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**ELEMENTS OF A SPEECH BY FINN OLAV GUNDELACH, VICE-PRESIDENT OF THE COMMISSION
OF THE EUROPEAN COMMUNITIES, FOR THE AGRICULTURE COMMITTEE OF THE EUROPEAN
PARLIAMENT, BRUSSELS, 5 JUNE 1980**

Speaking to the Agriculture Committee of the European Parliament in Brussels today, Mr. Gundelach welcomed the agreement which had avoided the outbreak of a severe crisis over the national contributions to the Community budget. "In the last few days, the Community has been to the brink. Without a settlement on the budgetary issue, national agricultural measures could have been introduced and these would undoubtedly have affected the free trade of agricultural produce. This might have triggered off restrictive measures in industrial trade, thereby undermining the very fabric of the Community: it could have ceased to exist within a matter of weeks. The achievements have therefore been enormous. It is quite wrong to analyse the results trying to find who are the winners and who the losers. There is only one real winner: that is the Community and that is Europe."

Mr. Gundelach said that, however serious the past few weeks had been for Europe, the outcome of the negotiations had given the encouraging confirmation of the precedence of Community solidarity over nationalistic tendencies. Not in the least it had shown once more that the Community institutions can find the necessary solutions even under the most difficult circumstances, if they cooperate as well as they have done on this occasion. This renews faith in the functioning of the Community and will help to restore a climate of confidence between Member States. Only in an atmosphere of mutual confidence will it be possible to carry out the necessary improvements of the common agricultural policy.

Dealing with the agricultural price review, Mr. Gundelach described it as another substantial step towards coping with the serious market and budgetary problems that beset the common agricultural policy. The continued price moderation and the reinforced measures to stem the milk flow represent an important breakthrough in the attack on agricultural surpluses and their budgetary consequences.

This will be the fourth successive year of prudent pricing for agricultural commodities. The combined effect of the price increase in units of account and the price changes due to green money adaptations averages 5.7% while general inflation is expected to be 12% for the year. This is a fair compromise between the need for a prudent price policy and the income requirements of the farming sector. Most prices have been increased by between 5 and 7.5%. Price prudence is more marked in the surplus sectors of milk and sugar.

The elements needed for a solution of the milk problem are now in place after a steady three-year advance, said Mr. Gundelach. Stocks of surplus products - notably skimmed milk powder - have been reduced to acceptable levels; the milk co-responsibility levy has been restored to 2.0% and the bulk of the money will go to relieve the Community budget; there is a binding agreement to introduce the milk super-levy if milk production increases by 1.5% in 1980; investment aids for dairy farmers are to be limited.

The combination of price moderation, of milk sector measures and of cost saving measures for processed fruit and vegetables, starch and possibly for beef will hold at bay the problem of the budget for at least an extra 12 months - and even for longer if increases in agricultural expenditure can be held at a lower rate than increases in Community own resources. Expenditure on agricultural guarantees will be 11% higher in 1980 than in 1979 - but this is a good deal lower than the 23% average increase over the last two years. Taking account of inflation, real expenditure on agricultural support will remain more or less static as a result of the price package.

Mr. Gundelach said that the price compromise also represented progress in other directions. Following last year's agreement on procedures for the dismantling of monetary compensatory amounts and if present exchange rate stability continues common prices in national currencies will soon be applied for all products in five member states. The agreement to reduce the positive MCA's in Germany and Benelux brings national currency prices in those countries closer to the common level. Stabilisation measures in the wine market have been reinforced by the prolongation of the "garantie de bonne fin". In the policy area concerning the structural development of Community agriculture, the package includes approval for schemes in the West of Ireland and Greenland. Aid ceilings for farmers in mountain and disadvantaged areas are also increased substantially. These decisions carry a stage further the remodelling of structural policy so that it concentrates resources on the poorest farmers and on the poorest regions.

The new common market organisation for sheepmeat represents another victory for the Community in that it ends protracted and difficult negotiations, negotiations which at times became detrimental confrontations. The agreement demonstrates clearly that the Community can devise schemes suited to conditions in all member states. And, because of the high concentration of sheep farmers in less-favoured areas, the market organisations will provide a real reinforcement to our structural measures.

Although important progress has been achieved in this price review, it should not distract our attention from the need for further improvements, Mr. Gundelach said. Work remains to be done to obtain a better balance in the market policy, a reinforcement of the structural policy and further reductions of positive monetary compensatory amounts. The market forces should be allowed to play a bigger role in order to relieve the pressure on the intervention system. The latter should be restored to its initial function of a safety net which is indispensable to safeguard agricultural incomes as well as supply. But it should not be allowed to develop into an attractive alternative for the market place as it had done in the beef and milk sectors. In the review of the common market organisation for sugar, which is to be completed before the end of the year, we should also seek a closer relationship between consumption and the quantities guaranteed under quotas. Consumption in this sense includes traditional exports.

Mr. Gundelach stressed that agricultural expenditure has to be rationalised wherever possible. He announced that the Commission will continue its cost-saving efforts and will choose in future the least-cost alternative whenever it had a choice on policy or market management. This will help the credibility of the common agricultural policy and help create the right conditions in which an objective discussion on Community finance can take place.