

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 380 final

Brussels, 20 June 1983

FURTHER GUIDELINES FOR THE DEVELOPMENT OF THE COMMON AGRICULTURAL POLICY

(Communication from the Commission to the European Council,
Stuttgart, 17-19 June 1983)

COM(83)380 final

1. The Commission suggests that the European Council endorses the following guidelines for further development of the common agricultural policy:

- The principles of the common agricultural policy must be safeguarded.
- A prudent pricing policy should be applied.
- Guarantees should be modulated in such a way as to discourage formation of surpluses beyond the production thresholds.

This could be achieved by application of the production thresholds and associated mechanisms already introduced for a number of products and by measures analogous to those proposed by the Commission for various sectors in its memorandum on guidelines for the common agricultural policy. To alleviate the possible consequences for certain small producers or for producers in certain less-favoured regions, these measures could be supplemented by Community and/or national intervention*.

* These ideas are discussed in the Commission's 1981 memorandum on "Guidelines for European Agriculture".

- In addition, the Commission will undertake a systematic examination of agricultural expenditure to determine whether further management savings are possible.

- Given the harmful effects of the present agri-monetary system on agricultural production and trade, the Commission will make appropriate proposals for the gradual phasing-out of monetary compensatory amounts.

- In the context of implementing the guidelines set out above, the external protection system for agriculture will have to be reviewed, bearing the Community's international commitments in mind.

- The Commission considers that, if these principles are applied, agricultural expenditure will on average increase less rapidly than the Community's own resources.

It will present the necessary proposals as soon as possible so that their consequences can be taken into account in the preparation of the 1984 Budget and to enable the Council to adopt them in time for implementation as from the 1984/85 marketing year.

* *

*

2. In 1981, following its report on the mandate of 30 May 1980, the Commission analysed structural changes for various agricultural products (for example milk products) and presented its conclusions to the Council in a memorandum entitled "Guidelines for European Agriculture"¹. It found that in recent years the trend had been towards a steady increase in these areas of production and that productivity reserves were such that this trend was bound to continue for the foreseeable future. At the same time consumption in the Community was stagnating.

The result is a constant increase in surpluses to be exported, disposed of by means of subsidies on the Community market or stored at high cost and hence a long-term burden on the budget quite independent of the short-term market situation. Following relative stabilization of expenditure over two years, during which considerably less was spent on agriculture than the amounts provided for in the budgets, this permanent feature, combined with fluctuations on the world market, led to an abrupt change in the level and growth rate of agricultural expenditure in 1983. It is to be expected that agricultural expenditure in the current year will be approximately 30% higher than in 1982, forcing the Commission to present an unusually large supplementary budget in the near future.

3. These recent developments have confirmed the soundness of the Commission's analysis. The Commission is still determined to adapt the common agricultural policy - while adhering to the basic principles of the policy - to ensure that agricultural expenditure will increase less rapidly in future than the Community's own resources.

4. As to the functioning of the market organizations, the Commission considers that for a number of products the granting of an unlimited guarantee, irrespective of the quantities produced, must be abolished. This will be done by modulating guarantees once a production

¹ Mandate of 30 May 1980: Guidelines for European Agriculture. COM(81)608 final.

threshold is exceeded. The modulation must be large enough to discourage production and contain expenditure.

The proposals made by the Commission in connection with the farm price review for 1982 and 1983 were based on these principles. The Council has accepted them. Production thresholds and associated mechanisms have been introduced for milk products, cereals and colza. This policy is beginning to have an effect on prices for these products but it has had no marked effect as yet on agricultural expenditure.

The Commission intends to submit to the Council proposals which will reinforce and supplement the decisions already taken by the latter in sufficient time for their consequences to be taken into account in the preparation of the 1984 Budget and for them to be adopted before the 1984/85 marketing year. In particular, the Commission proposes to employ again some of the formulas which it had set out in the above-mentioned memorandum on guidelines for European agriculture.

In the milk and milk products sector, for example, the Commission has suggested that agricultural producers whose output has increased should be required to pay a levy on their excess production ("additional levy"). It has also suggested that the guarantee system in respect of milk and milk products should be amended to ensure that it no longer constitutes an incentive to highly intensive production, which is largely industrial in character ("intensive levy").

5. Furthermore, the Commission will undertake a systematic examination of various items in the chapters of the budget devoted to agriculture to establish whether further management savings are possible. It would point out, however, that much of current agricultural expenditure is the result of political compromises in the Council.

6. The retention over very long periods of monetary compensatory amounts introduced following currency fluctuations has gradually led to serious distortions of the conditions of production and the development of agricultural trade. This situation is now having a significant influence on the unity of the price system and the functioning of the single market. The "gentlemen's agreement"

which attempted to define conditions for the gradual phasing out of monetary compensatory amounts has proved unsatisfactory.

The Commission therefore intends to submit proposals which, whilst complying with the principles of the Common Agricultural Policy, are designed to achieve the gradual phasing-out of monetary compensatory amounts.

7. The development of agricultural trade, an area in which the Community has commitments within GATT to apply low or zero rates of duty to a number of key products, has direct effects on agriculture in the Community, as regards both surpluses and deficits. These elements will have to be borne in mind in implementing the guidelines which have just been presented.

In the light of these two considerations, the Commission proposes to examine the external protection system for agriculture and to present its conclusions to the Council, bearing the Community's international commitments in mind.

8. Implementation of the policy described above could have a negative effect on the level of agricultural support and on farm incomes. Certain categories of small producers and producers in certain less-favoured regions could be particularly affected.

If necessary, the Commission will submit proposals to remedy this situation, both by the use of existing instruments and, where appropriate, by supplementary Community and/or national intervention.