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Report

drawn up on behalf of the Committee on Agriculture
on the proposals from the Commission of the European
Communities to the Council
concerning:

- I. a regulation altering, with effect from 1 April 1983,
the intervention prices for butter, skimmed-milk
powder and Grana Padano and Parmigiano Reggiano
cheeses (Doc. 1-970/82)
- II. the fixing of prices for certain agricultural
products and certain related measures (1983/1984)
(COM(82) 650 final)

Part B : EXPLANATORY STATEMENT

Rapporteur: Mr J. MOUCHEL

PE 82.317/fin./B

EXPLANATORY STATEMENTI. INTRODUCTION

1. On 18 November 1982, the European Parliament adopted a resolution on its position on the framing of the price proposals and related measures for the 1983/84 marketing year, on the basis of a report by the Committee on Agriculture (Doc. 1-837/82).
2. The aim of this report and resolution was to involve the European Parliament in the decision-making process leading to the submission by the Commission of the price proposals and related measures for the forthcoming marketing year, to enable a consensus to evolve between the Community institutions so as to facilitate the consideration and adoption of the price proposals by both Parliament and the Commission by 1 April 1983 at the latest.
3. In the abovementioned resolution, Parliament had called on the Commission to submit its price proposals for the forthcoming marketing year by 15 December 1982. The Commission was unable to meet this deadline. Nevertheless, the fact that it adopted its price proposals on 21 December 1982, a week after the deadline set by Parliament, is evidence that the Commission has made some effort to keep within reasonable time-limits and it should be possible for the Council to adopt them by 1 April 1983. It should be recalled that last year the Commission adopted its proposals only on 1 February 1982, and the Council on 20 May 1982. This delay caused losses to farmers - mainly among milk producers - of 500 million ECU which have never been compensated.
4. The Committee on Agriculture hopes that an intolerable situation of this kind will not recur this year and that the Council will be able to adopt the prices by 1 April 1983. Nevertheless, if by any misfortune this should not prove possible, temporary measures would have to be taken at Community level to ensure that farmers do not suffer from a situation for which they are in no way responsible.
5. That said, it is worth recalling briefly the recommendations laid down by the European Parliament in its resolution of 18 November 1982 and then setting them alongside the Commission's proposals in order to make a critical assessment of the latter.

II. THE RESOLUTION OF 18 NOVEMBER 1982

6. The resolution first lays down a method for calculating the average increase in farm prices for the forthcoming marketing year. This would involve, in particular:
 - (a) making good the losses of earnings sustained by farmers in recent years, including those suffered as a result of the delay in the fixing of agricultural prices for the 1982/83 marketing year,
 - (b) allowing for the average rate of inflation recorded in the Community and laying down specific measures for those countries where the rate of inflation is higher than the average,
 - (c) dismantling positive MCAs without causing loss of income to farmers in the countries concerned,
 - (d) adjusting the increase in the price of individual products so as to ensure the balanced development of all the regions of the Community,
 - (e) creating a price range which is more favourable to products that are in short supply and need to be promoted.

7. With regard to cereals and substitute products, Parliament opposed a realignment of Community cereal prices with those applied by the major producer countries, as this could jeopardize Community cereal production and, paradoxically, encourage the use of substitute products.

8. Parliament also called for:
 - (a) the stabilization of imports of substitute products (manioc, soya, maize gluten),
 - (b) the encouragement of cereals of bread-making quality (wheat, rye),
 - (c) the encouragement of maize and protein plants which are in short supply in the Community.

9. With regard to oleaginous products, Parliament again stressed the need for a coherent common policy in the oils and fats sector, as imports of oleaginous products at reduced rates of duty were competing with Community-produced olive oil and butter and creating problems for these products.

Parliament confirmed this point of view at its sitting of 12 January 1983 when it adopted the report by Mr Vgenopoulos (Doc. 1-964/82) on olive oil. In particular, Parliament pointed out in paragraph 12 of the resolution that it had 'on several occasions called for a global Community policy on fats and oils involving the introduction of a levy on all vegetable fats and oils, while safeguarding the interests of developing countries'.

10. As far as milk is concerned, Parliament reaffirmed the importance of a remunerative price, as a great many farmers derive the bulk of their income from this product and have little possibility of switching to alternative productions, especially small farmers and the older ones. Nevertheless, in view of the difficulties currently facing the dairy sector, Parliament called for measures for the voluntary limitation of production.
Parliament also called for beef and veal production to be encouraged as an alternative to dairy production.
11. With regard to Mediterranean products, Parliament believed that a strengthening both of the market organizations and the production, marketing and processing structures was necessary. It placed particular emphasis on the need to launch integrated development programmes in order to bring about the socio-economic changes vital to the growth of the Mediterranean regions.
12. Finally, Parliament expressed its concern at the failure to respect Community preference and at the imports of substitute products at a reduced rate of duty or duty-free, which create serious problems for the common organization of certain markets (milk and dairy products, oils and fats, cereals, beef and veal) and involve extra costs for the EAGGF. While appreciating the need to have agricultural trade relations with both the developed and developing countries, Parliament stressed that these must be based on fair competition and balanced trade, which is not often the case, particularly in the case of the United States, which has just launched what amounts to a trade 'war' with the Community by granting \$1,250 million worth of loans with interest rate subsidies to their farmers in January 1983 - in addition to the \$500 m already granted in October - in order to find outlets for their substantial surpluses (particularly in cereals) on the world market.
13. For those products not mentioned in the present chapter, reference should be made to Parliament's resolution of 18 November 1982. Having reviewed Parliament's position as expressed in that resolution, let us now turn to a brief examination of the Commission's proposals for the 1983/84 marketing year.

