

EUROPEAN PARLIAMENT

Working Documents

1984-1985

4 March 1985

DOCUMENT 2-1770/84/C I

Report

drawn up by the Committee on Agriculture, Fisheries
and Food

on the proposals from the Commission of the European
Communities to the Council (Doc. 2-1747/84 - COM(85)
50 final) for regulations on the fixing of prices for
certain agricultural products and certain related
measures (1985/1986)

PART C: OPINIONS OF COMMITTEES

Rapporteur: Mr P.-B. PRANCHERE

C O N T E N T S

	<u>Page</u>
Opinion of the Committee on Development and Cooperation	3
Opinion of the Committee on the Environment, Public Health and Consumer Protection	11

The opinion of the Committee on Budgets will be published separately.

Opinion (Rule 101 of the Rules of Procedure)

OPINION

of the Committee on Development and Cooperation

Draftsman: Mr W. KUIJPERS

At its meeting of 16 October 1984, the committee appointed Mr W. KUIJPERS draftsman of the opinion.

The committee considered the draft opinion at its meeting of 25 February 1985 and adopted the conclusions unanimously.

The following took part in the vote: Mrs FOCKE, chairman; Mr BERSANI and Mr WURTZ, vice-chairmen; Mr KUIJPERS, draftsman of the opinion; Mr ANDREWS, Mr BAGET-BOZZO, Mrs BARBARELLA (deputizing for Mrs CINCIARI RODANO), Mrs CASTELLINA (deputizing for Mr PAJETTA), Mr COHEN, Mr FELLERMAIER, Mrs HEINRICH, Mr Ch. JACKSON, Mr LOMAS (deputizing for Mr LOO), Mr McMGOWAN, Mr MUNTINGH (deputizing for Mrs PANTAZI), Mr SABY, Mrs SCHMIT, Mr SHERLOCK (deputizing for Mrs DALY), Mrs SIMONS, Mr STAES (deputizing for Mr VERBEEK) and Mr TOMLINSON (deputizing for Mrs PERY).

Opinion of the Committee on Development and Cooperation

The Committee on Development and Cooperation,

- aware of the need for the greatest possible consistency between the points of view put forward by the Committee on Agriculture and the Committee on Development and Cooperation,
 - whereas the fixing of common agricultural prices must not involve any measures that will adversely affect the developing countries,
1. Approves the Commission's proposals on the fixing of prices for agricultural products insofar as they reflect a concern to reduce Community agricultural surpluses, which cannot but benefit the developing countries;
 2. Recalls here the recommendations made in the European Parliament's resolution concerning the impact of the common agricultural policy on international trade (OJ No. C 242, 12.9.1983);
 3. Condemns yet again the Community's approach of absorbing its surpluses, of dairy products in particular, by massive exports to the developing countries and emphasizes the disastrous consequences for the latter, more specifically in terms of their trade balances, traditional diet and the resulting competition for local farmers;
 4. Requests, in the area of cereals, that the Community should take into account as far as possible the impact of its exports on local crop production in the developing countries and on the implementation of food strategies which must be expanded in the future; as long as self-sufficiency has not been achieved in the developing countries, despite the efforts being made, the Community must provide appropriate food aid;
 5. Re-emphasizes its concern at the over-production of sugar in the Community and recalls the commitments entered into by the Community towards the ACP States under the ACP Sugar Protocol;

6. Reiterates its view that a sugar policy based solely on price controls would be highly damaging to ACP producers whereas a suitable quota system would allow a ceiling to be imposed on Community production while safeguarding the incomes of the ACP sugar-producing States; consequently calls on the Community to lower its quotas for A and B sugar;
7. Urges the Community to take the initiative in the formulation of a new, effective International Sugar Agreement;
8. Underlines the need to keep the developing countries liable to be affected by the forthcoming enlargement of the EEC fully and regularly informed;
9. Recalls that any change in the Common Agricultural Policy must take full account firstly of the need to increase the outlets in the Community for agricultural exports from the developing countries and secondly the need to provide for the supply of Community agricultural products to the developing countries over a long period;
10. Emphasizes that Community imports of substitutes could serve to feed the populations of the developing countries; recalls that these imports have increased considerably in recent years and are contributing to the Community's agricultural surpluses; calls for such imports to be curbed in the medium term, for example by concluding voluntary restraint agreements;
11. Underlines that voluntary restraint agreements with producing countries - particularly the agreement on manioc - must unquestionably contain a counter-concession in the form of effective Community aid for crop diversification;

EXPLANATORY STATEMENT

When delivering an opinion on the Commission proposals on the fixing of prices for agricultural products and related measures (1985/86), it should be remembered that the Committee on Development and Cooperation had an opportunity fairly recently to define clearly its position on the important issue of the link between the common agricultural policy and the developing countries¹.

It should also be emphasized that, in accordance with the views set out in the above document, the Committee on Development and Cooperation has traditionally considered agricultural prices by asking to what extent the price proposals for a certain number of products which are particularly important for the developing countries may have repercussions on their export potential and domestic production capacity.

