

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-37/80/ANNEX I

ANNEX I

to the report by Mr C. DELATTE (Doc. 1-37/80)
drawn up on behalf of the Committee on Agriculture

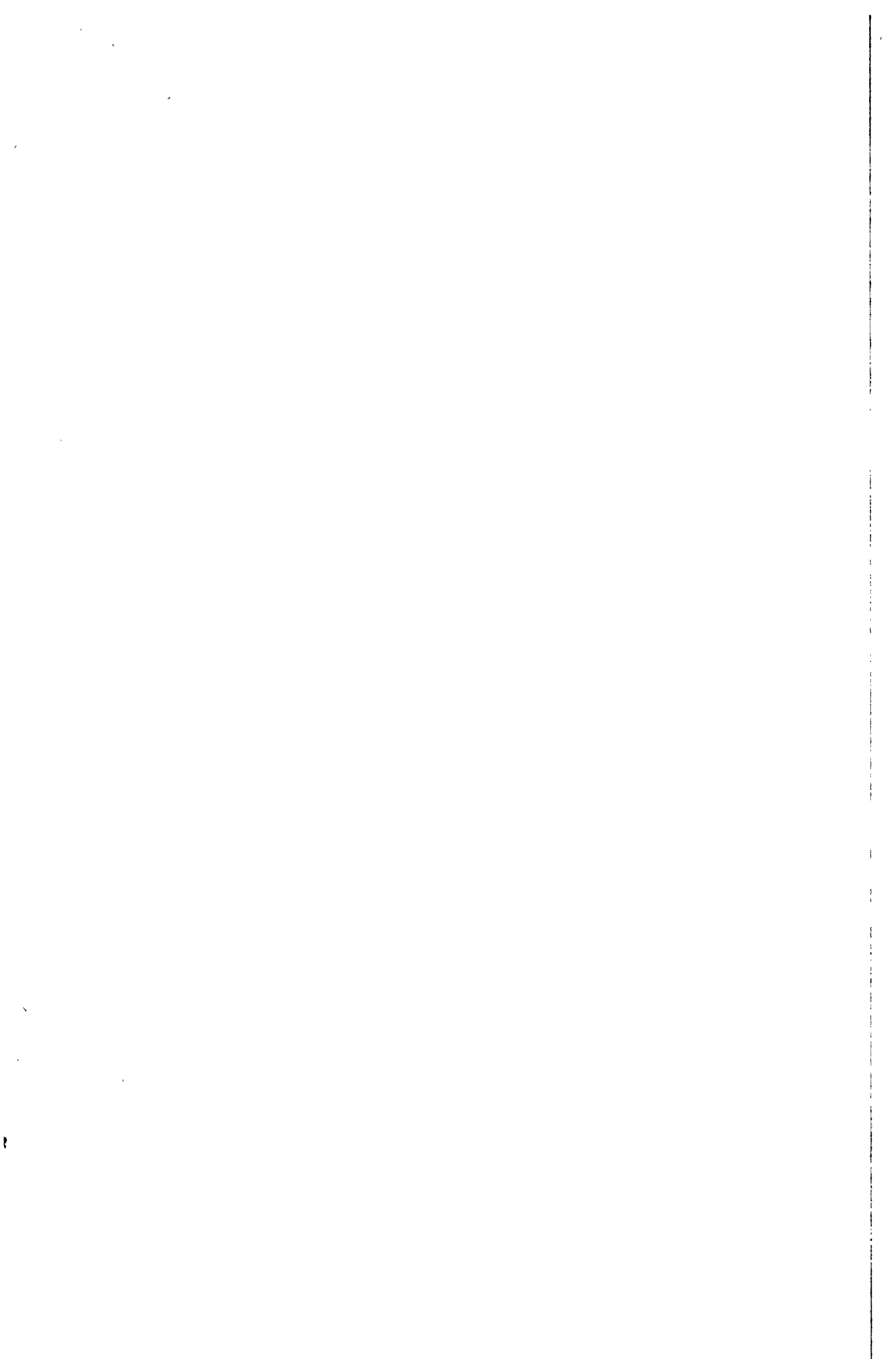
OPINION

of the Committee on Budgets

on the proposals from the Commission of the European
Communities to the Council

- I. concerning changes in the common agricultural
policy to help balance the markets and streamline
expenditure (Doc. 1-610/79)
- II. on the fixing of prices of certain agricultural
products and on certain related measures
(Doc. 1-807/79)

Draftsman of the opinion: Mr P. BARBI



OPINION OF THE COMMITTEE ON BUDGETS

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The Committee on Budgets appointed Mr BARBI draftsman of the opinion on 19 February 1980.

