

EUROPEAN PARLIAMENT

Working Documents

1983-1984

10 November 1983

DOCUMENT 1-987/83/B

ANNEX TO THE
Report

drawn up on behalf of the Committee on Agriculture

on the Communication from the Commission of the
European Communities to the Council (Doc. 1-645/83
- COM(83) 500 final) on the common agricultural
policy - proposals of the Commission

Rapporteur : Mr David CURRY

PE 86.822/fin./B/Ann.



A

CONTENTS

	Page
Motion for a resolution tabled by Mr DIANA and others on the abolition of monetary compensatory amounts (Doc. 1-559/83)	2
Motion for a resolution tabled by Mr MARSHALL and 43 others on the sale of subsidised butter to the confectionery industry (Doc. 1-595/83)	3
Motion for a resolution tabled by Mr FRÜH and others on measures to restore a balanced milk market (Doc. 1-614/83)	4
Opinion of the Committee on Budgets	6
Opinion of the Committee on Budgetary Control	24
Opinion of the Committee on the Environment, Public Health and Consumer Protection	28

MOTION FOR A RESOLUTION (DOCUMENT 1-559/83)

tabled by Mr DIANA, Mr TRAVAGLINI, Mr LIGIOS, Mr DELATTE, Mr BARBAGLI, Mr GATTO and Mr SUTRA

pursuant to Rule 47 of the Rules of Procedure
on the abolition of monetary compensatory amounts

The European Parliament,

- A. having regard to the distortion of agri-foodstuffs trade within the EEC caused by monetary compensatory amounts,
- B. having regard to its opinions on the fixing of farm prices for the 1981/82, 1982/83 and 1983/84 marketing years¹,
- C. whereas, far from ensuring that a single Community price is maintained, monetary compensatory amounts undermine the price machinery and its objectives,
- D. noting the substantial differences that persist between inflation rates in the Member States belonging to the EMS owing to lack of progress in the coordination of national economic policies,
- E. having regard to the agreement reached by the Council of Ministers for Agriculture on 5 and 6 March 1979,
 - 1) Considers that it is essential to establish and implement automatic Community procedures to abolish both positive and negative monetary compensatory amounts;
 - 2) Believes that the system should be abolished independently of the fixing of farm prices;
 - 3) Is of the opinion that the introduction of new MCAs should not be tolerated in the future;
 - 4) Instructs its President to forward this resolution to the Council and to the Commission of the European Communities.

¹ Adopted on 21 April 1981, 26 March 1982 and 10 March 1983 respectively.

MOTION FOR A RESOLUTION (DOCUMENT 1-595/83)

tabled by Mr MARSHALL and 43 others

pursuant to Rule 47 of the Rules of Procedure

on the sale of subsidised butter to the confectionery industry

The European Parliament,

- A. noting the increasing amount of butter being stored in the Communities,
 - B. recognising the need to increase consumption within the Community,
 - C. realising that the Community's failure to allow the confectionery trade to buy subsidised butter distorts competition between it and the biscuit industry which is allowed to buy subsidised butter,
 - D. accepting that the confectionery industry would increase consumption of butter if it could purchase subsidised butter,
1. Calls on the Commission to allow the confectionery industry to buy subsidised butter;
 2. Instructs its President to forward this resolution to both the Council and the Commission of the European Communities.

MOTION FOR A RESOLUTION (DOCUMENT 1-614/83)

tabled by Mr FRÜH, Mr BOCKLET, Mr MARCK, Mr HELMS, Mr CLINTON, Mr JÜRGENS
and Mr McCARTIN

pursuant to Rule 47 of the Rules of Procedure
on measures to restore a balanced milk market

The European Parliament,

- A. concerned over the future of the Common Agricultural Policy (CAP),
- B. having regard to the persistent and increasing imbalance on the Community milk market,
- C. having regard to the disastrous situation of the world market for dairy products,
- D. having regard to the tight financial situation,
- E. having regard to the need to provide equivalent incentives for the different sectors of agricultural production through the CAP,
 - 1. Calls upon the Commission and Council to draw the necessary conclusions without delay from the debate which has been continuing now for many years over the problems of the milk market in order to restore a balanced market and hold down cost inflation;
 - 2. Considers that a policy of pressure on prices is not the right way of solving the difficult social, economic and structural problems of dairy farmers;
 - 3. Rejects any attempts to deprive the existing milk market organization of its real substance by cancelling or temporarily suspending intervention or reducing intervention prices;
 - 4. Considers that an effective coresponsibility levy with social and regional variations (i.e. taking account of quantities delivered and natural production conditions) is a suitable way of enabling milk producers to participate in efforts to remedy the present difficult situation;

5. Considers that the revenue accruing from the coresponsibility levy can help to expand the market for dairy products and strengthen food aid in particular via non-governmental organizations (without impairing food production in the developing countries) without imposing any heavier burdens on the EAGGF;
6. Is of the opinion that a price reduction must be borne by producers in respect of excess production in a given reference period, the level of such a reduction to be based on the cost of disposing of these surpluses, if the coresponsibility levy alone is not sufficient to restore the balance of the markets;
7. Calls for urgent negotiations to find a solution compatible with the GATT provisions to the problem of the constant increases in imports of substitute products in recent years and considers that aid is necessary to permit the diversification of agriculture in the developing countries which is dependent on the production of these substitute products;
8. Instructs its President to forward this resolution to the Commission and Council.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr LOUWES

On 28 September 1983, the Committee on Budgets appointed Mr LOUWES draftsman of the opinion.