III. THE COMMISSION'S PROPOSALS FOR THE 1983/84 MARKETING YEAR

14. For the 1983/84 marketing year, the Commission is proposing a general increase in farm prices of 5.5%, with a lower increase for some products (cereals and sugar) and a slightly higher one for certain Mediterranean products (certain oleaginous products, protein products, cotton, fibre plants and tobacco). The Commission has also taken account of the fact that the guarantee thresholds decided by the Council in 1982 for milk, cereals and colza, have been exceeded and has therefore proposed a corresponding reduction in the intervention prices for these products.
15. As regards agro-monetary measures, the Commission is proposing a reduction of the positive MCAs in Germany (- 2.8 points), the United Kingdom and the Netherlands (- 2.3 points), in addition to the reduction or abolition of negative MCAs in France, Belgium and Luxembourg, already approved by the Council. It should be pointed out immediately that some of the Commission's proposed reductions in MCAs have been overtaken by events because of the fall in the value of sterling and, in particular, the recent 15.5% devaluation of the Greek drachma. Further proposals on this subject can be expected.
16. The additional net cost of these price proposals is estimated at about 330 m ECU in 1983 and about 640 m ECU in 1984. The rate of increase in agricultural support expenditure over several years should therefore remain lower than the increase in the Community's own resources. The impact of the proposed price increases on consumer prices will be slight. The corresponding increase in consumer food prices is estimated at less than 2% and the increase in the cost of living at about 0.3%.
17. In submitting these proposals, the Commission has taken account of four basic considerations:

- (a) As in 1982, it has based its proposals on the 'Guidelines for European Agriculture' of October 1981¹, in which it analysed the development of the Community's agriculture and defined a long-term strategy for the adaptation of the common agricultural policy. In particular, the Commission is proposing to implement the guarantee thresholds for certain major products, on the understanding that if production exceeds the agreed thresholds the guaranteed prices will be reduced or producers will be called on to contribute to the cost of the disposal of that part of their production which exceeds the thresholds fixed. The Council accepted this principle for the 1982/83 prices and fixed guarantee thresholds for cereals (except durum wheat), milk, colza and tomatoes. For sugar this principle is already established as part of the current organization of the market, as it is producers themselves who finance exports, with the exception of the quantity corresponding to 1.3 m tonnes of ACP sugar.
- (b) During 1982 the volume of agricultural production increased again, reaching record levels for milk and cereals and very high levels for sugar, wine and various fruits and vegetables as a result of particularly favourable climatic conditions. However, the Commission believes that the exceptionally high level of production in 1982 is only a reflection of long-term trends. It considers that the reason for this unbalanced situation lies in the maintenance of guaranteed or subsidized prices for unlimited production which does not always correspond to the needs of the market. As the Community is a permanent exporter and therefore dependent on external markets to dispose of its production, it must take account of the signals given by the market and display its willingness to avoid imbalances on the world markets. Everything depends, of course, on the view that is taken of the world markets, which are distorted by the practice of dumping deliberately perpetrated by certain major exporter countries in their attempts to achieve absolute supremacy in these markets.

¹ COM(81) 608 final of 23 October 1981

- (c) Agricultural incomes should develop more favourably in 1982 than in previous years. Provisional estimates show that producer prices have increased by 12% while intermediate consumption prices have only increased by 10%. This marks a new development as far as Community farmers are concerned: from 1977 to 1981, the increase in producer prices was lower than that in intermediate consumption prices. Taking account of the increase in the volume of production, agricultural incomes in 1982 appear to have risen by 8.6% in real terms, after three consecutive years of decline.
- (d) The Commission is convinced that structural policy must play a greater role in improving agricultural incomes and reducing existing disparities in incomes both within the farming sector and between the farming sector and the economy as a whole. For certain countries the annual increases in common prices are inadequate to enable them to integrate their agriculture into the general economy and involve farms in less-favoured zones in rural development. (This viewpoint can be accepted provided it does not mean moving from a system of common prices to one of direct aid).

The process of adapting Community policy on agricultural prices and markets must therefore be accompanied by a strengthening of the agricultural structures policy, which is to be reviewed in 1983, and the introduction of integrated programmes for the Mediterranean regions, which Parliament would like to see submitted as soon as possible.