The same approach has been adopted on this occasion.

Sugar

The Commission points out that the combined quotas of A and B sugar amount to 11.76 million tonnes and correspond to 125% of domestic consumption in the Community. Domestic consumption hovers around 9.4 - 9.5 million tonnes and actual production within the quotas fluctuates around 11.2 million tonnes which puts surplus output at between 1.5 and 2 million tonnes.

The Commission also states that domestic consumption should remain stable in the coming years although some competition on the domestic market is to be expected from the development of artificial sweeteners.

In addition, the Commission recognizes that the main reason for the low level of world prices is that world production outstripped consumption in 1981/82 and 1982/83. Stocks correspond to 40% of annual consumption and there is no prospect of a significant reduction in stocks in the near future.

¹ Opinion by Mr VITALE concerning the impact of the CAP on international trade, 31.1.1983, PE 81.199/fin.

The Commission therefore concludes that a very prudent price policy must be followed and proposes a 1.3% increase in the intervention price for white sugar.

As in the previous year, the Commission makes no mention of the existence of the Sugar Protocol with the ACP countries, nor does it refer to any of the repercussions which its Community price proposal will undoubtedly have on the price guaranteed to the ACP States.

In these circumstances, the rapporteur cannot but restate the position already put forward by the committee:

- it still seems clear that action on prices alone cannot bring about a reduction in Community production and the EEC should therefore take parallel action on quotas;
- the Sugar Protocol concluded with the ACP States involves contractual obligations of an intangible nature;
- a policy based solely on price controls would be highly damaging to ACP producers whereas the quota system would allow a ceiling to be imposed on Community production while safeguarding the incomes of ACP sugar-producing States;
- the Community should adhere to the International Sugar Agreement. The present agreement¹ which contains only administrative provisions is not satisfactory and a new agreement incorporating economic provisions should be concluded as soon as possible.

Cereals

According to the Commission, the 1984 cereals harvest (excluding durum wheat) is estimated at 144.21 million tonnes, a record figure which confirms the continuing upward production trend - an annual rate of 3% since 1978 - whereas demand remains stable and is unlikely to change in the future.

¹ OJ No. L 22, 25.1.1985

The balance between production and internal consumption amounts to 31.8 million tonnes for 1984/85.

From its analysis of the trend likely to emerge from this situation, the Commission anticipates a build-up of stocks for which there is no obvious outlet since stocks for 1984/85 already amount to 15 million tonnes. According to the Commission, price policy, except where it is extremely restrictive, cannot be the only instrument used in future, given that the degree of self-sufficiency for all cereals is 130% for the 1984/85 marketing year.

The Commission proposes a series of adjustments in intervention prices ranging from -4.5% to 0, with -3.6% for common wheat.

Reference should be made here to the analyses carried out by the Commission in the past and according to which the Community should have a dual objective in this field. Firstly, to avoid a policy of intensive exports to the developing countries, which would undoubtedly have an adverse effect on the development of their domestic production - whereas one of the prime objectives of Community development policy is to promote self-sufficiency in foodstuffs and the growth of agriculture - and on the implementation of food strategies. Secondly, it should also be able to meet demand from the developing countries for imports of increasing volumes of cereals. For this purpose, the Community must maintain a certain export capacity.

Dairy products

The Commission points out that in March 1984 the Council introduced delivery quotas in the milk sector and that milk deliveries between April and December 1984 will be 4% down on the same period in 1983. There was little change in consumption while exports increased only slightly.

Public stocks at the end of 1984 can be put at around 900,000 tonnes of butter and 680,000 tonnes of skimmed-milk powder.

Turning to the outlook for 1991, without prejudice to the Council decisions concerning the application of the quota for the years beyond 1988/89, the Commission anticipates that supply will exceed consumption by 11.5 million tonnes, with a self-sufficiency rate of 113% as against 118% in 1982.

The Commission concludes that the surplus available will enable the Community to maintain its pattern of exports.

The Commission proposes a 1.5% increase in the target price for milk, a cut of 4% in the intervention price for butter and an increase of 6.8% in the intervention price for skimmed-milk powder.

The operation of a quota system since last year has meant significant progress in curbing Community milk surpluses. However, the Commission's own forecasts show that unless the system is strengthened considerably surpluses will still be at a high level at the end of the decade.

In the past, the Committee on Development and Cooperation has repeatedly criticized the Community's present policy of solving the problem of its milk surpluses by massive exports to the developing countries and has condemned the many adverse effects of such a policy: changes in traditional dietary habits, including feeding of babies, competition with and disruption of local production, increase in imports.

These arguments continue to apply.

Fruit and vegetables

The Commission proposes a basic price ranging from -6 to +1% for the various products.

The market situation varies considerably from one product to another. However in this sector the problem is not one of Community exports but rather of the importation into the Community of produce from the Third World.