The committee considered and adopted the draft opinion at its meeting of 19 and 20 March 1980.

Present: Mr Lange, chairman; Mr Notenboom and Mr Spinelli, vice-chairmen; Mr Barbi, rapporteur; Mr Adoninno, Mr Ansquer, Mr Arndt, Mr Balfe, Mr Boyes (deputizing for Mr Colla), Mrs Cassanmagnago-Cerretti (deputizing for Mr Aigner), Mr Damseaux (deputizing for Mr Nord), Mr Fich, Mr Forth, Mrs Gredal (deputizing for Mr Motchane), Mr Gouthier, Mr Hänsch (deputizing for Mrs Gaspard), Mrs Hoff, Mr Hord, Mr Jackson, Mr Johnson (deputizing for Lord O'Hagan), Mr Langes, Mr Lega, Mr Orlandi, Mrs Pruvot (deputizing for Mrs Scrivener), Mr K. Schön, Mr Stewart-Clark (deputizing for Mr J.M. Taylor) and Mr Tuckman.

INTRODUCTION

1. When drafting its opinion on the Commission proposals on the fixing of agricultural prices for the 1980/1981 marketing year and on certain related measures, the Committee on Budgets considers it necessary once again to draw attention to the serious difficulties Parliament has to contend with each year when the 'agricultural package' is submitted.
2. Not only have the Commission's estimates of the financial implications of its own proposals proved so inaccurate in the past that there has been a big difference between the expenditure actually incurred and the original estimates, but it is even doubtful whether the proposals will be maintained. Unfortunately, experience has shown that the Commission is very sensitive to the wishes expressed by the Member States and is almost always prepared to modify its position if any external pressure is exerted on it. This practice - which conflicts with Article 149 of the EEC Treaty which requires a unanimous Council vote to overturn Commission's proposals - deprives Parliament's opinions of any meaning and makes a mockery of the entire consultation procedure.
3. As it has still to be proved that the Council takes due account of the opinion delivered by Parliament, which ends up playing an insignificant role in the complex negotiations on the fixing of agricultural prices, consideration should again be given to Parliament's suggestion that a conciliation procedure be opened on this problem.

General comments

4. In submitting its proposals, the Commission states that it has been forced to reconcile some contradictory constraints:
 - (a) First of all, the market situation, particularly in the sugar and milk and milk products sectors, which are affected by grave structural imbalances and are responsible for the creation of considerable surpluses, would seem to justify a very stringent price policy.
 - (b) This, among other things, would be justified from a financial point of view in view of the fact that in December the European Parliament rejected the 1980 draft budget in which agricultural expenditure accounted for 73.4% of the total appropriations.
 - (c) The economic situation has deteriorated so much during the year - witness the price index (+12% at the end of 1979) and the unemployment figures (5.5% of the Community labour force) - that a policy of low agricultural prices is essential, especially in view of their effect on the general inflationary trend.

(d) A different conclusion would however be reached if consideration were given merely to the trend in agricultural earnings. According to the original estimates, although a per capita increase of about 2.5% was recorded for incomes in other sectors in 1979 (excluding the United Kingdom), agricultural earnings decreased on average by 1.7% (excluding Italy and France). This is also a consequence of the increase in energy prices which in 1980 will cause agricultural prices to rise by about 3%.

(e) An increase in institutional prices would also be justified by the need to continue to gradually abolish compensatory amounts which have however become less dangerous since the creation of the European monetary system which has reduced monetary fluctuations.

The Commission's proposals

5. The preceding paragraph summarizes the bases on which the Commission has put forward its common agricultural price proposals for the 1980/81 marketing year; it considers however that 'the prices policy cannot on its own overcome the problems arising from the market situation and the need to maintain agricultural incomes'¹.

6. The following provides a summary of all the measures the Commission proposes to adopt and the views of the Committee on Budgets on the subject.