18. The Commission's price proposals, according to its own presentation of them - which as we shall see below is questionable - can be summed up as follows.
19. The general price increase for the 1983/84 marketing year is 5.5%. It applies to all animal products (milk, beef and veal, pigmeat and sheepmeat), wine and fruit and vegetables (with the exception of tomatoes), colza, olive oil, rice and also to production aid for durum wheat and premiums for rye of bread-making quality. However, the Commission's proposals include two significant exceptions:

- (a) With regard to milk, deliveries to dairies increased by at least 2.7% in 1982, thus exceeding the guarantee threshold set for 1982 which authorized an increase of only 0.5%, corresponding to the increase in consumption. The Commission has therefore proposed a 2.2% reduction in intervention prices for 1983/84, which would be applied at the same time as the normal increase of 5.5%. As a result, the intervention price will be increased by only 3.18%. The co-responsibility levy will remain at the same level of 2%. The guarantee threshold is to be set at the 1982 level plus 0.5%, the equivalent of 97.19 m tonnes.
- (b) With regard to colza (rape seed), the Council set a guarantee threshold of 2.15 m tonnes for 1982, specifying that the intervention price for 1983 would be reduced by 1% per tranche of 50,000 tonnes, is the average production for the years 1980/1981/1982 exceeded this threshold. As 1982 production amounted to 2.66 m tonnes (giving a tri-annual average of 2.2 m tonnes), the intervention price will be reduced by 1% and the increase in prices cut back to 4.5% in real terms. For 1983 it is proposed to fix the guarantee threshold for colza at 2.29 m tonnes.
20. For cereals, sugar and processed tomatoes, the Commission is proposing increases lower than the general level of 5.5%.
- (a) Production of cereals reached record levels in 1982. As the Community is increasingly obliged to dispose of its production on the world markets, themselves depressed following increases in production and stocks world-wide, the Commission considers it necessary to narrow the gap between the prices of Community agricultural products and those applied by competing producer countries, as proposed in its guidelines for European agriculture. The general price increase of 5.5% is therefore to be reduced by one-and-a-half points (2.69 ECU/t), representing the second stage in a gradual narrowing of this gap, an initial reduction having been implemented last year when cereal prices were increased by 8.5% as against a general increase of 10.4% for other products. In addition, the guarantee threshold fixed in May 1982 was exceeded by more than a million tonnes: the 1982 harvest (excluding durum wheat) is estimated at more than 124.5 m tonnes, giving a tri-annual average* of 120.85 m tonnes for the years 1980/1981/1982, while the guarantee threshold is 119.5 m tonnes. As a result, the intervention price for cereals (except for durum wheat) is to be reduced by 1%. The common intervention price for feed-grain and the reference price for wheat of bread-making quality will thus increase by only 3% in real terms, with a slightly lower increase for wheat of minimum bread-making quality

The guarantee threshold for 1983 is to be fixed at 120.6 m tonnes (excluding durum wheat).

- (b) With regard to sugar, the new organization of the market in operation since July 1981 is based on a production quota system, where producers themselves finance the disposal of quantities of sugar produced in excess of the quantity necessary to meet the needs of Community consumption.

Since Community sugar production is considerably greater than its consumption, and taking account of the relative sluggishness of world markets, the Commission considers it would be desirable for Community planters to reduce their beet-growing areas further, following the 9% reduction achieved in 1982. With this in view, the Commission believes that a price increase of only 4% for sugar beet and white sugar is appropriate.

- (c) Finally, taking into account the very high level of production of tomato-based processed products (tomato purée, canned tomatoes), the Commission considers that caution is essential in this sector, particularly in view of the short growing cycle of the tomato and the availability of processing aids. The Commission is therefore proposing to increase the basic price of tomatoes by 3.5% instead of the 5.5% proposed for fruit and vegetables in general.

21. For a certain number of other products which are either mainly from the Mediterranean regions or are in short supply in the Community, the Commission is proposing increases in intervention prices and aids higher than the average increase of 5.5% mentioned above. The products concerned are as follows:

(a) Oleaginous products (except olive oil and colza)

sunflower seeds	(+ 6.5%)
soya	(+ 6.5%)
flax seed	(+ 6.0%)

(b) Protein crops

peas and field beans	(+ 6.5%)
dried fodder	(+ 6.0%)

- Textile fibres

cotton	(+ 7%)
flax and hemp	(+ 6%)
silkworms	(+ 6%)

- Tobacco

Intervention prices are to be increased from 4 to 7.5% and premiums from 5 to 9%, to encourage the production of the varieties most easily marketed.

22. The other measures proposed by the Commission are mainly concerned with quality control and direct aids.

In the cereals sector the Commission intends to continue its policy of quality improvement. In particular, in view of the growing surpluses of low-quality common wheat, it is proposing to reduce still further the difference between the price of common wheat of minimum quality and the common intervention price for feed-grain. It is also proposing to introduce a minimum quality for export and a more detailed and voluntary system of certification in respect of the quality of common wheat exported.

Special measures are proposed for durum wheat to facilitate the sale of Greek surpluses to the other Member States.

Finally, the Commission has declared that it is to continue its review of the organization of the market in rice with a view to improving market management.

In the dairy products sector the reduction in intervention prices will probably aggravate the income problems faced by small-scale milk producers. The Commission has therefore retained the direct aid of 120 m ECU granted to these producers last year.

