

## NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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### ANALYSIS OF THE AGREEMENT BETWEEN MINISTERS OF AGRICULTURE

OF THE "NINE" ON 23 MARCH 1974

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INTRODUCTION

Average increase by 8.5% of guaranteed prices to Community farmers in 1974/75, concessions for the British, commitment in principle on further discussions for improving the common agricultural policy: these are basically the three main areas of decision which were dealt with on 23 March by the Ministers of Agriculture of the "Nine", who had been assembled at Brussels since 21 March.

It is rare that a Community agreement is received with such relief. In fact, before the ministerial session, a number of observers had no hesitation in predicting that this meeting could mark the "beginning of the end" for "Green Europe". There was a considerable amount of perplexity about the attitude which would be adopted by the new British Government, which had not concealed its desire to review the conditions of British adhesion to the Common Market. However, whilst the discussions of the "Nine" may have been very intense - as is the case each year when they are concerned with fixing agricultural prices - they were still carried out in a perfectly calm atmosphere. The British Minister of Agriculture set the tone of the discussion, moreover, when he entered the conference room, saying that he was there to fix agricultural prices, not to renegotiate the Treaty of Accession. The decisions which were taken are evidence of this attitude: in fact, not one of the measures decided upon departs from Community rulings. All are within the framework of either the Treaty of Accession or the rules concerning the organization of agricultural markets within the Community.

While all concerned - Governments, farmers, Community officials, and, why not, the ordinary citizens - were manifestly satisfied with the outcome of the Council of Ministers, no one is trying to conceal the difficulties which remain; the cost of the common agricultural policy, the disequilibrium in certain markets, the excessively slow increases in the income of certain classes of farmers. Above all, it

is difficult to know when the situation in the agricultural common market will return to "normal", that is to say, when the sluicegate prices which have been in operation for four years will be abolished.

What implications will the decisions made in Brussels have for consumers and producers? It is difficult to answer this question accurately, as a number of factors which have nothing to do with price-fixing must be taken into consideration: processing and marketing circuits, continuing inflation, increased production costs, market situations.

This being the case, two sets of observations can be made here and now:

- (i) Consumers should accept the fixing of the new schedule of guaranteed prices favourably, as the proposed increases are lower than the average rate of inflation in the countries of the European Communities. This means in theory (depending largely on processors and distributors) that consumer prices of agricultural produce should increase less rapidly than prices of other products.
- (ii) The price rise chosen should allow producers to increase their income and also to cope with "extraordinary" increases in production costs (especially energy). The objective method developed by the European Commission (a necessary price increase to cover, in particular, the evolution in costs of production media to allow farmers with modern holdings to improve their income in a way which compares with other social categories) did in fact result in the proposal of a 7.2% price increase. However, the calculations of the Commission were made before the energy crisis.

I. GUARANTEED AGRICULTURAL PRICES INCREASE BY AN AVERAGE OF 8.5%

Discussions between Agricultural Ministers over agricultural price increases in the Community had been prepared by the Ministers themselves on 21/22 January, 11/12 and 18/19 February, but also by their experts, who met several times at Brussels in the Special Agricultural Committee. Apart from a few details - and disregarding the British "case" - it was known where a compromise had to be made.

All the more as, during the last month, the Ministers, and especially the President-in-Office of the Council, Federal Minister Ertl, had held many bilateral meetings. Before giving details of the new price guarantees, a summary of the Council's decisions can be made according to the broad categories of products:

cereals: 4% to 6% increase  
milk products: 8% average increase  
beef and veal: 12% increase  
pigmeat: 8% increase  
sugar: between 5.5% and 7% increase  
wine: average increase of 11%  
fruit and vegetables: between 4% and 10% increase.

It should be noted that the total number of agreed price increases is greater than that proposed by the European Commission last January. The Commission did in fact propose an average price rise of the order of 7.2%, whereas the average increase decided by the Ministers is of the order of 8.5%. Still in broad categories of products, it will be recalled that the Commission proposed the following increases:

cereals: 2% to 6%  
milk products: 4%  
beef and veal: 10%  
pigmeat: 8%  
sugar: 3% to 6%  
wine: 6%  
fruit and vegetables: 3% to 6%.

It is noticeable that in certain sectors the decisions made by the Ministers differ only slightly from the proposals of the Commission. This is especially true for cereals, pigmeat and sugar. For other products, the increases decided are considerably larger than the Commission intended: this applies to wine, fruit and vegetables and dairy produce.