Fixing of prices

7. Considering that, as has been shown, numerous factors speak in favour of a 'limited' price increase, the Commission proposes an increase ranging from 2 to 3.5% according to product, with some exceptions for surpluses (milk and milk products and sugar) for which the increase would be limited to 1.5%. The price of butter would remain unchanged.

It should be noted that complementary measures such as measures to restore the balance of the respective markets, have been proposed for milk, sugar and beef and veal, which because of their specific nature will be considered separately. This in no way detracts from the argument that 'all the elements of its proposals are interrelated' and that 'the Commission would have to reconsider its position if the debate were tending towards approval of the increases but a postponement of these other measures which require an effort and courage but which are indispensable for the survival of the common agricultural policy'².

¹ COM(80) 10 final, Volume 1, page 4

² COM(80) 10 final, Volume 1, page 5

8. The Committee on Budgets agrees that it is inadvisable to pass on to farmers alone any increase in production costs as a result of the international economic situation (increase in energy prices) and the general inflationary trend but points out:

- (a) that on 7 November the European Parliament adopted a resolution on the draft general budget of the Community for 1980 in which it:
- acknowledges that one of the causes of this imbalance in the budget 'is the fact that the policy of guaranteed agricultural prices has overly protected certain production sectors to the detriment of others'¹;
 - proposes 'further retrenchment where forecasts of expenditure can now be questioned as a result of market developments, and transfers of certain expenditure, for cereals, to the food aid chapter in order to permit the Community to fulfil its international obligations'².
- (b) that the above comments were incorporated in Parliament's resolution of 13 December 1979 rejecting the draft budget for 1980, in which reference is made to 'controlling agricultural expenditure'³, and in the explanatory statement to which it is claimed that:

'a failure to curtail agricultural market support spending would inevitably lead to the exhaustion of the Community's own resources...and, in the not too distant future, the breakdown of the European Agricultural Guidance and Guarantee Fund itself'⁴.

9. This shows that a stringent agricultural prices policy is in line with the positions recently adopted by Parliament.

10. The financial implications of the proposals⁵ are estimated to be as follows:

77 million EUA for 1980

316 million EUA over a
12 month period

¹ OJ No. C 302, 3.12.1979, page 40, paragraph 3 of the resolution

² OJ No. C 302, 3.12.1979, page 42, paragraph 21 of the resolution

³ OJ No. C 4, 7.1.1980, page 37, paragraph 3 of the resolution

⁴ Doc. 1-581/79, page 7, paragraph 3

⁵ See also Annex I.

Related measures on the organization of the markets

11. In conjunction with its price proposals, the Commission proposes that special measures be adopted to restore the equilibrium of certain production sectors. Measures with financial implications include:

(a) Milk

- An increase from 0.5% to 1.5% of the target price in the co-responsibility levy, payable by producers on all milk delivered to dairies. Exemptions are made for mountain regions, regions in which in 1976 the average daily delivery per producer was lower than 10 kg, and for producers in less-favoured areas there is a levy-free franchise of 60,000 litres a year;
- the introduction of a supplementary co-responsibility levy (equal to 18 ECU per 100 kg of milk) payable by processing undertakings on quantities purchased from producers in excess of 99% of the quantities purchased in 1979.

The financial implications of this measure¹ are thus estimated to be:

<u>Financial year 1980</u>		
(1) revenue from the levy	-342	mEUA
(2) modified levy	-110	"
(3) exemptions	+ 25	"
	<u> </u>	
Total	-427	"
	<u> </u>	

<u>12 months</u>		
(1) revenue from the levy	-537	mEUA
(2) modified levy	-168	"
(3) exemptions	+ 40	"
	<u> </u>	
Total	-665	"
	<u> </u>	

¹ See also Annex I

(b) Beef and veal

- Introduction of a premium for maintaining nurse cows to the value of 60 ECU per head for the first 15 nurse cows kept by the producer in order to encourage meat production as an alternative to milk production.

Financial implications¹:

210 million EUA for 1980 and over a 12 month period
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(c) Sugar

- An increase of 0.37 to 0.45 ECU per month in the reimbursement of storage costs for each 100 kg.

The financial implications¹ of this measure are:

17 mEUA for 1980 53 mEUA over 12 months
--

and there is a corresponding increase in the contribution made by storage costs to own resources of an agricultural origin.