The committee considered the draft opinion at its meeting of 13 October 1983, when it adopted the conclusions unanimously.

The following took part in the vote: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mr LOUWES, draftsman; Mr ARNDT, Mr BAILLOT, Mrs BARBARELLA, Mr GOUTHIER, Mr LALUMIERE, Mr LANGES, Mr NEWTON DUNN, Mr PFENNIG, Mr PROTOPAPADAKIS, Mr ROSSI and Mrs SCRIVENER.

1. On 18 June 1983 the Community confirmed at the highest level, through the European Council in Stuttgart, its intention to review the common agricultural policy. While respecting the basic principles of the CAP, practical steps which are compatible with market conditions must be taken to guarantee adequate control over agricultural expenditure.

The document COM(83) 500 fin. which was presented on 28 July 1983 constitutes the Commission's answer to this declaration by the European Council. The need for a review of the CAP has been abundantly clear for some time. The Commission's present proposals are a follow-up to earlier documents prepared by the Commission itself, i.e. 'Guidelines for European agricultural policy' of October 1981¹ and 'New guidelines for the CAP'² of June 1983, by the Council (Mandate of 30 May 1980)³ and also by the European Parliament (e.g. DANKERT report, December 1979 - rejection of the draft budget in 1980; PLUMB report, Doc. 1-250/81).

2. The following facts underline the inevitability of reform of the agricultural policy:

- (a) In the past 10 years expenditure under the Guarantee Section of the EAGGF has increased more than 500% from 3.1 thousand million ECU in 1974 to 15.8 thousand million in 1983. The average annual growth rate of 23.3% between 1975 and 1979 has been brought down to an average of 9.6% between 1980 and 1984 as a result of favourable world market conditions in 1981 and 1982 and by the preparation of a draft budget for 1984 deliberately kept to an extremely low level. Over the same period the Community's own resources have risen by only half this rate from 9.2 million ECU in 1974 to 23.8 million ECU in 1983.
- (b) In the relatively long term, Community agricultural production has risen by 1.5 to 2% per year while consumption has increased by only about 0.5%. In 1970 the Community was dependent on overseas suppliers for a great many basic food commodities. Today, on the other hand, it has become more than self-sufficient in the most important

¹ COM(81) 608 fin.

² COM(83) 380 fin.

³ C 158/1 of 27.6.80

commodities (dairy products, cereals, meat, sugar and wine) and is having to resort increasingly to subsidized exports and subsidized sales within the Community; alternatively if the budgetary resources available for this purpose are insufficient products have to be put into storage on a scale which threatens to assume the proportion of 'mountains' or 'lakes'. The rapid increase in productivity, low rate of population growth and the economic crisis which is encroaching upon available international markets are bound to make this situation even more acute in future if the present policy is pursued unchanged.

- (c) It must also be recognized that, especially in the cereals sector, an import surplus is making the problems still more complex. Exports stand at 21.8 million tonnes while 12.3 million tonnes of cereals and 16.4 million tonnes of cereal substitutes are being imported.
- (d) Despite this cost explosion the CAP has not proved capable of assuring an overall increase in agricultural incomes equivalent to the rise in other incomes, even though a good half the number of people engaged previously in agriculture have now left the land (17 million in 1960, less than 8 million in 1983). However, in 1983 the EAGGF guarantee section will be spending close on 2,000 ECU per person engaged in farming.

3. A comparison of the cost of the individual market organizations in relation to the total number of producers and the quantities produced shows substantial differences which do not always accord with the needs in the sectors concerned:

Market organization	Cost m ECU	Production m t	Producers m	ECU/ producer	ECU/ton
milk	4,723	104	1.67	2.828	45.4
cereals	2,474	130	3.9	634	19.0
beef	1,479	6.83	2.58	573	216.5
sheep and goat-meat	360	0.74	0.6	600	486.5
vegetables and fruit	718	43	0.868	827	16.7
oilseeds	968	3.7	0.250	3.872	261.6
olive oil	676	max 0.7	1.5	451	965.7
tobacco	668	0.31	0.208	3.212	2,154.8
wine	638	160.00 ¹	2.06	310	4.0

Source: totals indicated in Annex III to COM(83) 500

¹ million hectolitres

4. Looked at in overall terms it might therefore seem that in certain sectors expenditure per producer exceeds the minimum guaranteed income in some Member States while for certain products the expenditure per quantity produced is in fact higher than the market value of the product.

5. For all these reasons, a far-reaching reform of some parts of the common agricultural policy is therefore urgently necessary.

THE COMMISSION'S PROPOSALS

The Commission's programme for the rationalization of European agriculture is based on five cornerstones:

- further application and extension of the principle of guarantee thresholds, including the introduction of a system of production quotas for milk through a supplementary levy on additional quantities;
- a cautious and, in some sectors even restrictive, price policy with a simultaneous effort to bring about a more rapid narrowing of the difference between cereal prices in the Community and those charged by the most important competing countries;
- a review of existing support measures and premiums, particularly in the dairy, beef and sheepmeat sectors;
- measures to counteract the disturbance of market equilibrium resulting from imports of cereal substitutes and vegetable oils in conjunction with action to control production within the Community;
- automatic dismantling of the MCAs following a fixed calendar.

7. It is not the task of the Committee on Budgets to take the place of agricultural specialists in assessing the desirability and likely effectiveness of the individual measures proposed. However, the Committee on Budgets does have a duty to monitor the underlying possibility of financing Community policy with particular reference to the efficient utilization of the limited resources which are available. From that angle the following observations can be made on the measures proposed.

