

# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

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DOCUMENT 1-481/80/ANNEX

ANNEX to the  
MOTION FOR A RESOLUTION  
tabled by Mr Alfredo DIANA

pursuant to Rule 25 of the Rules of Procedure  
on adjustments to be made to the  
Common Agricultural Policy

PE 67.941/Ann.

## EXPLANATORY STATEMENT

On 30 May 1980 the Council of Ministers asked the Commission to draw up proposals for the reform of the CAP by 30 June 1981. The decision was reached after long and intense discussions on the two major questions: containing agricultural expenditure by imposing a coresponsibility levy on producers and the United Kingdom's deficit in its payments to and from the Community.

A solution to the second problem need not affect agricultural expenditure, but a reform of the CAP, particularly with regard to market policy, should help to find a solution to both difficulties.

With this in mind the three basic principles on which the common policy on agricultural markets is founded must be confirmed: uniform prices, Community preference and financial solidarity. These three principles are related in a way that is theoretically sound and in practice they have proved inseparable although it must be conceded that monetary compensatory amounts have seriously impaired the single price system, and Community preference and financial solidarity have fallen somewhat short in the case of some products.

Clearly then these principles have been sufficiently adaptable to allow the single price system to remain substantially intact even after the era of stable exchange rates had passed. In other areas, such as fruit and vegetables, it was decided that the 'iron-clad' guarantee, given for example to cereals, could not be applied.

Once one has recognized that no alternative to the three basic principles of the common agricultural policy can be found and that they can be adjusted to cope with the various situations which arise, there is ample scope for reforming the CAP to introduce some perhaps quite substantial innovations, such as producer coresponsibility or a new provisional system for fixing prices until economic and monetary union is achieved; the EMS is a necessary forerunner of this.

When Community institutions put the emphasis on 'containing' agricultural expenditure, they are drawing attention to the need to make better use of that expenditure as part of a more balanced distribution of the EEC budget. This is the direction we must take: not towards the 'decapitation' or, even worse, a 'decimation' of agricultural expenditure. It would be quite irrational to try to impose an overall 'ceiling' or an indiscriminate across-the-board reduction on all items of agricultural expenditure, even if these limits were applied solely to the policy on markets.

The first point to consider in the context of reform of the CAP is that the policy on prices cannot be seen in isolation from the medium term prospects for the world market in agricultural food products. While some may object that the volume of trade and the level of prices on the world market for any particular product are influenced by unforeseeable factors such as the vagaries of the climate in particular areas and the often puzzling changes in the political relations between the great powers or between individual countries in general, careful studies will take into account various hypothetical situations which may also be interrelated.

The agricultural price fixing 'marathons' have made an unfavourable impression on public opinion and the outcome is often only what was to be expected from the outset. Sometimes, however, a decision is arrived at only by roundabout means and through compromises which turn out to have a bad effect on agricultural expenditure - and not only the total amount.

Thought should therefore be given to the idea that each year, when the Council of Ministers comes to fix target prices using the objective method, possibly with some refinements, it should lay down in plenty of time a maximum limit for the weighted average of the new prices and give the Commission the task of fixing the average price within that limit by laying down the prices for each individual product.

Under this system the result of the calculation, the weighted average price, becomes the point of reference and, although it may seem illogical to turn the agricultural price-fixing process upside down like this, in fact it is a means of ending a fiction and formalizing the actual practice that has grown up over the years.

Once entrusted with the task of fixing prices for individual products, the Commission ought to take account of the need to stimulate an improvement in production by fixing a wide range of prices varying with the quality of the product. So far, in many cases the policy on prices has proved a disincentive for producers trying to improve the quality of their produce.

The relationship between target prices and intervention prices must be reconsidered in order to restore the latter's role as a market regulator instead of an alternative to the market.

Underlying the reform of the CAP through the policy on prices must be the idea that its true objective is the stability of the market and that consequently it is not necessary to be sure of the actual level of the prices guarantee. One must recognize that the certainty that a guaranteed price will be paid at a prefixed level has led agricultural producers into

bad ways and has been at the root of a considerable number of abuses. Many producers have raised crops and herds with the intention of disposing of them to the intervention agencies since by so doing they avoid the problems and risks involved in marketing whether as individuals or in association with others.