(d) Fresh fruit and vegetables

- a marketing premium for lemons whose financial implication¹ is:

10 mEUA over 12 months

12. Of the measures mentioned in the preceding paragraph, the Committee on Budgets has given particular attention to the co-responsibility levy on the production and marketing of milk. After all, by bringing in about 540 million EUA, this levy alone represents more than 65% of the 'savings' possible if the measures related to the fixing of agricultural prices are implemented.

13. The first point made by the members of our committee is of a political nature and involves the very principle of a 'levy'. As a levy is, properly speaking, a tax - whose legality, moreover, was acknowledged in a Court of Justice judgment dated 20 February 1979 - the question is to decide to

¹ See also Annex I

what extent approval by the European Parliament can legitimize the imposition of a tax which, without Parliament's endorsement, could not be regarded as a democratic decision. This obviously has a bearing not only on the opportunities the Community institutions have for creating new sources of revenue without recourse to Article 201 of the Treaty, but above all on Parliament's right to intervene substantially in determining new fiscal measures so that no tax can be imposed without the consent of Parliament. It goes without saying that Parliament's participation in the decision-making process should be extended to the procedure for applying the co-responsibility levy and Parliament should also be consulted on the amount to be fixed each year as part of the budgetary procedure. A procedure such as this would, inter alia, accord with the budgetary rules in view of the fact that so long as the levy rates are fixed in advance, even as a temporary measure, Parliament's powers and ability to intervene will be weak.

14. Other considerations are of a much more financial nature.

First of all, we must ensure that this 'new tax' is correctly entered in the budget, i.e. that revenue from the levy is entered as revenue and not, as is currently the case, as 'negative appropriations', which is in conflict with the provisions of the Financial Regulation. We should bear in mind that the Court of Auditors found that:

'These entries are incompatible with the general budgetary principles of the separation of revenue and expenditure and with the provisions of the Financial Regulation'.¹

A second problem concerns the purpose of the revenue.

In its present form, this levy can finance only special measures such as expanding the market and seeking new outlets provided for in the basic regulation. The question then is how the Commission intends to obtain such a large sum to finance only measures of this kind. As no information on this subject has ever been given even in the existing regulations, some clarification is needed.

15. In the light of these comments, the Committee on Budgets:

- (a) notes that the measures proposed by the Commission including the co-responsibility levy, are in accordance with the positions adopted by the European (see paragraph 13) on the need to curtail agricultural expenditure;

¹ Court of Auditors: 'Annual report concerning the financial year 1978' - OJ No. C 326, 31.12.1979, page 14.

(b) makes its favourable opinion on the principle and procedure for applying the co-responsibility levy subject to the greater involvement of the European Parliament in the decision-making process, definition of the purpose of the revenue and its correct entry in the budget;

(c) reserves the right to revise its opinion if these measures should prove unable effectively to limit surpluses.

Monetary compensatory amounts

16. In 1979 the dismantling of existing negative monetary compensatory amounts was accelerated as a result of the decisions taken in March when the European monetary system entered into force, in June when agricultural prices were fixed and in December. As a result the MCA situation is as follows:

	<u>1.1.1979</u>	<u>6.2.1980</u>
United Kingdom	-27.0	0
France	-10.6	-3.7
Italy	-17.7	-2.3
Ireland	- 2.0	0
Benelux	+ 3.3	+1.9
Germany	+10.8	+9.8
Denmark	0	0

17. In view of the need to reduce MCAs while at the same time avoiding reductions in prices in terms of national currency, the Commission proposes a reduction of one point in the amount applicable in Germany and a 0.5 point reduction in the amount applicable in the Benelux countries. No measures are proposed for negative MCAs.

18. Without wishing to go into the untoward effects on agriculture of the creation and maintenance of monetary compensatory amounts, the Committee on Budgets is of the opinion that the favourable trend in the monetary situation and the undertakings given by the Council of Ministers on creation of the EMS would have justified a more daring approach. It also feels that the Commission's proposals are too modest to ensure rapid dismantling of MCAs. The committee has however decided to abide by the decision of the Committee on Agriculture as regards the basic conclusions but nevertheless invites it to urge the Commission and the Council to reach a solution to this problem quickly.