GUARANTEE THRESHOLDS

8. The fact that demand is stagnant or even falling with a simultaneous increase in production makes it impossible to continue to offer unlimited price and intervention guarantees. Existing guarantees might be limited (guarantee thresholds) in a variety of ways:

- reduction in prices or curtailment of price increases;
- limitation of the total amount of support;
- levies corresponding to the cost of marketing additional quantities of products;
- quotas.

All these measures are being tried out with varying degrees of success and stringency in different market organizations.

9. The problems are at present most acute in the case of milk production. Between one half and two-thirds of butter and skimmed milk production must already be disposed of by paying increasingly high subsidies. Milk production is almost one-fifth higher than consumption. The existing co-responsibility levy has just helped to avoid any further increase in production growth rates but has not been able to bring about any reduction in growth, to say nothing of restoring market equilibrium.

10. Trend in expenditure on milk and dairy products in million ECU:

A: Total expenditure prior to the co-responsibility levy

B: Co-responsibility levy

C: A-B

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
A	(1,193.7)	(2,277.7)	(2,948.2)	(4,170.8)	(4,621.6)	(4,974.9)	(3,821.3)	(3,865.0)	(5,242)	(5,556)
B	(-)	(-)	(-24.1)	(-156.1)	(-94.1)	(-222.9)	(-478.5)	(-537.3)	(-519)	(-550)
C	1,193.7	2,277.7	2,924.1	4,014.7	4,527.5	4,752.0	3,342.8	3,327.7	4,723	5,006

11. Referring in part to an OECD study, the Commission proposes that a reference quantity (quota) should be fixed for each dairy factory and that a

supplementary levy be imposed on all additional quantities, calculated in such a way that the proceeds cover the cost of marketing the additional milk. This levy would then have to be passed on to the producer according to Community criteria e.g. at a higher rate for highly intensive dairy farms and a lower rate for small dairy producers.

12. Measured against the only alternative solution which is proposed i.e. a 12% reduction in the price of milk in 1984/85, this suggested arrangement seems more acceptable in political and social terms. However, its effectiveness will depend in large measure on rules for its technical implementation which must be both realistic and feasible without standing in the way of efficient production. The question also arises as to whether adequate guarantees can be provided to ensure that the effect of this measure is not partially offset by other measures (prices/premiums).

13. The Commission is extremely non-committal about the real possibilities of disposing of the surplus production (which will continue for some time even with the proposed arrangements) without completely upsetting the international market. The addition to this proposed arrangement of incentives to cease production and convert to other activities would also seem necessary.

PRICE POLICY

14. The Commission points to the need for a restrictive price policy. In addition special attention must be given to the price hierarchy between the different products, adaptation of varieties produced to the needs of the consumer and improvement in the quality of the products for which consumer demand exists. The Commission is looking into the possibility of fixing the common prices for milk and cereals over a period of more than one marketing year. It does not preclude freezing or even lowering the prices of certain products expressed in ECU and in the national currencies. Together with guarantee thresholds and the dismantling of monetary compensatory amounts, which will be discussed below, this might have a particularly dramatic effect on farmers' incomes in some countries. The Commission immediately adds that the necessary structural measures must be taken together with further measures to lighten the possible burden on the incomes of small producers or producers in problem areas.

15. On paper this would seem to be a coherent set of proposals. However, experience of recent years leads one to doubt whether these proposals are politically and socially acceptable. We do not have reliable data on the true influence on farm incomes to assess this aspect or draw a comparison with incomes in other sectors which are also in a state of crisis. Furthermore the Commission fails to look at the interaction between the different sectors of agriculture.

16. Just as it is clear that measures to restrict imports have the effect of ensuring that products held away at the frontiers will still compete with Community products on the world market, so it may also happen that limitative measures in one sector will merely shift the problems elsewhere. This may in particular be the case with the proposed accelerated adjustment of Community cereals prices to world market prices. The term adjustment as it is used here of course means a reduction. The net result is to make cereals more attractive for use as cattle feed which may in turn lead to an increase in the production of meat, eggs and perhaps even dairy products. A reduction of production in the EEC may also result in an increase in imports.

17. However, a more restrictive price policy than that pursued up to now does seem to be the only way of effectively putting an end to structural surplus production. The Commission should therefore as a matter of urgency supplement its general statements by concrete information; the provision of this information must not be held over until the annual marathon discussion on farm prices where long-term solutions are relegated to the background.

MARKET MANAGEMENT

18. The automatic nature of certain regulations prevents a flexible response to trends in the market situation. The attitude of the Council which has assumed responsibility for a large number of management decisions either directly or through the management committees also has an adverse effect on the implementation of agricultural policy.

19. If the Community is unwilling to depart from the present concept of organization of the markets through price regulation, it will be imperative to develop more efficient decision-making mechanisms which will permit rapid

intervention in response to specific market trends. The Commission must be given the opportunity of carrying out these tasks to full effect and for that purpose it must enjoy all the management and implementing prerogatives accorded to it by the Treaty. In practical terms this means that for the existing market organizations the powers which are at present assigned to the Council will have to be changed.