For beef and veal, the Community scale for the classification of carcasses is to be applied to buying-in operations from the beginning of the 1983/84 marketing year. The Commission is proposing to maintain the existing premiums at their current level and is continuing to examine the possibility of a more uniform system of direct aid to producers.

In view of the problems connected with the monitoring of production aid in the olive oil sector, the Commission intends to do its utmost to improve controls under the existing system.

Finally, in the fruit and vegetables sector, the Commission is inviting the Council to adopt its proposals for improving the monitoring of the application of the regulations, particularly with regard to quality standards.

23. These are the main features of the Commission's proposals on prices and related measures for the 1983/84 marketing year, on which Parliament is invited to give its opinion. However, to allow Parliament to deliver that opinion with a full knowledge of the facts, the Committee on Agriculture would like to express its criticisms and put forward suggestions to ensure that when the Council adopts its decisions, it takes account of the value of agriculture, which is a point of stability in an uncertain economic environment.

IV. CRITICISMS AND PROPOSALS

24. The Committee on Agriculture has two immediate criticisms to make of the Commission's proposals.

- (a) The average price increase in ECU, announced as a 5.5% increase by comparison with the 1982/83 marketing year, in fact represents an increase of only 4.4%. The Commission modestly draws a veil over the various co-responsibility measures contained in its proposals. However, these have a direct impact on producers' incomes.
- (b) The Commission claims to have 'taken into account the resolution adopted by the European Parliament on 18 November 1982 on the preparation of the agricultural price proposals for 1983/84'¹. Unfortunately, a close reading of that resolution and the price proposals shows that this is not the case. Soothing words of this kind will not make a bitter pill any easier to swallow.

25. Under these circumstances, the committee wishes to centre its criticisms and proposals on the following points:

- the desirable average price increase
- monetary compensatory amounts
- co-responsibility measures

(A) DESIRABLE AVERAGE PRICE INCREASE

26. The Commission bases its proposal for an average price increase in ECU of 4.4% on the favourable development of agricultural incomes and the market situation. However, the Commission neglects the recommendation contained in the European Parliament's resolution of 18 November 1982 to take account of the need to make good the losses sustained by farmers in previous years (including the 500 m ECU lost in 1982 following the delay in fixing the farm prices) and to dismantle to a large extent the positive MCAs, without causing loss of earnings to farmers in the countries concerned.

¹COM(82) 650 final, Vol I, p. 1, paragraph 4.

27. The Commission points out that while agricultural incomes increased by 8.6% in real terms in 1982,¹ they fell by 2.3% in 1979, by 6.4% in 1980 and by 0.2% in 1981. In addition, the Commission stresses that the development of agricultural incomes since 1975 has differed considerably (with a downward trend) from the development of the economy as a whole (Annex I).

A breakdown by country, as given in Annex II, shows that there is no cause for rejoicing over the development of agricultural incomes, even if some progress has been made in 1982. The example of countries such as Germany, France, the United Kingdom or Ireland provides ample evidence of this. Furthermore, the figures given in Annex II disregard the real level of incomes in each Member State, which, as Annex III shows, differ considerably from one country to another.

28. In view of the development of production costs and 'price scissors' (see Annex IV), the Committee on Agriculture considers that the average price increase for the 1983/84 marketing year should be not less than 7%, on the basis of the objective method, so as

- (a) to safeguard producers' incomes, which have fallen significantly in recent years;
- (b) to modify price increases in line with production surpluses and deficits;
- (c) to secure a better balance between incomes in farming and in other sectors of production;
- (d) to reduce existing regional imbalances;
- (e) to prevent an increase in national aids that would adversely affect the Common Agricultural Policy.

29. The Committee on Agriculture believes its proposal to be compatible with:

- (a) the Community budget, in as much as the 1% VAT ceiling will be respected. In the context of the 1983 budget there is still a margin for manoeuvre of 3,276 m ECU.

¹ A remark on methodology is called for here. The Commission calculates income on the basis of volume of production multiplied by market prices and not on the basis of the volume marketed, whereas in fact the stock resulting from the difference between these two methods is not available income. It should also be added that the marketing of these stocks would have involved a substantial fall in market prices.

(b) the fight against inflation being waged by the Member States, in that the proposal would involve an increase in the cost of living of only 0.38%, while maintaining agricultural employment; this can only be for the good of the rest of the economy. It is preferable to maintain a farmer in employment than to make him unemployed, particularly as the social cost (not to mention the human cost) is much less in the former case.

30. Nevertheless, there are countries such as Ireland, Italy and Greece, where even a very substantial rise in common prices is insufficient in itself to guarantee the farming population a decent income because of the high levels of inflation which prevail in these countries. To reduce existing imbalances between these Member States and the others, the Committee on Agriculture considers that structural measures should be taken to strengthen the process of economic convergence within the Community if an effective and lasting solution to this problem is to be found.

While waiting for these measures to take effect, interim measures should be taken for countries particularly hard hit by inflation, perhaps in the form of updating existing aids, interest-rate rebates, or reductions in charges under the co-responsibility scheme.

31. The Committee on Agriculture therefore invites the European Parliament to follow this approach and to vote the necessary funds in the context of the supplementary budget which the Commission will undoubtedly submit, in order to ensure consistency between the farm price decisions and those on the budget.

