

# European Community



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## INFORMATION NOTE

### JENKINS URGES WORLD FOOD RESERVES

Seeks changes in EC farm policy

The following is extracted from a speech Commission President Roy Jenkins made in London on 27 September to a conference of the Food Manufacturers' Federation:

What about the future development of the CAP (common agricultural policy)? Broadly speaking, the faults of the mechanisms can be exaggerated. It is not the fact of intervention buying or export refunds which has given rise to surpluses. Rather the converse: if these mechanisms are sometimes used to an exaggerated and extravagant extent, it is because of the surpluses which have arisen. I am not saying that we cannot develop and modify the instruments of the CAP; in particular, I am sure that we must try to reduce the rigidity of the intervention mechanisms so as to avoid excessive interference in the market and the conspicuous waste which can result from it. For example, the Commission will very soon be proposing changes in the beef system which will help to give consumers greater benefit on prices in a time of surplus, without weakening the guarantees to producers.

It is more the overall level at which the common prices are fixed from year to year for each product that influences the level of output. One of the main changes therefore which we need to see - and which I am sure we shall see - in the price-fixing process is a greater emphasis on the market and on the likely level of demand for food. European agriculture has a tremendous productive potential: if average yields of crops and livestock were brought up to the levels of the most efficient, the increases in output would be enormous. But if nobody wants to consume the additional output, if there is no market for it, we shall have wasted our resources. That is why I am convinced that we must take more and more account of future demand for food, and for different types of food, in Europe. We must not fall into the trap - which the Community sometimes has in the past - of starting from the premise that production is expected to reach a certain level and that, therefore, we must find an outlet for that quantity either on the market or through open-ended intervention. We have got to look at the quantities and qualities of food that our domestic market requires, and of course at our possible export markets: we have got to form some idea of the medium and long-term trends of demand as well as supply.

If we are to put the emphasis more on the needs of the market, it follows inevitably that in fixing prices for certain products we shall have to follow a policy of severe restraint - or, as it is sometimes euphemistically put, a prudent price policy. I do not think there can be any running away from that, even if it causes real political difficulties, and even if we have to find other ways of aiding farm incomes. But I take some encouragement from our success this year in proposing an average increase in the common prices of only 3 per cent, and obtaining a final figure in the Council of Ministers of 3.9 per cent. To achieve this at a time when inflation in the Community as a whole is running in double figures is not a bad start.

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I have not so far mentioned the enlargement of the Community to include Greece, Spain and Portugal. That event, for which we must now prepare and plan, will certainly bring new problems in the field of food and agriculture. How will new competition affect Italy and France, whose producers of Mediterranean products such as wine, tomatoes and olive oil are already in difficult circumstances? Will joining the EEC provoke a great increase in agricultural production in the new members? These are questions to which the Commission is already devoting itself. I cannot say that we have found all the answers, but I am certain that we must throw out from the start the idea that the problems should be solved by rigid protectionism or by stockpiling new mountains and lakes of surplus produce.

This is not to say that stockpiling of produce does not have its place in a global food policy, provided that we are talking about produce which people want to eat, and which can usefully be released on to the market at an appropriate moment. The acceptance of the principle of world food reserves would be one of the most practical contributions that our generation could make to future economic and political stability, not only of the poorer countries - though it is of crucial importance to them - but even in our own interests in the richer countries. It is curious how, in this particular area of world agricultural markets, international thinking has come to approximate more closely to some of the ideas which lie behind the common agricultural policy - stability of prices and supplies, and intervention by the public authorities to stabilize the market.

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