SUPPORT AND PREMIUM REGULATIONS

20. In recent years the scale of this kind of support has increased sharply so that export refunds now represent the largest expenditure item of the EAGGF. Following the submission of supplementary budget No. 2 for 1983 support measures¹ account for 6,971 m ECU as against 6,083 m ECU for export refunds and 2,862 m ECU in storage costs. In 1981 the corresponding figures were 4,343, 5,209 and 1,631 m ECU. It is now possible to speak of unbridled growth in this sector. Reading between the lines of the Commission document we are led to suppose that many premiums have become superfluous, for example:

- Calving premiums, introduced originally to offset the decline in beef cattle herds in Italy and subsequently also accorded in Greece, Ireland and Northern Ireland. Substantial intervention stocks of beef have since been accumulated including stocks in Italy and Ireland. Since the premium is also granted for calves in dairy farms it is helping to encourage milk production (see page 29);
- Parallel support for the short and long-term storage of wine (page 36);
- Control and cost problems for the olive oil sector (page 33), and in the case of the support regulation for processing fruit to obtain fruit juice for free distribution (page 31);

¹ Support for producers, support for processing and marketing products with the exception of reductions granted for storage eg in the case of butter made available to confectionery bakers and skimmed milk for animal feed purposes. These items of expenditure are shown under storage costs.

- Support for the processing of cherries intended for products of the Mediterranean areas would seem to be benefiting primarily non-Mediterranean areas (page 31);

21. There is a risk that this situation will be made even worse by disparities between existing national support measures. The Commission points out that national support measures contain an element of discrimination based on economic capacity and available budgetary resources. The detrimental effect of uncoordinated national support measures on competition and on intra-Community trade is well known. Marketing subsidies and premium arrangements must be assessed in terms of their real value and not as compensation for restrictive measures in a different sector. Careful account must be taken of the cost-benefit ratio.

TRADE WITH THIRD COUNTRIES

22. A Community policy geared towards the promotion of exports must be backed up by international cooperation with the other main exporting countries in order to prevent the collapse of world market prices. A further important factor is the effective exercise of the rights of the Community in GATT. Long-duration contracts for the delivery of agricultural products to third countries or to developing countries as part of their food supply policy may well hold out useful prospects.

23. However, we must not expect exports to work miracles. The following table compares the trend of EEC exports with US exports.

Trend in EEC and US share of world trade in farm products

	World	USA		EEC	
	1000 m \$US	1000 m \$US	%	1000 m \$US	%
1976	139.4	23	16.5	12.3	8.8
1977	156.4	23.6	15.1	14.5	9.3
1978	171.7	29.4	17.1	17.6	10.3
1979	216.0	34.7	16.1	21.6	10.0
1980	245.8	41.2	16.8	28.1	11.4
1981	244.1	43.3	17.7	28.3	11.6

Source: GATT AND EEC annual reports; US Foreign Trade - Fiscal Year 1981

High growth percentages seem unlikely, especially if development policy rightly places the emphasis on incentives to encourage local food production. The levy proposed by the Commission on the consumption of 'other oils and fats' may strictly speaking be an internal matter but it will certainly not have a favourable influence on relations with third countries (estimated yield: 600 m ECU).

24. Internal barriers to trade are a further factor which cannot be disregarded; there have been delays in the harmonization of legislation and in some cases also a 'proliferation' of trade barriers, particularly in the veterinary and plant health areas (page 42).

INCOMES OF SMALL FARMERS

25. The Commission confines itself to announcing its intention of proposing such measures as may be necessary to safeguard the incomes of small producers and of certain farmers in problem areas.

Practical action must be taken to implement this intention while ensuring that no premium system is set up which might in turn offset the impact of measures to regulate the market.

26. In the present difficult state of agriculture in Europe, the Commission would do well to improve its methods for determining farm incomes and ensure greater objectivity so that more accurate calculations can be made of the influence of proposed measures on incomes. The first studies by the Statistical Office of the European Communities on the possibility of applying purchasing power parities show that the calculations in ECU used up to now may give a distorted picture of the true situation.

27. If we apply the criterion of purchasing power parities instead of ECU the share of the countries with strong currencies in the value of agricultural production falls, while that of the countries with weak currencies increases as shown by the following figures:

Net added value at factor costs
(% for 1981)

	in ECU	applying purchasing power parities
D	12.84	10.84
F	25.08	22.02
I	27.55	33.22
NL	7.54	6.69
B	3.03	2.77
L	0.12	0.12
UK	10.91	9.44
IRL	2.13	2.32
DK	2.92	2.40
GR	<u>8.23</u>	<u>10.18</u>
EUR 10	100.00	100.00

Source: working document EC Statistical Office.

MONETARY COMPENSATORY AMOUNTS

28. If the distortions outlined above also occur in the case of price and income comparisons, the Commission's proposals for the rapid automatic dismantling of MCAs must be treated with particular caution.

29. At the beginning of this year before the latest parity adjustments within the EMS, the President-in-Office of the Council made the following figures available to the Committee on Agriculture of the European Parliament (PE 83.915):

Country	Increase in M0 prices ¹ ECU national currencies	Real prices for farm products in national currencies ² nominal/real	agricultural production prices national currencies/ nominal ³	cost of living
Federal Republic of Germany	+46.9 + 27.8	+ 18 -14	+ 39	+ 36
France	+46.9 + 95.1	+ 81 -11	+ 96	+108
Italy	+46.0 +116.5	+163 - 6	+154	+198
Netherlands	+46.9 + 43.1	+ 27 -15	+ 46	+ 53
Belgium	+48.0 + 54.7	+ 36 -12	+ 52	+ 59
Luxembourg	+45.9 + 53.2	+ 47 - 5	+ 50	+ 59
United Kingdom	+46.7 + 92.5	+ 90 -17	+119	+138
Ireland	+46.5 +111.4	+130 -11	+138	+173
Denmark	+48.0 + 94.5	+ 76 -10	+ 88	+102
Greece	- -	+242 + 8	+205	+220
EEC (10)	+46.8 -	+ 88 - 6	+ 91	+107