In this sector, the two main problems which continue to arise - as in previous years - are the adjustment of Community policy with a view to the forthcoming accession of Spain and Portugal, bearing in mind the need to define an overall Mediterranean policy which protects the interests of the Maghreb countries in particular, and the need, repeatedly pointed out by our committee, to improve access to the Community market for products from the developing countries, particularly by improving such outlets in periods when the relevant crops are not in season in the Community.

Substitutes

Community price rules for certain agricultural products - cereals in particular - directly affect a number of substitutes which are of importance to certain developing countries. This applies particularly to manioc mainly imported from Thailand with which the Community has had an agreement for a number of years on voluntary restraint in return for aid to diversify agriculture in Thailand. The Community has encountered various problems in implementing this counter-concession.

The Committee on Development and Cooperation should therefore take this opportunity to restate its position, which is based on two premises.

Firstly, the extent to which the Community market can be opened up to substitutes from the developing countries will increase in direct proportion to the success in controlling imports from other countries, particularly imports of soya from the United States.

Secondly, the only conceivable voluntary restraint agreements with the developing countries are those which include genuine and effective aid for the diversification of their agriculture.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT,
PUBLIC HEALTH AND CONSUMER PROTECTION

Draftsman: Mr A. BOMBARD

At its meeting of 30 January 1985 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Alain BOMBARD draftsman of an opinion for the Committee on Agriculture.

The committee considered the draft opinion at its meeting of 28 February 1985 and adopted it at the same meeting, with 17 votes in favour and 4 abstentions.

The following took part in the vote: Mrs Schleicher, chairman; Mrs Bloch von Blottnitz and Mr Collins, vice-chairmen; Mr Bombard, rapporteur; Mr Alber, Mrs Banotti, Mr Bonaccini, Mr Hughes, Mr Iversen, Mrs Caroline Jackson, Mr Lambrias, Mr van der Lek, Mrs Lentz-Cornette, Mr Mertens, Mr Muntingh, Mr Pearce, Mr Roelants du Vivier, Mr Sherlock, Mrs Squarcialupi, Mrs Van Hemeldonck, Mr Vernier.

I. Opinion

1. In its annual proposals on the fixing of prices for agricultural products and related measures (1985/86) - COM(85) 50 final - the Commission argues for a freeze on prices in ECU, which means that, on average, consumer prices will remain unchanged.
2. It points out that despite stagnating demand and very low population growth production has increased in most sectors, even in cases where Community self-sufficiency is 100% or more.
3. Because of the low prices for many products on the international market exports to third countries are problematical and qualify for refunds.
4. The people of Europe, aware of the famines in certain parts of the world, have in recent years been increasingly sickened by the destruction of agricultural surpluses.

5. In view of the financial difficulties facing the authorities in all Member States there can be no question of giving unlimited support to all agricultural produce.
6. In 1984 agricultural incomes in the Community increased by an average of 4% in real terms. However, the trend varies depending on the product: for example, the discrepancies, which are more pronounced in some regions than others, have had highly negative effects on the milk, beef and veal and sheepmeat sectors.
7. In order to ensure that small and medium-sized farms are not placed at a financial disadvantage, the Commission intends to intensify its measures to improve structures, which should take effect as from the second half of 1985.

II. Conclusions

The Committee on the Environment, Public Health and Consumer Protection:

- (a) takes note of the Commission's proposals, which in general have the effect of lowering consumer prices;
- (b) calls on the Committee on Agriculture to propose the following measures with a view to curbing overproduction:
 - strict and consistent application of the principles on which the common agricultural policy is based and the various agreements between the EEC and other countries or groups of countries;
 - replacement of crops and other agricultural products in respect of which the level of self-sufficiency exceeds 100% with speculative vegetable crops which are in demand in the Community (for example, soya) or crops which could be used to supply substitute fuels;
 - the setting up and management of nature reserves for wild animals and plants on some of the land no longer used for farming purposes;

- (c) calls for the speedy adoption of the measures to improve structures, particularly where these will benefit small and medium-sized farms, which should be given effective aid;
- (d) deplores the fact that the Common Agricultural Policy continues to favour the use of fertilizers and pesticides which have for many years been known to have an adverse effect on the quality of foodstuffs and to pollute soil and underground water sources; suggests that financial incentives could be given to farmers to use methods which are more in keeping with environmental requirements;
- (e) suggests that the studies currently under way in certain countries - Japan among others - on natural biodegradable pesticides should also be pursued in the Member States of the Community;
- (f) points out that measures to restrict the use of artificial fattening agents could help to correct production volumes and make healthier food available to consumers always provided that such measures could be effectively policed and applied on a general basis in all Community countries;
- (g) stresses the need to improve the information and education given to producers and consumers, to encourage them to orientate themselves towards agricultural activities which are healthier and less costly and damaging in environmental terms;
- (h) asks the Commission to initiate a study of the relationship between the structure and movement of agricultural prices and the state of the environment.