(B) MONETARY COMPENSATORY AMOUNTS

32. The Commission's proposals for reducing MCAs are insufficient to restore the unity of the common agricultural market in the near future. When they were first introduced, MCAs were intended as a temporary measure to prevent currency fluctuations from having an immediate effect on either consumer prices or producers' incomes, as the case might be. In practice, however, they have acquired a permanent character.

Although in one sense the MCAs permit the smooth functioning of the agricultural policy in the short term, in the medium and long term they create distortion of competition between the Member States, either because certain products are concentrated in particular Member States or because traditional trade patterns are affected. In this connection, the reader should refer to the communication from the Commission to the Council of

10 February 1978 on the economic effects of the agri-monetary system (COM(78) 20 final) and the updated version of 14 March 1979 (COM(79) 11 final). This document has lost none of its relevance today.

33. In addition to this economic study, it is worth recalling some of the pious hopes expressed by the Community bodies on the subject of MCAs in order to savour the irony of these remarks five years later.¹

34. At the European Council in Brussels on 4 and 5 December 1978, the Heads of State and Government decided to create a European monetary system (EMS) and adopted a resolution, one paragraph of which referred to MCAs²:
'The European Council stresses the importance of henceforth avoiding the creation of permanent MCAs and progressively reducing present MCAs in order to re-establish the unity of prices of the common agricultural policy, giving also due consideration to price policy'.

35. This resolution more or less reiterated the Commission communication to the European Council of 4 and 5 December 1978 on the future development of the common agricultural policy³, in which the Commission welcomed the introduction of a European monetary system (EMS) and urged the European Council 'to agree that the Community should dismantle systematically all existing monetary compensatory amounts' once the European monetary system had been fully established and became effective, taking account, where necessary, of compensations to producers or consumers.

¹ A study on this subject was drawn up by Mr DELATTE in the context of the discussions on the farm prices for 1980/81. 'Working document on monetary compensatory amounts' of 6 February 1980 (PE 62.826).

² Bulletin of the European Communities, No. 12, 1978, p.12

³ Bulletin of the European Communities, No. 11, 1978, p.122

36. Finally, the 'Gentlemen's Agreement' of March 1979 laid down a procedure for reducing MCAs.

The new MCAs introduced in the two years following the entry into force of the EMS were to be reduced in two stages, with effect from the beginning of the first and second marketing years respectively following the decision on farm prices taken after the introduction of these amounts.

These reductions were not to lead to a drop in prices in national currencies, or a rise in these prices which could cause difficulties for the economy of the Member State in question. During the period covering these two stages, the increase in common prices would be used mainly to dismantle the positive MCAs. The Council also affirmed its determination to reduce existing MCAs progressively so as to restore the unity of the common farm prices, taking due account of the prices policy. It was envisaged that this progressive reduction could be accelerated on the initiative of the Member State concerned.

The terms of the 'Gentleman's Agreement' call for some comment. The system of negative MCAs should not penalize farmers severely by making it impossible to adjust farm prices in national currency for reasons unconnected with agriculture but due to the economic policy conducted by a Member State.

37. There is no doubt that MCAs have been considerably reduced in the context of the EMS, as the maximum gap between positive and negative MCAs, which could be as high as 40 points, has been reduced by between 10 and 15 points since the establishment of the EMS. Nevertheless, the recent devaluation of the Greek drachma and the uncertainty surrounding the pound sterling - the two currencies not linked to the EMS - show that the basic problem of the MCAs has not been resolved, and the maximum gap between positive and negative MCAs is again of the order of 20 points. It can be seen, therefore, that there is a considerable discrepancy between the declarations of good intent quoted above and economic reality, which is marked by an inadequate degree of integration between the Member States' economies, making monetary adjustments inevitable and recourse to MCAs necessary.

38. In the past, the Commission has proposed mechanisms for abolishing MCAs on four occasions¹, but the Council has failed to act on these proposals. Since then, its proposals for dismantling MCAs have usually been made in the context of the price proposals, an approach which complies with the statement of the European Council of 4 and 5 December 1978 which called for the reductions in existing MCAs to take account of the policy on prices and of the Gentlemen's Agreement of 1979. Despite its moderate character, this latter agreement is far from having been implemented, as currency movements within the Community have constantly led to the emergence of new MCAs.

It is clearly important, therefore, to strengthen the EMS through the participation of all the Member States of the Community, in order to reinforce overall monetary cohesion.

39. The Commission's proposals in respect of MCAs can be summed up as follows:

In the case of the positive MCAs, the Commission proposes adaptations of the green rates for the United Kingdom and the Netherlands such as to lead to a reduction of 2.3 points in their positive MCAs, and for Germany a reduction of 2.8 points. In the case of the negative MCAs, the Council has already in October 1982 decided certain adaptations of the green rates (to come into effect at the beginning of the subsequent marketing years) such as to eliminate the MCAs for Belgium and Luxembourg and to reduce the MCA for France by 3 points. (In view of the general economic policies applied by the Member States concerned - policies which the Community must encourage - the Commission proposes no further adaptations of these green rates at the present stage'.²

40. This last statement by the Commission is somewhat inconsistent with Article 157(2) of the EEC Treaty which stipulates that 'the Members of the Commission shall, in the general interest of the Communities, be completely independent in the course of their duties'. The Commission cannot be said to have shown independence with regard to the MCAs, since it has itself admitted that they have unfavourable effects on the development of the common agricultural market. Moreover, it cannot be said that the general economic policies pursued by one or another of the Member States are necessarily in the general interest of the Communities.