¹ Price decisions for guide prices in 1982/83 as against 1975/76

² After correction for inflation in cost of living and cost of means of farm production

³ Average values for current production

30. The automatic dismantling of MCAs would bring with it a risk of a reduction in prices expressed in national currencies, in particular for German and Dutch producers. In the case of Germany, for example, the market organization prices expressed in ECU have risen by 91.5% and by 63.0% in DM since the introduction of MCAs in 1972. Without these MCAs the increase in DM would only have been 47.6%. However, since 1972 there has already been a progressive dismantling of 14.5%. In other words, without that progressive dismantling the present 13% MCAs (8.4% prior to the last currency adjustments) would have been almost 28%. The Commission's proposal to dismantle these MCAs in two stages will entail a fall in DM prices of several percentage points even if there is a substantial price rise in ECU. Here again the question as to the political and social acceptability of the proposals can only be answered on the basis of reliable data on the true impact on incomes and a comparison thereof with the incomes in other sectors which are also in a crisis situation.

31. The Commission maintains that lasting solutions to the present problems can only be found by placing greater emphasis on structural measures than on market intervention and price support. Furthermore it confines itself to recalling its proposals for the definition of integrated programmes for the Mediterranean regions and for an increase in the efficiency of the structural funds. It also announces proposals to extend and adapt the most important socio-structural directives in the agricultural sector whose validity expires this year.

32. Since structural measures deserve strong support, the question arises as to why the Commission largely omits to make corresponding proposals in its documents on the reform of agricultural policy.

FINANCIAL GUIDELINES

33. The Community institutions have now indicated the principle that agricultural expenditure must not rise at a faster rate than the Community's own resources. However, this principle seems difficult to put into practice during the price negotiations and in periods when structural imbalances are intensified by world market trends, the dollar parity and so on.

34. The Commission is proposing measures of a procedural nature. However, the Council of Ministers of Agriculture will no longer be able to decide on its own to spend more money than the Commission has proposed. It will only be possible for these decisions to be taken at a joint meeting of the Council of Ministers of Agriculture and Finance. Two technical budgetary proposals are relevant in this respect: an annual reserve for the EAGGF in Chapter 100 and the automatic carryover of outstanding appropriations to the next budget year.

35. In constitutional and budgetary terms these proposals do not appear to have been carefully thought out: they would give the Council, depending on its composition at any given time, special rights and the possibility of independent action; furthermore they would encroach upon the principle of annuality of the budget while at the same time undermining the budgetary powers of the European Parliament. The proposed objectives can, however, be attained i.e. the idea of keeping expenditure on agricultural policy as on any

other policy within the limits of available resources, by setting aside a reserve for unforeseen contingencies and allowing agricultural policy itself to benefit from savings which may have been made in the previous year. Means of doing this exist without encroaching so seriously on existing budgetary prerogatives.

36. It is sufficient for the members of the Council to realize that no expenditure can be effected unless the corresponding budgetary resources are available and for the making available of budgetary resources no longer to be the exclusive preserve of the Council but to fall under the responsibility of the budgetary authority. If problems of this kind are discussed by a Council attended solely by the Ministers of Agriculture they would of course be well advised to call in their colleagues from the finance ministries. The latter would then be able to indicate where the extra resources can be found; the assent of the European Parliament should be needed to make these resources available, particularly for a transfer of appropriations from other sectors or for a supplementary budget if new credits are required.

37. In practice this means that the Commission must accompany its price and related legislative proposals by further proposals for transfers of appropriations and/or by a preliminary draft supplementary and amending budget. The Commission must also make it perfectly clear that it will refuse to implement Council decisions which increase expenditure where there is no budgetary cover. If this approach is extended to expenditure resulting from existing legislation, it means that as soon as such expenditure threatens to exceed the appropriations entered in the budget, the Commission must make use of its right of initiative to propose the inclusion of additional appropriations in the budget or to review current statutory provisions. Refusal by the Council to take the necessary decisions would appear to constitute a typical case justifying proceedings in the Court of Justice for failure to act (Article 175 EEC).

38. The proposal that an annual reserve for agricultural expenditure should be included in Chapter 100 of the budget is acceptable in so far as that part of this reserve which is set aside for expenditure not necessarily resulting from existing regulations is also classified as non-compulsory expenditure.

The automatic transfer of appropriations to the next budget year unnecessarily calls into question the principle of the annuality of the budget and makes it unnecessarily difficult to compare expenditure between years. The financial regulation proposes a more appropriate procedure, namely that of non-automatic transfers of appropriations.

FINANCIAL IMPLICATIONS

39. Subject to the usual reservations concerning the development of the world market, exchange rates and weather conditions, the Commission estimates the savings which would result from the proposed reform at 2.5 thousand million ECU for the 1984/85 marketing year, 2.9 thousand million for 1985/86 and 3.2 thousand million for 1986/87. These figures are difficult to verify without seeing the specific legislative proposals required to implement the reform. It is also not clear to what extent revenue from the levy on oils and fats (600 m ECU) and the additional levy in the dairy sector can be treated as savings.