Another idea that will go some way towards remedying this problem is the principle of coresponsibility, meaning that the greater the volume of a product bought in within the Community, the greater will be the coresponsibility of the individual producer selling into intervention. He would be paid an advance on the guaranteed price and the size of the balance paid at the end of the year would depend on how close the actual expenditure to be charged to the Community budget is to the 'quantum' of appropriations previously set aside in the budget for intervention in that sector.

This is the logical solution, rather than fixing national 'quotas' and then regional ones which would eventually determine the level of production for each product for the whole Community.

Under this scheme the only guarantee given to the producer is that the price will not fall below the level of the advance given when his produce is taken into intervention and he will not know at that time how much he will really earn from it. He has therefore to choose between two unknown quantities: what he can earn from selling on the domestic market or from exporting, or else what he will eventually receive from intervention.

The financial 'quantum' system proposed here is a new form of coresponsibility which makes it possible to avoid the trap of national product 'quotas' which would lead to regional 'quotas' which in turn would sooner or later inevitably result in production permits.

A superlevy on milk must be rejected a priori since it introduces the principle of 'quotas' surreptitiously and, even worse, because it would establish a 'ceiling' by reference to previous production levels and the stagnation this implies would inevitably result in the decline of Community agriculture.

In order to fix the 'quantum' as a figure greater or smaller than that of the previous year, an annual 'balance sheet' of market prospects should be drawn up: i.e. home demand, the policy on stocks, opportunities for exporting to third countries, international obligations under trading agreements and the aid programme for developing countries.

One consequence of the coresponsibility scheme envisaged here would be the participation of professional organizations at European level in

both the drawing up of this 'balance sheet' and the management of the surpluses to be placed on external markets.

It is a fact that the EEC has not been able and has not wanted to implement an effective policy on the export of agricultural food products. Selling on third markets is indeed looked on as an instrument, and an economically onerous one at that, for managing the market and disposing of cyclical and structural surpluses. There is no tie-in with moves towards containment or giving general guidance.

In reality the CAP needs a systematic and continuing policy on exports to be conducted with adequate means, suitable trading capacity and accurate instruments to ascertain and predict trends on world markets. It might be useful to set up a Community agency essentially to maintain and expand commercial outlets for Community produce.

Margarine consumption in the Member States has almost caught up with butter which now stands at 1,686,000 tonnes per year. The consumption of seed oils is approximately five times greater than olive oil consumption which is less than 550,000 tonnes per year. This state of affairs might be acceptable were it not for the serious problem of structural surpluses in some dairy products and, in the case of olive oil, the surplus which may come into being with the enlargement of the EEC.

What is needed therefore is the comprehensive policy on fats produced or imported by the Community which Parliament asked for in its opinion on the Commission proposal on agricultural prices and accompanying measures for the current year. One might also remember that a specific Council resolution on this subject has been in existence since 1964 (No. 128 of 27.2.1964) and there is also a proposal from the Commission submitted in October 1976 at the same time as the proposal which gave rise to the coresponsibility levy.

The task of correcting regional imbalances within the Community must be tackled by a coherent regional development policy consisting of programmes and financial assistance. Nevertheless agricultural producers in less-favoured areas who have no viable alternative types of production should be guaranteed an income - by means of temporary financial assistance from the Community - which will assure them a decent standard of living.

Furthermore, making use of the experience gained in the US (Coop Insurance), the EEC should take over part of the cost of the insurance policies taken out by farmers to cover the risks arising from adverse weather conditions and thereby help to guarantee their income. The idea is not of course to make such a thing compulsory but rather to introduce incentives which will encourage an increasing number of farmers to obtain insurance cover for themselves.

The problems of hill and mountain farming, sometimes called 'difficult' farming, must be seen in a wider context than simply the regional or national. Action must be taken to define 'economically homogeneous' areas within the Community and then to set up schemes which, in the first instance, would safeguard living conditions in such a way as to discourage the population from abandoning them.

The common agricultural policy moreover has a duty to conserve and maintain the balance of the countryside in which farming takes place. Every year in the developing countries 3,000 km<sup>2</sup> of land devoted primarily to agricultural use are lost.

The Community will also have to propose measures for harmonization of national policies on forests as the first step towards planning joint action. Forestry may present an alternative for those areas in which it is difficult to gain a reasonable income from farming.

A further advantage of the action which is proposed for less-favoured farming would be support for the development of subsidiary and complementary activities. These might include better relations with local workshops and small industries leading to improvements in forestry products and the initial processing of agricultural food products.