¹ See the abovementioned working document (PE 62.826)

² COM(82) 650 final, Vol I, parg. 74, p. 40

41. In any event, the Commission's proposal is incapable of resolving the problem of the MCAs. It is with a view to a substantial dismantling of positive MCAs that the Committee on Agriculture is advocating a farm price increase of at least 7%, in order to forestall the fall in the incomes of German farmers that could result from an ill-considered reduction in existing positive MCAs. The Committee on Agriculture considers that farmers in countries with positive MCAs must, in common with other farmers, be allowed to benefit from an increase in farm prices in their national currency this year. This means that the reduction in positive MCAs must be closely linked to the increase in farm prices in ECUs.

At the same time, negative MCAs, which involve the poor countries subsidizing the rich (Greek agriculture, for instance, is penalized by heavy negative MCAs) should be abolished to avoid destroying the agriculture of the countries concerned.

Finally, the Committee on Agriculture takes the view that full economic and monetary union is a prior condition for restoring unity to the common agricultural matter on a real and lasting basis. In this perspective it considers that the United Kingdom should join the European Monetary System (EMS) and that the economic policies of the Member States should be better harmonized.

(C) CO-RESPONSIBILITY MEASURES

42. The Commission is proposing co-responsibility measures in the sectors of cereals, milk, colza and processed tomatoes.

43. In the case of cereals, the Committee on Agriculture rejects the Commission's proposal, as the guarantee threshold fixed does not take sufficient account of the impact of substitute products, which in 1981 represented the equivalent of 14.5 m tonnes of cereals and which place an additional burden on the Community budget in the form of storage costs or refunds, while they enter the Community at a reduced or zero rate of duty. The Committee on Agriculture maintains that farmers should not have to sustain the costs of derogations from Community preference. Substitute cereal products cost the Community 650 m ECU.¹

On the other hand, aligning Community price relativities with those of the main competing countries might possibly be considered.

¹ See the opinion by Mr Früh on the 1983 budget. Doc. 1-777/82, Annex.

44. The realignment of Community cereal prices with those applied by the major competitor countries (in this case the United States) is unacceptable to the Committee on Agriculture which, on this question, stands by the European Parliament's resolution of 18 November 1982. When one remembers that American agriculture is subsidized to twice the extent that Community agriculture is, it is easy to see that American prices are artificial in nature. To attempt to realign our prices with theirs would therefore be to ruin European agriculture.

On the other hand, aligning Community price relatives with those of the main competing countries might possibly be considered.

45. With regard to milk and dairy products, the Committee on Agriculture cannot accept a reduction in intervention prices (no longer 2.2% but probably 2.8 to 3%, taking account of 1982 production) and a co-responsibility levy of 2% at the same time. This means that, as a result of this double penalization, milk producers' income would not increase at all. This would be an unacceptable situation for the Community's 2 million milk producers, 85.8% of whom own less than 30 cows. The aim of the common agricultural policy is not to drive farmers to their ruin, but on the contrary to keep them in business. This is even more true today at a time of economic crisis, when alternative job opportunities in industry and the services sector are practically non-existent.

As a result, the Committee on Agriculture is opposed to the reduction of intervention prices and in favour of provisionally maintaining the co-responsibility levy, on condition that present exemptions are respected. Moreover, the Committee on Agriculture has asked for a supplementary levy to be imposed on dairy farms producing more than 150,000 kilogrammes per hectare of stockraising land. The intention is to penalize production independent of land, which is considered partly responsible for overproduction.

46. In the context of last year's farm price decisions, the Council decided to grant 120 m ECU to small-scale milk producers to offset the introduction of the principle of a guarantee threshold for dairy production. The same sum has been retained for this year. The Commission should at least have taken account of the average rate of inflation in the Community to ensure that the incomes of small-scale producers - those producing less than 60,000 kg of milk per year according to the Community definition - are not too severely affected.

47. The Committee on Agriculture considers that consumption of dairy products should be encouraged, whether by supplying milk to schools or using it in animal feedingstuffs. In particular, natural feeding of calves should be encouraged. Finally, the fall in butter consumption in the Community, due in large measures to the marketing of substitute products (e.g. margarine 'that tastes like butter'), should be restricted or halted.

48. The Commission's proposed penalization of colza is also illogical given that colza is one of the Community's rare sources of proteins, which are in short supply in the EEC. Thus in 1980 the Community imported 12 million tonnes of soya beans and 9.4 million tonnes of soya cakes.