40. Furthermore, it cannot be said with certainty whether these savings will be sufficient to hold the increase in expenditure below the level of increase of own resources. If we assume that

- without any reform expenditure would continue to rise at the average growth rate noted between 1975 and 1983 (17%)¹
- one-third of the indicated savings for a given marketing year will be achieved on the budget of the current year and two-thirds in the following year

we arrive at the following position:

¹ The figure of 15.5% indicated in annex II to COM(83) 500 is derived from the inclusion in the calculations of the proposed expenditure for 1984 (+4%) which, however, already implies extensive savings

m ECU

EAGGF - GUARANTEE	1983	1984	1985	1986	1987
Expenditure without savings	15,811	18,499	21,644	25,323	29,628
Savings 1984-85		833	1,667		
Savings 1985-86			967	1,933	
Savings 1986-87				1,067	2,133
Expenditure with savings	15,811	17,666	19,010	22,323	
Increase as %/year		11.7%	7.6%	17.4%	
Increase in own resources		7.5%	8%	8.7%	

These figures cast serious doubt on the possibility of respecting the appropriation proposed in the draft budget for 1984.

41. In the triennial financial estimates used for the 1984 preliminary draft budget the Commission works on the basis of the following two hypotheses (PDB 84 volume 7 page A 118):

1. 6% annual increase in expenditure owing to a more favourable conjunctural situation.
2. 12% annual increase in expenditure as a consequence of a less favourable conjunctural trend and/or fixing by the Council of price decisions and accompanying measures for 1983/1984 which are less stringent than the Commission's own proposals.

The Commission adds that an annual percentage of 12% is roughly equivalent to the average increase in expenditure for the period 1980 - 1983. However, it calculates expenditure for 1985 and 1986 on the basis of the 1984 expenditure figures proposed in the preliminary draft budget (16.500 m ECU) which show an increase of 17.4% over the original 1983 budget but are only 4.4% higher than in 1983 following the adoption of the supplementary budget.

CONCLUSIONS

42. The Committee on Budgets

- (a) Regrets that since the mandate of 30 May 1980 the Community has lost more than 3 years in bringing about any reform of the common agricultural policy partly because the Council has failed to act on the documents submitted to it by the Commission; considers that the document presented on 28 July 1983 must be followed up as a matter of urgency by legislative proposals and notes that the Commission did at long last begin to do so at the end of September.
- (b) Stresses the fact that reform of the CAP can no longer be postponed, both to ensure the possibility of financing this policy and also if all the aims set out in Article 39 of the Treaty are to be attained; points out that in the absence of this reform the EAGGF may already cease to be able to meet its obligations in 1984 through a lack of financial resources in the Community.
- (c) Believes that the package of reforms announced is hardly likely to bring about the urgently needed improvement in European agricultural production and thus to hold the annual rate of increase of agricultural expenditure within the limits proposed by all the Community institutions and in particular to ensure that agricultural expenditure grows at a slower rate than the increase in the Community's own resources.
- (d) Is therefore only able to view the present proposals as the start of a more far-reaching process of reform, and reserves the right to amend the legislative proposals setting out details of the reform accordingly, having regard to the objectives of Article 39 of the EEC Treaty and the available financial resources.
- (e) Expects the Commission to implement the reforms called for in the Plumb report(1) and in particular:

(1) Doc. 1-250/81 - OJ No. C 172, 13.6.1981

- to develop the announced reform further in the direction of a limitation of the market organizations to their function of regulating the market, with a stronger emphasis on structural measures including those relating to incomes policy;
 - to submit as a matter of urgency proposals for more efficient market management;
 - to take immediate measures to abolish those support and premium arrangements which are not or are no longer compatible with the objectives of the common agricultural policy;
- (f) Reminds the Commission of its obligation to ensure respect for the Treaties including the provisions thereof concerning the balance between budgetary expenditure and revenue and the limitation of the Community's own resources; in this connection believes that new price proposals from the Commission must form part of an overall agreement on agricultural reform.
- (g) Reaffirms that the agricultural policy, like any other policy, can only be implemented if budgetary appropriations are available within the limits of the Community's own resources and that no increases in expenditure can be agreed unless the corresponding appropriations are first made available; calls upon the Commission and Council to draw up, together with Parliament, a Joint Declaration specifying how this principle is to be safeguarded.

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

Letter from the chairman of the committee to Mr CURRY, chairman
of the Committee on Agriculture

11 October 1983

Dear Mr Chairman,

At its meeting of 10 October 1983 in Strasbourg the Committee on Budgetary Control adopted the following opinion on the abovementioned document.

The committee first noted a number of positive aspects of the Common Agricultural Policy: greater price stability, security of the Community's food supplies, improved balance of payments as a result of the reduction of some food imports, improvements in agricultural incomes and a moderate increase in the Member States' agricultural spending.

The Committee on Budgetary Control again expressed its views on the need for better control of agricultural spending, and, in addition to tighter market management, proposed an improvement of the EAGGF machinery and the abolition of ineffective or superfluous measures .

In its recommendations, the Stuttgart European Council called for stricter management of resources, better control over and greater effectiveness of funding and thereby endorsed the constant efforts of the European Parliament and its committees. Parliament will carefully examine the special report on the subject by the European Court of Auditors called for by the European Council.

Parliament's efforts have not been in vain, as in its Memorandum on guidelines for European agriculture (COM(81) 608) the Commission announced that successful management had allowed savings of 1,000 ECU in 1981 in the dairy sector alone.

¹ See the AIGNER and BATTERSBY reports (exports of agricultural products to the state-trading countries), the WETTIG report (the cereals sector), the AIGNER report (Christmas butter), the reports on the EAGGF financial reports, Mr SCHÖN's opinion on the Mandate of 30 May and the IRMER, KEY and SCHÖN discharge reports

13 October 1983

The terms of reference of the Committee on Budgetary Control include the adequacy, effectiveness and regularity of the administration of the budget. Its comments on the Commission report therefore cover:

- (a) financial control;
- (b) the abolition of measures adjudged to be ineffective or superfluous;
- (c) administrative economies.

