

STATEMENT FROM Mr. POUL DALSAGER
TO THE EUROPEAN PARLIAMENT
STRASBOURG, 13 OCTOBER 1983

In September the Parliament adopted a resolution inviting the Commission to organize a subsidized sale of butter for Christmas 1983. The Commission does not share the view of the Parliament that sales of Christmas butter on the basis envisaged could be cost effective. The first and more important point to make is that the Commission shares with the Parliament the worries and anxieties over butter stocks which have led to this proposal being made. Further, the Commission has made proposals to tackle and resolve the immediate problem and the longer term problem in a radical and effective way. The Commission, far from being complacent about the matter, takes a serious view of the problem and wants to go directly to its root, and apply lasting remedies.

The Parliament's proposal is about the disposal of part of the existing stocks. The Commission has alternative proposals, which we believe are more cost effective, for securing some short term reduction. But let us be clear, we are talking about palliatives. What we need is not temporary exercises on an ad hoc basis but a strategy for a continuing attack on the size of the surplus and beyond that a strategy to reverse the trend of accumulation of stocks.

The Commission's proposals on the dairy sector are concerned in the first instance with surpluses - their present level, and their future reduction. Naturally, it is their effect on production that has attracted attention. Each percentage point of increase in milk production results in a 3% increase in butter production. Our aim is to stop that extra milk and butter being produced, and sold into intervention, in the first place. This is precisely why we have chosen a quota system. The super levy not only works to impose a quota, but also to ensure that production over quota does not have to be disposed of at FEOGA cost. We proposed to take the level of deliveries to dairies back to the level of 1981 plus 1%. Then the arithmetic will work the other way - for each 1% of reduction in dairy deliveries, we may expect a 3% reduction in manufacture of butter.

This major measure, with which we will associate more cost effective and wide ranging disposal schemes, is aimed at bringing about a significant decrease in stocks. What is much more important is that it will confront the producers with the real market situation and reduce milk and butter production to levels that will ensure in the medium term that we can dispose of butter stocks. Once that is achieved, we will have the budgetary room for manoeuvre to think once again about the level of reward for producers.

The stock figures are alarming. But we must not become so alarmed by them that we fail to notice the figures on costs. There is a strong temptation to reduce the stocks at no matter what cost. They are a physical, political and financial burden we all want to get off our backs. A careful calculation is needed to ensure we are not frightened into budgetary irresponsibility. We have to compare the costs of different methods of disposal, one with another, and we have to compare the cost of disposal now with the cost of storage and disposal later. This brings me back to the specific proposal you have adopted for Christmas butter. In this connection I would draw the attention of the Honourable Members to the answers to Mr Aigner's question of Monday which I am making available. I regret that I have to insist that Mr Aigner's scheme is high on cost and low on cost-effectiveness. There are two main ways in which our arithmetic differs from yours. First, we think that certain of the costs are omitted from your calculations: but we cannot just forget them. Second, we differ on how much additional butter would be sold. All our experience shows that one can expect about 25% extra will be disposed of. In my meetings with Mr Aigner, he has said that the psychological impact of this particular scheme would be such that 66% of the quantity would be additional. I can only say I do not agree.

Our strategy for managing the stocks is to use the super-levy and associated measures to check the growth of milk production and of dairy products, and to dispose of them by greater use of the methods which have already proved cost-effective. Both elements are necessary.

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Our proposals are not new. They are the development of proposals which have been made to you and the Council over the last 3 years, but accepted only in part. They are put forward with even more determination than in the past, because in the last 3 years the position has deteriorated quite as much as we feared when we first adopted this strategy. We have put a dead-line for implementation of 1 January 1984. We must achieve that dead-line if the situation is not to deteriorate still further from the present desperate level to a disastrous one.

The whole history of the dairy sector has been characterised by missed dead-lines, and missed opportunities. It was in 1979 that the Commission first proposed a special levy, and in 1980 that it was proposed to apply it at the level of the dairy. Both proposals were rejected by the Council. There was no support from the Parliament. By 1982 the position had become serious, and we were able that year to secure agreement on the guarantee threshold again with no support from the Parliament. This year, its operation held the price increase down to 2.2%. I am sorry to have to insist upon the fact that any objective examination of the history of the growth of these surpluses shows the Commission alone is consistently trying to rein them back. Every year the outlook has become worse, and every year therefore the proposals for a remedy have had to be more severe. This process of radical proposals being rejected, leads to a worse position and therefore yet more radical proposals. If our proposals are again rejected, or accepted only in part, or if our dead-line is missed, it is absolutely certain that the disease will progress further and the cure will need to be yet more radical and even dangerous. If all goes well we should begin to make an impact on the stocks and therefore on the costs. That is why I look for your support today.

All through these 3 years, despite much criticism, opposition, and frustration, the Commission has stuck to its analysis and appreciation of the problem, which has proved to be correct. We have been the reverse of complacent about the mounting crisis. Far from being devoid of ideas for solution, we have proposed and pressed a range of radical and effective solutions. The Parliament's resolution shows that you now recognise the severity of the crisis. I dare to hope we are at the turning point, and that we agree on the diagnosis, and that we can work together towards defining a cure. We should not now be quarelling over the terms of a single short-term exercise of stock disposal. Much more than the price of butter to the

consumer is at stake, much more than the price of milk to the farmer. The dairy problem is at the very centre of our struggle to survive a political and budgetary crisis of a magnitude that can affect the whole future of our Community. Let us tackle that problem at its roots, and with determination, and with a sense of urgency, and above all together.