary.

There is no point in deluding ourselves. If, as has happened in the past, structural problems and differences in inflation rates render politically unacceptable a prices policy rigorous enough to prevent ever-growing surpluses, I would not bet much on the future of the CAP.

In this context, structural measures clearly take on fundamental importance. Here the Commission has put two sets of proposals to the Council: those on amending and bringing up to date the legislation currently in effect, and those for the implementation of integrated programmes for the Mediterranean regions of the Community.

I know that the farming world is often mistrustful of structural measures, especially - although this seems paradoxical - in precisely those countries where structural problems are most serious. In part, such reluctance may be well-founded. In its proposals, the Commission has tried to respond to legitimate worries and to bring the legal instruments more in line with the realities under which they have to be applied.

I do feel, however, that this reticence on the part of farmers is also due in part to the fact that, unlike market support, structural measures require a definite degree of commitment from the parties concerned.

I would like to issue a warning here against reactions based not on legitimate concern, but on laziness and a blind defence of the status quo, with a refusal to accept that, in Europe and in the world, things can change.

Farming and farmers' organizations will have great responsibility in this respect: they will have to choose whether to go professional and take the road of efficiency or to opt for the soft, "social" option. It is the farmers who will have to take this decision, and it is they who will have to bear the consequences of the choice. In short, they have to decide whether they want to be businessmen or to join the welfare queue.

In any case we should have no illusions. The days of easy money are past. The Community will be more and more reluctant to finance investments - no matter whether through the EAGGF Guidance or Guarantee Sections, the Regional Fund or the Social Fund - unless they are justified and have real prospects.

No attempt will be made to "freeze" the funds necessary for market management, but it is certain that in future these funds will be managed with greater rigour and an attempt will be made to hold down increases in expenditure.

Nor is there any question of departing from the principle of Community solidarity, on the contrary the intention is to increase considerably the funds to be devoted to solving problems of under-development and inadequate structures. More and more, however, such funds will be granted only for projects of genuine Community interest and when there is some guarantee that they will be used effectively.

This more rigorous approach which the Community wishes to adopt in managing available resources will not apply only to funds granted at Community level. The Commission will be more and more strict in assessing national aids and in sanctioning those which turn out to be incompatible with the Treaty.

More and more often, when the accounts are closed annually, certain Member States are having the reimbursement of their expenditure questioned, even when it has been carried out under Community regulations, simply because such expenditure has been mixed with or inflated by national funds not compatible with the provisions of the Treaty. A few weeks ago the Commission notified the Member States of its decision, at least in certain cases of manifest contravention of the Treaty, to recover illegally granted national aids from the beneficiaries.

Nor should this greater strictness be seen as unfair bullying of the weak, for in fact it is in the countries with the most money available that we find the greatest and best-designed subsidies to help different sectors. In the less well-off countries such subsidies are not only of limited amount but are also, in many cases, scattered and ineffective. A stricter attitude on the part of the Commission will therefore help avoid distortions of competition and waste of resources, things very much in the interest of farmers in less-favoured situations.

If we are to save the common agricultural policy, it is essential that we avoid a "creeping renationalization" of expenditure: we must rationalize the farm sector and the management of its markets. As I have just said, renationalization would to start with harm mainly the weakest, but in the end it would penalize everyone, for in such an event it would be impossible for the free circulation of goods to be maintained in the long run, and it would jeopardize the whole fabric of the Europe we have built.

The increased degree of competition imposed by an economic situation which is and will be for some time very difficult, and the rationalization of farm prices and markets policy, which in some sectors at least has been made inevitable by the build-up of stocks which are ever more difficult to get rid of, mean that there has to be structural change, whether we like it or not. If the problem is not tackled at Community level, the process may take place in a piecemeal manner, at much greater social and economic cost, in particular to the less prosperous countries and the more vulnerable farmers.

Here I would like to warn against an excess of machiavellianism in our assessments and against too much tactical manoeuvring. If farmers simply block all progress, refusing to recognize the problems and to help in looking for equitable solutions, the decisions will in any case be taken, but by others, with the likelihood that they will bear ever harder on our sector.

There is no point, in this case, in seeking out those responsible for a situation which no one wanted and whose consequences are being suffered by all. We must beware of excessive simplifications. In life, and in the life of the Community, there are no two clearly marked and identifiable bands of heroes and villains.

There are two responses which could be equally harmful for the future of the Community. On the one hand, a petty-minded, penny-pinching and national view of the problems, which could lead to a refusal to make available the funds necessary for survival; on the other hand a refusal to follow the logic of integration, which implies not only solidarity with the weaker members but also discipline and strictness for all.

Those taking part in negotiations have not a free choice of alternatives, and for all of them the choice they make has precise implications which they are not able to evade. For everyone, for farmers too, the time has come to say clearly whether we are genuinely attached to the Community and whether we consider it essential for our future.

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