The Committee on Budgetary Control is also concerned at the subsidies being paid by the individual Member States in the agricultural sector, which far exceed spending under the EEC budget. These could thwart the aims of the Common Agricultural Policy.

The committee also referred to earlier reports on the export of foodstuffs to the State-trading countries. It has nothing against this in principle, provided that normal market conditions apply and no abnormal speculative transactions are undertaken.

Financial control

In paragraphs 6.4 - 6.7 the Commission report makes the following proposals for strengthening financial control:

- stricter exercise of control by the national authorities where they are entrusted with it;
- increased Commission powers, especially as regards quality control and the coordination of national control arrangements;
- the introduction of special control arrangements in some sectors (olive oil), in which the national and Community administrations act jointly;
- speeding up of procedures for clearing accounts. In the discharge procedure the European Parliament does have a powerful instrument, but its effectiveness is reduced by prolonged delay in clearing EAGGF accounts.

The Committee on Budgetary Control has made a number of proposals to strengthen budgetary control, e.g. the possibility of making spot checks in extreme cases, the setting up of inspection units consisting of national and Community officials and the greater use of data processing facilities. These proposals will also be included in a future report on the campaign against fraud. Particular attention was given to the earliest possible recovery of improperly made payments.

The committee made particular reference to the positive results of its inquiries into irregularities at the border between the UK and Ireland. The reduction in the number of irregularities achieved by these investigations suggests that with energy and persistence, similar results could be produced at other borders.

Abolition of measures adjudged to be ineffective or superfluous

In the course of its work the Committee on Budgetary Control has found that many measures are of questionable effectiveness or at the very least require improvement. The Commission has also considered this aspect and proposes the abolition or amendment of the following measures:

- (a) the special subsidy for butter consumption;
- (b) Christmas butter;
- (c) Premiums for cessation of milk production;
- (d) Calf premiums
- (e) Various premiums for cattle in the United Kingdom;
- (f) Aid for processing fruit withdrawn from the market;
- (g) Aid for processing fruit for orange juice;
- (h) Aid for processed cherries;
- (i) Aid for olive oil production;
- (j) Aid for short-term storage of wine;
- (k) Abolition of monetary compensatory amounts. This would enhance the clarity of the budget, simplify the common agricultural policy and reduce opportunities for fraud.

Almost all these proposals accord with the opinions and studies carried out by the Court of Auditors and the Committee on Budgetary Control.

However this is not true of Christmas butter. Here the Commission is applying past experience with bungled measures to arrangements which are as yet untried: the free distribution of surpluses proportionate to the amounts sold. The following objection does however apply in principle: under certain circumstances special schemes could be justified in the interests of proper management of the market if they make economic sense and are effective.

Administrative economies

The Committee on Budgetary Control recalled that Parliament had frequently called upon the Commission to pay greater attention to market conditions when administering funds, and to take appropriate precautions (e.g. better management of machinery for export refunds, export policy planning). The Commission has also proposed action along these lines, especially in respect of cereals, dairy products and beef.

However, these measures require decision-making procedures which allow stricter budgetary management, set out by the Commission in paragraphs 7.3 and 7.4:

- joint decisions with the budgetary authority on agricultural prices;
- reserve appropriations to be entered in the budget each year to cover economic uncertainties;
- this reserve possibly to be financed from EAGGF appropriations not spent in the previous year, rather than repaying these funds to the Member States.

In this connection the Committee on Budgetary Control would refer to the suggestions it has made to the various control authorities with which it is in permanent contact, at national as well as Community level (financial control, Court of Auditors, special inquiry groups) and proposes:

- the simplification of Community regulations;
- harmonization of administrative practices and national legislation;
- more detailed definition of the economic objectives of Community regulations.

We should be most grateful if you would bring this opinion of the Committee on Budgetary Control to the notice of your committee.

Yours sincerely,

(sgd) Heinrich AIGNER
Chairman

The committee adopted this opinion nem. con. (1 abstention).

The following took part in the vote: Mr TREACY and Mrs BOSERUP (vice-chairmen), Mr KEY (sub-rapporteur), Mr GABERT, Mrs HERKLOTZ (deputizing for Mrs van HEMELDONCK), Mr LALUMIERE, Mr MART, Mr SABY, Mr Konrad SCHÖN, Mr SIMONNET (deputizing for Mr MARCK) and Mr WETTIG.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND
CONSUMER PROTECTION

Draftsman: Mr K. COLLINS

At its meeting of 21 September 1983 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Collins, draftsman.

It considered the draft opinion at its meeting of 29 September 1983 and adopted it unanimously.

The following took part in the vote: Mr Collins, chairman and draftsman; Miss Hooper, vice-chairman; Mr Ceravolo (deputizing for Mrs Le Roux), Mr Eisma (deputizing for Mrs Spaak), Mr Ghergo, Mrs Krouwel-Vlam, Mr Mertens (deputizing for Mr Del Duca) and Mr Muntingh.

1. The Committee on the Environment, Public Health and Consumer Protection in this opinion on the reform, or adaptation of the CAP, will confine itself to the consumer protection aspects of the Commission's proposals. The Committee has consistently pointed out that the CAP should not be seen in isolation, but in the context of a common food policy, a policy which will take equal account of the need to guarantee farm incomes with the need to supply food to consumers at reasonable prices.