To justify its decision the Commission stresses that the processing of colza into colza cakes creates oil surpluses which would leave the Community in surplus. However, if the Community had a coherent policy in the oils and fats sector it would be a different matter, as there would not be any surpluses of butter, olive oil or any other oil produced in the Community. Thus in adopting the report by Mr VGENOPOULOS (Doc. 1-964/82) on olive oil, the European Parliament called for the introduction of a levy on all vegetable oils and fats, while safeguarding the interests of the developing countries.

49. The problem of processed tomatoes should, in the opinion of the Committee on Agriculture, be resolved by improving Community arrangements for fruit and vegetables on the basis of the European Parliament's proposals of 16 June 1982 (Doc. 1-279/82 - Rapporteur: Mr Maffre-Baugé).

50. In general, the Committee on Agriculture rejects the application of guarantee thresholds as proposed by the Commission, as its proposals take little account of imports of substitute or competing products in derogation of the principle of Community preference. The opinion of the Committee on Agriculture on the 1983 draft budget shows that derogations of this kind amounted to 1760 m ECU, a substantial sum. Farmers should not have to sustain these costs.

51. As far as other products are concerned the measures proposed are mainly of a technical nature. For this reason they are not dealt with at length here, as it was more important to concentrate our criticisms and proposals on the three subjects discussed in this chapter, which will be at the centre of the Council's discussions.

V. CONCLUSIONS

52. In view of the inadequacy and the sometimes almost provocative nature of the Commission's proposals, the Committee on Agriculture proposes that they be rejected. It stresses that it wishes to see an average increase in farm prices of not less than 7%, the abolition of negative MCAs and a reduction in positive MCAs closely linked to average price increases, and it rejects the application of co-responsibility thresholds.

53. Having said that, the Committee on Agriculture considers that the problem of fixing the farm prices should be seen in the wider context of the fight against hunger in the world.

54. It can be estimated that there are between 500 and 1,300 million people in the world suffering from under-nourishment,¹ while there are two blocks, the United States and the Community, capable to a large extent of meeting the world's food requirements. Such a state of affairs, which enables the two blocks to exploit the situation, cannot be allowed to continue, as the tensions created will pose a threat to world peace, not to mention the ethical problem raised by this approach.

55. All food aid must be provisional, until such time as the countries concerned are able to feed their own populations. In the meantime, however, the large blocks which export agricultural products should respond to the world's food needs, without indulging in competition which would ruin their own respective agricultures.

56. With this in view, the Committee on Agriculture proposes that a world conference on agriculture and food be held in order to redefine the relations between the developed agricultural exporter countries and the developing countries, in such a way as to enable the latter to become progressively self-sufficient in food and even to export agricultural products to the rich countries at a remunerative price for themselves.

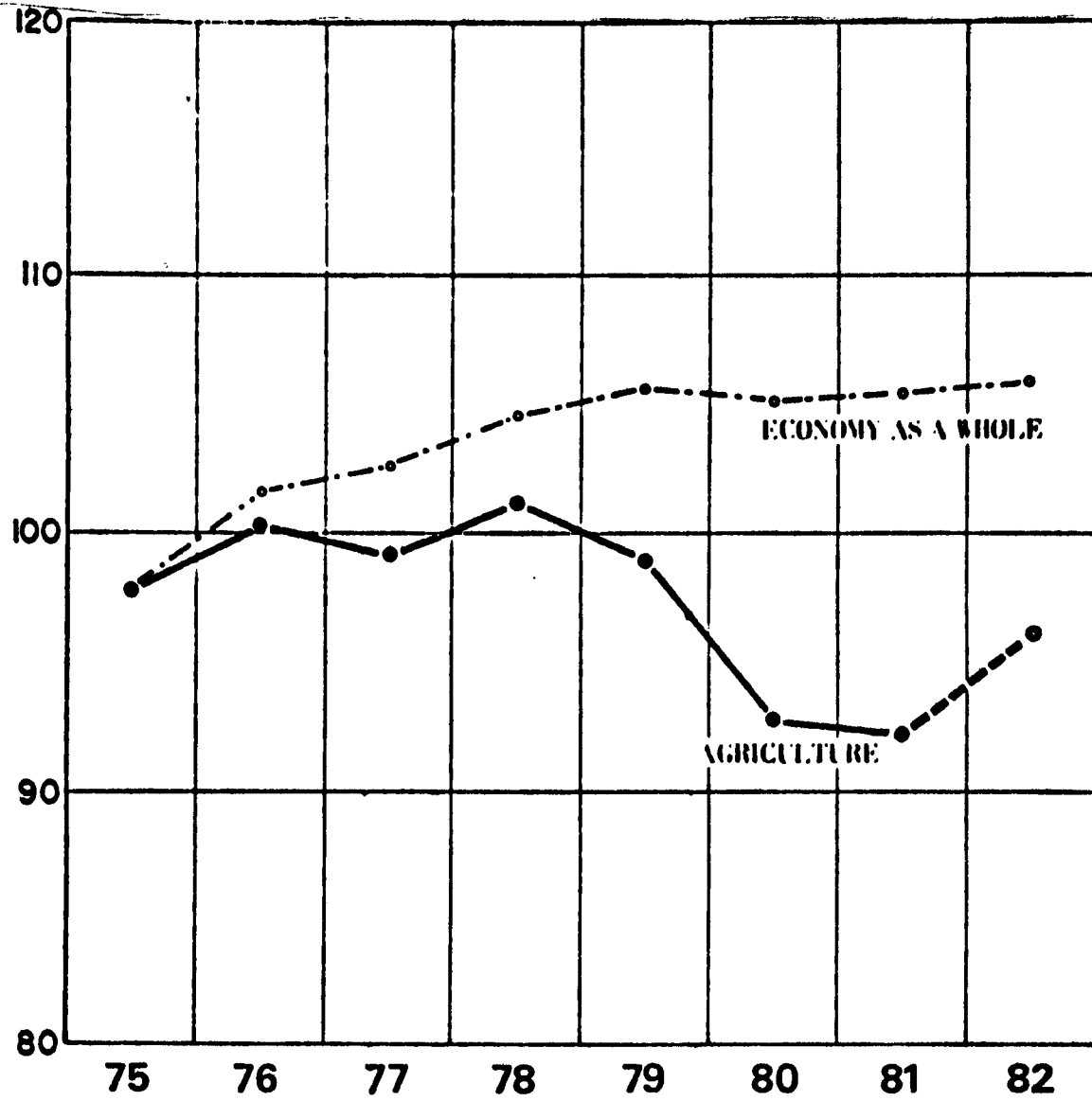
¹ See Doc. 1-341/80 - report by Mr FERRERO