Ministerial discussion ran into most difficulty with regard to beef and veal, and this for two apparently contradictory reasons: the demonstrations by French breeders, protesting against the fall in prices, and the pressure of public opinion, especially in Great Britain, to limit the rise in "beefsteak" prices as much as possible. So on the one hand the French, with Italian and Irish support, maintained that the Commission's proposals (a 10% increase for beef) could only be a minimum; on the other the British, and to a lesser extent other countries, considered this proposal as the maximum. As a result of the concessions granted to the British, which will be analysed below, a compromise was reached at 12%.

There was less division in the discussions concerning the other products; as is the habit each year there was disagreement between the Germans and French over the price of milk. The Germans wanted to limit price rises as much as possible and the French were of the opposite opinion, and they were supported on this point by the Belgian Delegation.

On the other hand, the Commission's proposals for cereals met with the approval of most of the delegations, subject, of course, to closer examination. In this sector it was mainly the "connected" measures suggested by the Commission which were most criticized; the Germans opposed the abolition of barley price regionalization, and the Italians the abolition of the premium for hard wheat producers.

The sugar price increases recommended by the Commission were judged inadequate by the Belgians and the Germans, while the Commission's suggestions for pigmeat met with the approval of all delegations except the Danes.

II. A NUMBER OF WAIVERS WERE GRANTED TO THE BRITISH AND ALSO TO  
THE DANES AND THE GERMANS

From the moment when the British Minister declared his intention to "play the game", that is to remain within the framework of Community regulations, it was relatively easy to find a way of allowing the British not to adhere entirely to the new schedule of prices. An Article in the Accession Treaty of the "Three" to the Common Market - Article 63 - does in fact state that in case of difficulty for one of the new Member States, temporary measures can be taken, and this applies until 31 January 1975. In accordance with these provisions in the Treaty of Accession, a certain number of waivers were granted to the United Kingdom in four sectors: beef, butter, pigmeat and sugar. These were essentially designed to avoid an excessive price rise for foodstuffs bought by the British housewife. It should be remembered that the British continue to increase their agricultural prices each year to bring them up to Community price levels, and this will last until 1 January 1978.

The waivers granted at the ministerial session did not only apply to the British. The Danes and the Germans also obtained a number of "favours", but these were on a more limited scale.

The solution to the British problems

Waivers were obtained by the British in four sectors: beef, butter, pigmeat and sugar. They can be summarized as follows:

Beef and veal

This was one of the main problem areas. A considerable increase in Community prices was in fact necessary to satisfy breeders, especially the French, who on several occasions had shown their dissatisfaction. However, Great Britain had already to put up prices by 5% as it is required to "catch up" on prices, and this would have meant an overall increase of 17% (5% "catching up" and 12% annual increase).

It was finally decided that the increase in the United Kingdom guide price would only be 6.3%, which is a difference of more than 11% compared with that which should have been applied. The new guide prices applicable in Great Britain in the coming season will be set therefore at 745 units of account per ton. for beef and 900 units of account for veal.

In order to maintain consumer prices at a reasonable level, Great Britain will also have the possibility of prohibiting its producers from resorting to permanent intervention. For some time, Community producers have been able, in times of overproduction or slump, to sell excess quantities to intervention organizations as soon as the market price falls below 93% of the guide price. This provision is therefore designed to stabilize prices "on the rise".

Thirdly, British authorities, until 31 December 1974, can grant assistance for calves to be used in meat production.

#### Butter

In order to encourage butter consumption, the "Nine" can grant consumer subsidies - which in concrete terms means lowering the price of butter - of 10 u.a./100 kg. 50% of this subsidy is paid for by the national treasuries and 50% by the Community budget. The United Kingdom has been authorized to allow an additional subsidy of 17 u.a./100 kg. This is to be met in full by the British Treasury. In all, therefore, assistance for butter consumption will amount to 27 u.a./100 kg in Great Britain, of which only 5 u.a. will be the responsibility of the European Agricultural Fund.

This decision should allow consumers across the Channel to enjoy a very reasonable price for butter. Actually it is true that before they joined the Community the British bought their butter mainly from New Zealand; it was supplied at a very low price as a result of agreements between London and Wellington. Moreover, they continue to import more or less 150 000 tons a year and the Treaty of Accession allows these imports until 1 January 1978.

Pigmeat

British producers will be able to benefit from "degressive" assistance during the next four months to enable them to cope with difficulties which they are faced with at the moment. The level of this assistance has been fixed\* and it has been established that it will be the responsibility of the British Treasury.

The Ministers also decided that if the British applied this subsidy, the Irish could also allow their pork producers to benefit from a similar one. The Irish would, however, receive assistance financed from Community funds.