Conclusions

19. The Committee on Budgets, asked for its opinion on the Commission proposals on the fixing of prices for certain agricultural products and on certain related measures,

As regards the general effects

- I. Recalls that in the past the Commission has often modified its original position under pressure from the Member States without informing the European Parliament;
- II. Points out that this practice detracts from the powers of the European Parliament and deprives the whole consultation procedure of any meaning;
- III. Therefore invites the Commission to make full use of the powers conferred on it by Article 149 of the Treaty of Rome which requires a unanimous Council vote to overturn Commission proposals, and requests it not to agree to or submit any amendments without having first informed the European Parliament.

As regards the fixing of prices

- IV. Agrees that the Community's general economic situation justifies a stringent agricultural prices policy;
- V. Considers that such a policy is in line with the positions recently adopted by Parliament on the need to curtail agricultural expenditure in cases where there are structural surpluses;

As regards the related measures

- VI. Considers that the legitimate objective of preventing increases in production costs from being passed on to agricultural producers alone could primarily be attained by means of a more appropriate structural policy designed to encourage efficiency and modernization of farms, while respecting budgetary constraints;
- VII. Considers that the measures proposed by the Commission of the Communities are concomitant with the need referred to above to limit the cost of the agricultural policy provided that they prove capable of effectively limiting surpluses;
- VIII. Points out that, in its resolution of November 1979 on the 1980 budget, Parliament had established a link between revenue raised by the co-responsibility levy on the one hand and expenditure on structural policy on the other;

As regards monetary compensatory amounts

- IX. Believes the Commission's proposals to be insufficient and considers that they will not enable the undertakings given by the Council of Ministers when the European monetary system was established as regards the rapid dismantling of the monetary compensatory amounts to be met;

As regards the financial aspects

- X. Considers that the savings possible in the 1980 financial year constitute a first important step towards containing agricultural expenditure from the Guarantee Section of the EAGGF in respect of structural surpluses, and this in full conformity with the positions adopted by the European Parliament last December when it decided to reject the draft budget for the current year;
- XI. Regrets, however, the vagueness of the financial estimates contained in the documents forwarded by the Commission which are no more than a summary of the much more thorough calculations which the Commission has itself carried out. Expressly requests therefore that in future the European Parliament be provided with much more detailed background information;

XII. On the basis of the above observations.

The Committee on Budgets:

- (a) notes that the financial implications of the proposals put forward by the Commission to control structural surpluses accord with the guidelines laid down by the European Parliament in its resolutions of 7 November and 13 December 1979, on the draft budget for 1980, thus confirming those guidelines;
- (b) hopes that in fixing the prices of agricultural products and deciding on the related measures, the Council will also respect these guidelines;
- (c) is of the opinion that the agricultural decisions must be treated as a package and that in consequence:
- the level set for the prices must depend on the savings which can be made in respect of surpluses and subsidies;
 - the budgetary and financial implications will accord with the resolutions referred to above;
- (d) recommends that the Council should restore the balance of the markets and thus ensure equitable earnings for farmers.

ANNEX I

(1) Financial implications of the Commission's proposals:

	<u>1980 budget</u>	<u>in mEUA</u> <u>Over 12 months</u>
- Price proposals	+ 77	+ 316
- Measures proposed in some sectors of production (milk, sugar, beef and veal etc) and subsequent adjustments	-1,025	-1,026
- Economic trend	+ 48	-
Total	<u>- 823</u>	<u>- 710</u>

(2) Appropriations proposed for 1980:

	<u>in mEUA</u>
- 1980 appropriations adopted by the Council on 16.10.1979	11,193
- Total financial implications of the Commission's proposals	- 823
Total	<u>10,370</u>

