

EUROPEAN PARLIAMENT

Working Documents

1980 - 1981

22 January 1981

DOCUMENT 1-823/80

MOTION FOR A RESOLUTION

tabled by Mr D. CURRY

on behalf of the European Democratic Group

pursuant to Rule 25 of the Rules of Procedure

on Future Development of the Community's
Agricultural Policies

The European Parliament.

- Recognising the vital role the CAP has played in the formative stages of the EEC;
- Recognising the vital interest of the Community in maintaining an open world trading system;
- Recognising in particular the role of the CAP in assisting social change to occur and in easing the transition from a rural to an urban and industrial economy;
- Recognising the importance attached by Member States to the maintenance of political stability;
- Recognising the role the CAP must play in contributing towards the maintenance of economic vitality in the regions, but accepting that the CAP is not capable by itself of guaranteeing such vitality;
- Believing that the fundamental problem of the CAP is the requirement imposed upon it to meet diverse and sometimes conflicting objectives through the use of a single principal instrument of management - namely central price fixing;
- Believing also that because of the limitations on EEC financial resources, and because of the natural productivity of agriculture, dependence on the single mechanism of price is no longer capable of fulfilling the obligations placed on the CAP by the Treaty of Rome, including the maintenance of agricultural incomes;
- Believing that it is essential to distinguish between the budgetary and the economic cost of the CAP when forming policies about its future;

- Recognising the need to correct the tendency of the CAP to transfer resources from relatively poor to relatively rich, both on a regional and on a national basis; and hence to create tensions which are destructive of Community solidarity;

Believes that the following analysis and conclusions are inescapable:

1. The CAP is a single policy called upon to fulfil at least four functions:-
 - a) Promote the production of food
 - b) Maintain the incomes of the farm community
 - c) Guarantee the economic well-being of the regions
 - d) Manage the Community's external trade in ag. products

Subsumed in a) is the provision of raw materials for the processing industry but this function is barely acknowledged.

It is much more useful to treat the CAP in terms of its functions listed above than to discuss the "sacred" principles of unity of the market; shared financial responsibility; and community preference none of which exist more than partially.

2. What is the problem: in a nutshell it is that there is one single instrument to fulfil these functions- the setting of a guaranteed price for unlimited production (there are, of course, subsidiary mechanisms like deficiency payments, processing aids etc but these are limited). The price has to guarantee the income of farmers from Saffron Walden to Salonika; maintain rural employment; and "manage the market."

This is an impossible burden. It is essential that we find measures complementary to price support.

Conclusion No 1: the price mechanism is inadequate on its own to meet the varying and sometimes contradictory requirements imposed on it.

3. Proposition: the CAP is facing a budgetary crisis. This budget crisis is the consequence of a production crisis, not vice versa. Hence: we should seek solutions not primarily in finding new money to finance existing output, but in restraining output in sectors of continual surplus for which no market exists inside or outside the EEC.

4. How do we do this ? We have already said we wish to take the strain off prices which will permit, when necessary, prices to rise as well as permitting a restraint of prices.

The Commission solution to this is co-responsibility levy. We dislike the linear co-responsibility levy because it a) taxes technical efficiency;⁺ b) exempts certain categories of farmers - when all farmers are capable of large productivity gains; c) has the effect, ultimately, of putting up prices to the consumer and thereby depressing consumption; d) raising money outside the main budgetary mechanisms and hence escaping constitution check.

- .. However: the Council has accepted in theory the idea of a super-levy to be charged on output above a certain base level. Certain countries have shown no increase in output nationally or a decline. Therefore, it is only fair that a super-levy should be charged not across the board, but upon those dairies, regions or countries showing the actual increase in output.

Conclusion No 2: our initial proposal to tackle the dairy surplus should be to press for a levy equivalent to the cost disposal of output above a certain level to be imposed on, in order of preference, the dairies, regions or countries producing that extra.

5. If we have this we are more than half way towards the idea of the quantum or the quota:-

Definitions: a quantum is a volume of output which qualifies for full EEC guarantee. Subsequent amounts, earn progressively less, at least from EEC funds.

: a quota is a permitted acreage or volume of production allocated to the individual farmer qualifying for full guarantee.

It is futile to waste time on the theology of quantum and quotas. A number of countries would immediately boil down a national quantum (or standard quantity) into farm quotas.

+ There is a separate argument about what constitutes economic efficiency

Conclusion no 3: We should adopt as our fall-back policy in the event of the super-levy failing, endorsement of the notion of quantum, allocated nationally. This will permit states to shift production around their own countries. It will permit them to institute straight quotas if they wish to.

It is only by such a physical limitation on the volumes for which the EEC budget is liable that the spending can be brought effectively under control.

6. This is still not enough if the fundamental instrument of balance is still price. Therefore we have to find our supplementary instrument.

Proposition:- this instrument can only be a system of direct aids to farmers financed primarily nationally but with contributions from the EEC budget in order to help the poorer countries.

Justification:- national aids exist. They are proliferating. Already the price mechanism is failing to compensate farmers for inflation. States are, therefore, resorting to national support.

If we try to abolish all national aids we are being politically naive; If we try to subsume them in the EEC budget we are being financially irresponsible since it would mean at least a 3 % VAT ceiling.*

Therefore, our best course is to seek to bring national aids into a legal framework, with guidelines set out approved by the Community. We should begin by seeking updating and publication of the Commission's catalogue of aids. If we do not accept this we will constantly be faced with demands for farm price increases which reflect the pressures of the most inflationary economies - and because they will not be fully met we will still find ourselves lumbered with state aids.