Sugar

The sugar problem was, as will be remembered, one of the "bones of contention" during negotiations for British entry into the Common Market. Within the Commonwealth Sugar Agreement, the United Kingdom had concluded a certain number of supply contracts at guaranteed prices with producer countries mainly in the Caribbean. The system to be applied for sugar exports from these Caribbean countries when the Commonwealth Sugar Agreement expires has not yet been defined. It is quite certain nevertheless that the British are very sensitive to this problem. The guaranteed price increases offered by Great Britain to its overseas suppliers resulted in a problem for the British sugar industry. Taking into account the new unrefined (cane) sugar prices and the increase in processing costs, it would no longer have been possible for them to sell their sugar on the market at prices comparable to those of beet sugar produced in the Community. It is for this reason that the Council of Ministers decided:

- (i) To authorize Great Britain to allow refiners of sugar cane a larger refinement margin than would have resulted from the "normal" application of previous agreements (4.03 u.a./ton instead of 3.69 u.a./ton). In order not to discriminate

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\*Commission decision: April and May 11.90 u.a./100 kg for slaughtered pork, June 8.35 u.a. and July 1974 3.58 u.a.

against producers of cane sugar in French overseas départements, the Council also decided to allow the industries refining sugar from these départements a larger refinement margin than that to which they should have been entitled.

- (ii) To postpone the bringing into line (by 10%) of the British white sugar intervention price with the Community intervention price.
- (iii) To fix the sales price of sugar from countries parties to the Commonwealth Sugar Agreement at 163.90 u.a./ton. The Council made a point of emphasizing that this price could be revised if the United Kingdom market price overtook the intervention price.

Assistance for Danish bacon

The Council decided that, on a European Commission decision, Denmark, in addition to the 8% increase in the basic price, would also be able to benefit from higher prices for pig carcasses of between 50 and 70 kg (for bacon production).

Germany. Limitation of permanent intervention in the beef and veal sector

Just as in the case of Great Britain, Germany will be allowed to dispense with permanent intervention "in areas where the evolution of market prices makes this justifiable".

A year's reprieve for the Italians

The Commission had proposed a certain number of amendments to the Community system of organizing olive oil and hard wheat markets. In both cases there were proposals to discontinue subsidies which were enjoyed by Italian producers. The Italian Minister, however, was firmly opposed to these proposals. He obtained partial satisfaction, as the systems in force are to be continued for one more season (until 1 August 1975 for hard wheat and until 1 November 1975 for olive oil).

The Ministers have pledged, however, that they will set up a new system for these two products before 1 April 1975. It will be up to the Commission to make new proposals taking into consideration the comments of the "Nine" on its former proposals.

III. COMMON AGRICULTURAL POLICY: THE MEASURES TAKEN ARE LIMITED

In October 1973 the European Commission sent a memorandum to the Council of Ministers of the European Communities concerning the common agricultural policy (cf. News of the Common Agricultural Policy - Special Edition November 1973). This memorandum had three objectives: to simplify the workings of "Green Europe", to reduce its costs and to improve the balance between supply and demand in certain sectors. In order to do this the Commission suggested a number of measures, a first batch of which was later revived in a more concrete way in its price proposals for the 1974/75 season. The "Nine" discussed this memorandum on several occasions. Although most delegations admired the sound basis of the Commission's proposals, they nevertheless raised a number of objections to the measures and even opposed them.

The Ministers of Agriculture nevertheless agreed a certain number of measures, along with the price decisions, moving in the direction hoped for by the Commission. They also entered into a number of obligations over improvements to be made in the functioning of "Green Europe". The Council thus confirmed that it would continue with its examination of the Commission's memorandum at its next meeting.

CEREALS: Abolition of the end of marketing year allowances

Cereals and milk products are the sectors where the Commission had suggested the largest number of modifications to present regulations. Whereas few of these suggestions were heeded for dairy produce, as will be seen below, this was not the case for cereals. The "Nine" therefore decided:

- (i) to abolish end of marketing year allowances for all cereals except maize. Nevertheless, for maize, allowances would no longer be granted as a compulsory measure, but on an optional basis, and would be limited to areas with a surplus;

- (ii) to put back the beginning of the maize marketing year from 1 August to 1 October (from 1975);
- (iii) to fix monthly cereal price increases at a lower level than previously, in conformity with the Commission's proposals. These increases are in fact premiums designed to cover rises in storage costs during the season;
- (iv) to set up a single intervention price for barley. Up to now the intervention prices were in fact fixed at different levels according to whether or not an area produced a surplus;
- (v) to reorganize the system of production refunds for starch-processing establishments.