2. It is clear that the Community can no longer continue to provide guaranteed prices for products which are consistently in surplus and when there does not seem to be any prospect of outlets for these products increasing. The Commission rightly states in the introduction to the Communication that agricultural producers will in future have to participate more fully in the cost of disposing of production beyond a certain threshold.

3. Of the different sectors examined by the Commission the dairy sector presents the most urgent problem, and it is to this sector that the Committee will address most of its remarks. Consumption of milk products in the Community has begun to stagnate, whereas production continues to increase. In response to this situation the Commission considers that the principle of the guarantee threshold in the dairy sector should be implemented through a quota system accompanied by a "restrictive price policy". The system would be applied by means of a "super levy" on deliveries in excess of the 1981 level. The logical effect of such a super levy would be to encourage farmers to cut back on production. If this system is successful, while it might stabilize surpluses at the 1981 level, it will not necessarily bring in increased revenue. The Committee considers that the quota system, even if it could be made to work, could have a negative effect on consumer interests, as producers experiencing a loss of income due to the system would be forced to demand price increases to off-set this loss.

4. Expenditure on aids and premiums paid from the Community budget to supplement farmers' incomes has been increasing in importance in recent years and is now the largest single category of expenditure in the guarantee sector of the EAGGF i.e. 44% in 1983. One of the reforms being proposed by the Commission is the phasing out of the general Community subsidy for butter. It has found that the volume of extra butter consumed because of the subsidy is relatively small and considers that although butter consumption will probably decrease as a result, the loss in consumption could be made good by the extension of more cost-effective aids for the use of butter in other foods such as pastry, ice-cream etc. It has also proposed to increase the fat content of whole milk for human consumption. The so-called "Christmas butter scheme" is to be discontinued.

5. The Committee considers the proposal to increase the fat content of milk is unacceptable at a time when consumers are being encouraged to reduce consumption of fats for health reasons. Further, the Commission is proposing to tax oils and fats to correct the imbalance in the market situation between olive oil and other vegetable oils on the one hand and butter and other fats on the other hand. The result of the Commission's proposal would be to push up the consumer price of the alternatives to butter and olive oil. If consumers are increasingly turning to such alternatives, it is not only for health reasons but particularly because of lower prices.

6. The European Parliament on 14 September 1983 adopted a resolution on the sales of reduced price Christmas butter. The Commission claims that such sales do little to encourage additional consumption as consumers "simply store the concessionary butter and reduce further purchases accordingly". The Committee cannot accept this point of view considering that the marketing of reduced price Christmas butter is a suitable means of promoting sales and reducing large stocks, while at the same time maintaining the economic value of the product. The Commission's argument that consumers simply store the concessionary butter and reduce further purchases accordingly may be true to a certain extent but this is to deny the social aspect of such sales. It

would also be unrealistic to suppose that the problem of surplus butter will be solved by the disposal measures outlined in paragraph 4 (increasing fat content of milk, etc.).

7. The Committee reiterates its request to the Commission to look into the feasibility of direct income aids, which remains the only alternative which has not been tried by the Commission. Despite its promise in 1981, the Commission has not made any proposals either in the current Communication or during the annual price review.

8. On the positive side the Committee agrees with the Commission's emphasis on long-term structural action in the future and notes that proposals have already been submitted for the introduction of integrated programmes for the Mediterranean regions as well as for improving the effectiveness of the Regional and Social Funds and the Guidance Section of the EAGGF.

9. The Committee is concerned, however, that no mention has been made of the environmental aspects of changes in agricultural policy. Past experience and present practice have led to serious concern about the conservation of landscape and wildlife, and therefore this should be seen to be a central issue in future policy. This has implications for the further development of the use of chemicals, increased mechanization, factory farming and animal welfare.

10. Finally, the Committee fully agrees with the Commission's proposal that the Council adopt the following rule: "If the Agricultural Council is likely in the opinion of the Commission, to exceed the costs proposed by the Commission, the final decision must be referred to a special Council meeting attended by the Ministers for Finance and the Ministers for Agriculture and can only be adopted at that special meeting".

This rule will ensure that the annual price review will be undertaken in a more objective manner and may prove more satisfactory from the consumers' point of view.

CONCLUSIONS

11. The Committee on the Environment, Public Health and Consumer Protection:
- (a) Stresses the need to see the CAP in the broader context of a common food policy;
 - (b) Emphasises that future policy must take serious account of public concern over conservation of landscape and wildlife;
 - (c) Recognises the Commission's attempt to find long-term solutions to the problems arising out of the CAP and in particular the problem of surplus production;
 - (d) Considers, however, that in its desire to have agreement in principle on reforms before the end of 1984, the Commission has not fully examined the impact of some of the measures on consumers;
 - (e) Considers that the proposed super-levy on excess milk production will have a negative effect on consumer interests in the long-term, as producers demand price increases to off-set their loss in income;
 - (f) Calls on the Commission to abandon the proposal to increase the fat content of milk as this proposal is unacceptable from a health point of view and will in any case have a minimal effect on reducing the butter surplus;
 - (g) Draws attention to the resolution adopted by the European Parliament on 14 September 1983 on sales of reduced price Christmas butter and insists that such sales should continue;
 - (h) Regrets that no proposals have been made on direct income aids;
 - (i) Welcomes the rule whereby a special Council meeting of Finance and Agriculture Ministers must be called if the Agricultural Council is likely to exceed the costs proposed by the Commission.