Conclusion No 4: We support the principle of nationally-financed direct aid to farmers (not deficiency payments) under EEC supervision.

7. Of course, there will still be enormous distortions in the market. To get at these we have to look deeper. We must examine the whole fiscal framework of agriculture, its social security arrangements. In other words, do we believe that we should move towards a system of subsidised credit for all EEC agriculture? Once again, we must note that subsidised credit is one way of relieving the strain on prices and thus, the pressures damaging consumption.

* Of course, some of these are competing aids. We could all, in an ideal world, abandon them. In practice, it would be very difficult because of the income effect.

Conclusion No 5:- We should seek evidence on the comparable advantages and feasibility of farm finance via subsidised credit, and how these national policies may be brought within a Community framework.

8. We need to pay attention to the structure of agricultural management. It is quite clear that EEC rules are applied differently in each country. For example, in certain Member States intervention boards are purely government agencies, while elsewhere there is involvement by the trade and by agricultural interests like co-operatives.

This is absurd. It makes a mockery of the concept of the single market.

Conclusion No 6 :- we should seek a unified structure for intervention boards and other EEC agencies throughout the EEC administered directly by the Community and financed entirely by the Community, subject to regular inspection.

9. By the same token the differential standards of observance of EEC legislation is intolerable, especially in the processed food sector. It would not be practical to seek EEC-wide organisation here because it would mean an EEC bureaucracy in each chicken factory, but we should pay attention to the surveillance methods.

Conclusion No 7:- We should seek for appointment of a qualified EEC inspectorate with the automatic entree into premises subject to EEC regulations with the power to bring prosecutions in local courts or recommend withdrawal of licenses.

10. The CAP represents a significant charge on the food manufacturing industry. Industry claims it does not produce the raw materials it needs in some cases (e.g. lean beef for pie-making; maize for starch manufacture. It contributes to the CAP by means of the levies it pays on imports of raw materials it needs except when these enter under Lome or international trading agreement. There is an institutional problem - the absence of contact between DG 6 and the food manufacturing industry. Food comes under DG 3 in the Commission and never the twain have met.

Conclusion No 8: a special group should be appointed within DG 6, with a representative in Cabinet, with specific responsibility of liaison with the food manufacturing, processing, and importing industry.

The Community as an exporter

11. In any discussion of the "market" for EEC food we have to count internal consumption, the needs of food aid and exports. Too many countries have a stake in food exports for us to forget it. Therefore, we should concentrate on ensuring that food exports are as small a charge on the budget as possible and come under effective control:

To this end we should:-

- a) Negotiate with other suppliers to the world market to lift prices in slow steps to a level closer to domestic prices in all supplying countries. This includes New Zealand on butter and the US, Canada, Argentina etc on cereals and beef;
- b) Seek the negotiation of long-term export contracts, subject to revision in the light of world events;
- c) Investigate whether the Council of Ministers should have the responsibility of releasing funds for export in tranches rather than continuing the existing automatic system subject to price negotiation/rebate fixing by the Commission;
- d) Investigate whether there are any practical objections to bringing dairy produce into the tendering system like sugar.

We should NOT seek to turn the Commission as such into a commodity trader. That is not its function.

12 The Community as Importer

There is immense pressure for a tax on imported oils and fats because:-

- a) Soya enters duty free (about 17m tonnes a year in one form or another); manioc at 6% (5m t); maize gluten feed and bran at 0% (2m t each sheduled to rise to 5mt). These cercals substitutes knock about 14m t of EEC barley off the home market each year.
- b) A tax would discourage "intensive" (i.e. soya and concentrate-eating i.e. northern) agriculture in the north. This is the farming which produces the surpluses, the French and Irish (and Italians) claim;
- c) How else are you going to find the 1.5bn eua it will cost to finance olive oil unless you tax competing oils? And how else justify to the olive oil producer that he is a menace to the EEC when the US soya-producer sends his product free to the EEC ontheback of cheap oil prices;
- d) Since margarine is made from soya etc it will help butter consumption.

Arguments against

- a) The products are bound in GATT. US etc would retailiate or have to be compensated. What price? Obligations to Lome etc.
- b) A tax would add to industrial and food processing costs, hit the consumer, especially the Northern margarine-eating consumer, and raise costs all round on the farm
- c) It's pigs and chickens that consume more soya than dairy cattle in any case.
- d) The problem is the excessive price of cereals.
- e) Agriculture has got to live in a world economy. It doesn't exist by itself and must accept that a balance of interest must be drawn in the broad economic interest.

Conclusion No 8: We should seek negotiations on voluntary restraint where appropriate and an understanding on the relationship between imports and exports of raw materials/food, but reject an oils and fats tax. Products which aan be grown competitively in the EEC should receive the benefit of encouragement when they substitute surplus products, over the initial period of production.

13. Community Preference. There is no future in trying to get rid of this and return to a market economy in agriculture. For one thing there has never been a market economy and for another we would be the only people in the world to practice one. We should concentrate on defining Community preference in the light of:-

- a) Our international trading obligations
- b) Our relationship with the developing world and its need to sell to the EEC.
- c) Seeking easier access for products which the EEC cannot grow without extreme subsidy or in wholly inadequate quantity
- d) Defining norms of standards for EEC produce in comparison with standards available from imported products e.g. raisins
- e) Seeking varietal conversion in the EEC to crops which are in demand e.g. from oriental to virginia varieties of tobacco; better quality maize; a "baked" (navy) bean harvestable under EEC conditions.

Where certain processing industries require to use imported raw materials, and export their final product, the Community should investigate a system whereby raw materials would be made available levy-free in return for compensating restitution-free exports.

