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Brussels, 21 January 198[illegible]

Extracts from speech of Mr DALSAGER at the Conference of the Irish Farmer Association, Dublin 21 January 1983

The factors which will influence the common agricultural policy in the next five to ten years are two fold :

- supply and demand on the agricultural markets, inside and outside the European Community
- incomes and employment within EEC agriculture, and in the rest of the Community's economy.

The situation on the markets for food within the Community will depend on the number of people, and on the money which they have to spend. According to Commission estimates, the population of the ten Member States will grow from 270.4 million in 1981 to 274 million in 1990. That means an annual rate of increase of only 0.15%, compared with 0.32% in the preceding ten years. Meanwhile, we estimate that between now and 1990 private consumption per head will increase at an annual rate of only 2%, compared with 3.3% in the last decade.

So the message on the markets is clear. Overall demand for food in the Community will increase less rapidly than in the past; and although there will continue to be a switch to better quality food, and more processed and prepared products, this trend too may be less pronounced.

Outside the Community, the explosion of world population continues. But the capacity to pay for food will depend on economic growth, and the capacity of the international system to finance the needed expansion. Here we must be realistic. The developing countries, and the Eastern European countries, have run up a colossal debt. These are the very countries where our agricultural exports have expanded most rapidly in recent years. We can expect relentless competition from other agricultural exporters.

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Incomes and employment in agriculture will remain a major concern of the Community, The CAP has, in the long term, protected agricultural incomes.

It is now estimated that farm incomes in the Community, in the sense of net value added per unit of labour, increased on average in 1982 by 8.6 per cent in real terms, after taking account of inflation. That is an excellent result. Coming after three years of decline, it represents the best progress which has been made in Community agriculture since 1973. It is far better than most sectors of our economy experienced in 1982.

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Meanwhile inflation in the Community continues to decline, from about 10% in 1982 to 9% or less in 1983.

In view of the market situation, there would be a case for a price freeze for several products for the next season. But the Commission wants to ensure the maintenance of farm incomes in the coming year. That is why it has proposed a modest increase of 5.5 per cent for the majority of products for 1983/84, but with reductions in the intervention prices for products where the guarantee threshold has been exceeded (milk, cereals, colza).

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Incomes and employment are directly linked. One of the reasons why agricultural income per head has been able to increase over the years is precisely that the number employed have declined. In 1958 there were 20 million in agriculture in the ten Member States. Now there are 8 million. That represents an outflow of about 1 person per minute.

The long-term decline in numbers will continue. We cannot halt this development, which goes hand in hand with the improvement of structures. But in a time of economic crisis, with 11 million jobless, we must not accelerate it.

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In 1982 deliveries of milk in the Community increased by at least 3 per cent, while consumption of milk and milk products in all their forms in the Community increased by only half a per cent. This is not a new development. It reflects a long-term trend. In 1982 we produced 23 per cent more milk than in 1973, but we consumed only 6 per cent more.

A large part of the milk produced today cannot hope to find a market without the aid of the Community budget - in the form of consumer subsidies, subsidies for animal feed, export restitutions, or in public intervention stores.

This state of affairs is unhealthy. It is bad for the Community, because of the high costs involved. I believe that it is bad for farmers themselves.

Intervention and public subsidies are not the market. A policy which removes the market and removes risk is a policy which cannot last.

We face a choice. We can opt for a policy of price moderation, with some limits on the price guarantees, and reductions in the intervention prices if these limits are exceeded. Or we can allow ourselves to be drawn into a series of tighter and tighter controls on milk production.

We can either make the forces of the market work, or we can embark on a policy which leads to the spread of bureaucracy and limits farmers' freedom.

For me the choice is clear, and it is the first option. That is why the Commission has proposed a reduction in the intervention price as a result of the increase in milk deliveries. I believe that the proposed reduction is a reasonable price to pay for the maintenance of a sound and lasting policy.