Forecast expenditure for the 1980 budget exercise - EAGGF - Guarantee

in MEUA

Sectors	1979 (a)	1980 appropriations accepted by Council on 16.10.1979 c	change due to							New appropriation 1980 k
			Package No 1 (COM(79) 710)		Other decisions f	Market develop- ments g	Price proposals h	Related measures i	Total changes j	
			Original d	Amended e						
Cereals and rice	1.615,6	1.774,823	- 16			- 35	- 28		- 79	1.695
Milk and milk products										
- excl. co-responsibil.	4.408,6	4.647,672	+ 16		- 465	- 125	+ 61		- 513	4.135
- co-responsibility levy	96,0	- 93,2	- 342	- 110	-	-		+ 25	- 427	- 520
- co-responsibility expenditure	147,0	155,1	-		-	-			-	155
Total milk	4.459,6	4.709,572	- 326	- 110	- 465	- 125	+ 61	+ 25	- 940	3.770
Sugar	1.004,6	1.116,641	- 14		-	- 215	+ 12	+ 17	- 200	917
Beef and veal	708,3	759,3	- 50		-	+ 240	+ 9	+ 210	+ 409	1.168
Fruit and vegetables	416,5	524,4	p.m.		-	+ 22	+ 1		+ 23	547
Wine	94,4	203,3	-		+ 12	+ 135			+ 147	350
Oils and fats	592,9	672.-	-		+ 34	- 16	+ 8		+ 26	698
Sheepmeat	taken entry	taken entry	-		-				taken entry	taken entry
Other C.M.O. sectors		819.-	-		-	+ 42 (1)	+ 12		+ 54(1)	873
Change in total exp. on C.M.O. due to deval- uation Lit and LKL					+ 50	-			+ 50	50
Total	9.614,4	10.579,036	- 406	- 110	- 369	+ 48	+ 75	+ 252	- 510	10.069
Monetary C.A.	769,2	377,6	-		- 140	-	+ 2	- 20	- 158	220
Total guarantee	0.384,1	10.956,636	- 406	- 110	- 509	+ 48	+ 77	+ 232	- 668	10.251
Chapter 100 milk sector		235,9	-		-	-		- 155	- 155	81
Grand total Chaps 6 and 7 + chap. 100	0.384,1	11.192,536	- 406	- 110	- 509	+ 48	+ 77	+ 77	- 823	10.370

According to Supplementary Budget n° 3 (1) including an increase in reimbursements of interest charges in general in respect of all sectors

	Package No 1		Price	Related	Total
	Original	Amended	proposals	measures	changes
a	b	c	d	e	f
Cereals and rice	-153 (1)		+ 52		- 101
Milk:					
- excluding co-responsibility	+ 37 (2)		+ 106	- 251 (3)	- 108
- co-responsibility	-537	-168 (a)	token entry	+ 40 (a)	- 665
- expenditure connected with co-responsibility	-	-	-	-	-
Total milk	-500	-168	+ 106	- 211	- 773
Sugar	-132	-	+ 37	+ 53 (4)	- 42
Beef and veal	- 50	-	+ 15	+ 210 (b)	+ 175
Fresh fruit and vegetables	-	-	+ 4	+ 10 (c)	+ 14
Processed fruit and vegetables (5)	- 35	-	- (5)	-	- 35
Wine	-	-	+ 7		+ 7
Oils and fats			+ 46		+ 46
Sheepmeat	-	-	-	-	-
Other sectors	-	-	+ 45	-	+ 45
TOTAL for common market organization measures	-870	-168	+ 312	+ 62	- 664
MCAs	-	-	+ 4	- 50 (d)	- 46
TOTAL	-870	-168	+ 316	+ 12	- 710

(1) This effect will not be achieved until the reform is completed in 1982/83; in the 1980/81 marketing year the impact will be about minus 46 million EUA.

(2) The total cost in the 1980/81 marketing year is 368 million EUA, of which 221 million EUA are chargeable to the Guarantee Section and 147 million EUA to the Guidance Section; the amount indicated in this table represents average annual expenditure by the Guarantee Section from 1980 to 1985 (37 million EUA); the annual average for the Guidance Section is 25 m EUA.

(3) The system of aid for butter consumption proposed by the Commission would entail expenditure of 138 million EUA for the 1980/81 marketing year, 251 million EUA less than under the rules applicable during the 1979/80 marketing year (389 million EUA minus 138 million EUA).

(4) Increase in reimbursement of storage costs, this increase is matched by an equal increase in storage levies.

(5) There is no proposal to increase minimum buying-in prices.

(a) Adjustment of the co-responsibility levy

(b) Increase of premiums

(c) Marketing price for lemons

(d) Consequence for MFAs and the dual-rate effect on market organization expenditure of the adjustment to the representative rates for the Common market and the