57. The problem of substitute products also needs to be re-examined in this context. It is absurd that European or American livestock are better fed than a great many human beings in the world, thanks to soya-derived protein. It is shocking that land areas in the Third World are used to grow manioc to feed livestock in the developed countries, while the developing countries have considerable food requirements of their own.

58. It is against this background that the common agricultural policy needs to be reconsidered, if at all, and not in the light of budgetary constraints which, when all is said and done, appear very slight in the face of the vast world problems.

59. The Committee on Agriculture therefore calls on the European Parliament to support its conclusions, to reject the Commission's price proposals and to do everything in its power to ensure that the common agricultural policy - the Community's only integrated policy and a pillar of the European edifice - emerges strengthened from the crisis currently affecting our countries.

Development of incomes in the economy as a whole and in agriculture



Net value - added at factor cost in real terms per person employed in agricultureAverage 1973/1974/1975 = 100

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Germany	105.2	91.2	103.9	109.2	105.8	101.7	90.0	80.2	81.3	94.3
France	110.5	100.9	91.4	90.9	90.3	91.7	95.3	83.0	80.3	91.3
Italy	100.1	96.8	103.6	100.9	104.1	109.1	114.1	110.6	103.0	104.4
Netherlands	110.4	92.2	98.8	107.5	101.6	100.2	92.4	91.9	109.7	113.4
Belgium	114.7	92.0	96.1	110.3	89.9	99.0	91.0	95.3	106.3	112.6
Luxembourg	110.3	91.7	99.8	85.7	108.6	103.3	104.9	95.1	103.9	126.8
United Kingdom	110.7	97.2	94.9	102.7	94.5	90.9	85.9	79.1	81.3	92.0
Ireland	102.0	91.0	106.9	102.7	127.3	129.8	102.3	85.1	83.9	84.3
Denmark	108.8	104.0	89.4	95.3	108.0	115.3	99.6	97.6	109.9	136.3
Greece	101.8	99.3	100.1	109.0	103.7	118.1	112.7	122.1	127.3	130.0
EUR 10	105.7	96.3	97.9	100.2	99.0	101.2	98.9	92.6	92.4	100.3

ANNEX III

Income per person employed in agriculture (1981)

Germany	3203	Ecus	Luxembourg	4857	Ecus
France	4895	"	United Kingdom	9208	"
Italy	2883	"	Ireland	2708	"
Netherlands	13,170	"	Denmark	6818	"
Belgium	8365	"	Greece	1554	"
			EEC	3668	"

ANNEX IV

The cost/price ratio from year to year : producer prices and the cost of inputs (1)

(1975 = 100)

	1976	1977	1978	1979	1980	1981
FR of Germany	101.2	98.3	97.9	95.2	90.7	88.7
France	106.1	105.0	103.6	101.5	92.5	90.9
Italy	104.2	106.8	112.4	112.8	105.9	96.2
The Netherlands	102.6	98.3	98.1	92.2	90.1	90.7
Belgium	101.6	94.0	95.9	92.0	89.8	87.9
Luxembourg	99.4	98.9	98.5	100.1	96.0	99.1
United Kingdom	106.3	95.6	93.6	93.4	87.1	87.7
Ireland	108.3	112.0	117.5	118.1	97.3	99.6
Denmark	104.6	101.3	110.5	104.9	99.9	95.6
EUR 9	103.2	100.5	101.6	99.2	93.4	90.9
Greece	108.7	112.0	118.0	111.6	100.7	100.2
EUR 10	103.4	100.9	102.0	99.6	93.8	91.4

Source: Eurostat.

(1) Changes in the ratio of the implicit price of final agricultural production to that of intermediate consumption (global agricultural account).