MILK PRODUCTS: Decision of principle on mopping-up surpluses

The Ministers came to four decisions in the dairy sector:

- (i) to fix a new bracket (between 26 and 36 u.a./100 kg) inside which the Commission will set the level of assistance for powdered milk production given to breeders for feeding their livestock;
- (ii) to increase processing margins for butter and powder. As a result of the increase in powder price, compensation must be paid to the processors;
- (iii) that measures will have to be taken before 31 December 1974 on the exclusive use of butyric fats and nitrates from milk when milk products are manufactured and sold inside the Community. (This means prohibiting the inclusion of vegetable fats when foodstuffs are sold as "milk products");
- (iv) finally the Council took a decision of principle about the stabilization of the milk market. The minutes of the Ministers meeting state that "If the quantity of butter in storage becomes excessive, the Council, on the proposal of the Commission, shall take appropriate action".

It will be recalled that the main proposal of the Commission was aimed at

imposing a "tax" on dairy producers if butter surpluses appeared on the market. This idea was opposed by most delegations and one may ask what "appropriate action" is now being suggested.

Beef and veal: Another commitment of principle

The Commission had suggested considerable change in the present organization of the meat market. The Ministers, and then their experts, had examined these proposals without managing to reach any definitive conclusions. They have therefore undertaken to adopt a new import system before 1 July 1974, and possibly changes to the present intervention system.

Sugar: A possible shortage should not take us unawares

It was in July 1973 that the Commission put forward its memorandum on the future sugar policy of the Community. The discussions of the "Nine" on this memorandum are far from complete. Their outcome depends also to a large extent on the results of negotiations between the "Nine" and the African and Caribbean countries with a view to the renewal and enlargement of the Yaoundé Convention. This is why the Commission did not mention sugar in its memorandum on the common agricultural policy. A number of decisions have nevertheless been taken by the Ministers, to avoid the Community being affected by an interruption of supplies within a few months as predicted by certain experts. It was therefore decided to increase the "B" quota (from 135 to 145% of the basic quota), that is in fact to increase the quantities which can be guaranteed. The exact quantity of sugar guaranteed will not be fixed, however, until after the establishment of the system to apply, from 1 January 1975, to Community sugar imports from certain developing countries. The Council also envisaged the possibility of taxing sugar exports produced in the context of "quota C" which until now could be made freely on the world market. (Quantities produced outside quotas A and B cannot be sold on the Community market.)

Proteins: The beginnings of a Community policy

Since the USA declared an embargo on their soya exports to the Community last July, a number of voices have been raised in the Community in favour of the latter developing its own protein production, thus limiting its dependence on the outside would in a sector as important as that of animal food products.

The European Commission on its side had proposed a certain number of measures in this direction. The Council has adopted some of those measures:

- (i) the granting of a 6 u.a./ton premium to producers of dehydrated fodder;
- (ii) the inclusion of field beans under the Community organization of the seed market.

Finally, the Council decided "to adopt the principle of a special system to encourage the cultivation of soya giving support corresponding to that mentioned in the Commission's proposal".

It should be pointed out that the Commission proposed extending to the cultivation of soya the aid which is given for colza and sunflower seeds.

A Commission report on the consequences of the energy crisis on agriculture

The Council has asked the European Commission to submit a report before 1 June 1974 on the repercussions on competition in agriculture caused by the action taken by the different Governments in the energy sector. It is obvious that the policies of the "Nine" in this area could lead to a distortion of competition between farmers in different countries. The Commission is also instructed to put forward suitable proposals, if the conclusion of its report show this to be necessary, with a view to reducing any such distortions of competition.

TABLE I: PRICES AND AMOUNTS FIXED FOR AGRICULTURAL PRODUCTS TO BE APPLIED DURING THE SEASON 1974/1975

Products	Nature of prices and amounts	Amounts fixed 1973/74 u.a./ton		Prices fixed in March 1974	
		Absolute amount: ua/t	1974/75 increase (in %) compared with 1973/74	Application period for the prices fixed	
(1)	(2)	(3)	(4)	(5)	(6)
Hard wheat	Target price	133.93	182.83	36.5	
	Single intervention price (surplus area)	118.10	166.83	41.3	1/8/74
	Minimum price guaranteed to producer (wholesale trade level)	155.33	196.83	26.7	31/7/75
Soft wheat	Target price	114.94	121.84	6	1/8/74
	Basic intervention price	105.80	110.03	4	31/7/75
Barley	Target price	105.29	110.55	5	1/8/74
	Basic intervention price	96.66			31/7/75
	Single intervention price (surplus area)	-	96.60	5	
Rye	Target price	112.30	119.04	6	1/8/74
	Single intervention price (surplus area)	97.92	101.84	4	31/7/75
Maize	Target price	102.77	109.45	6.5	1/8/74
	Single intervention price (surplus area)	84.08	89.55	6.5	30/9/75
Rice	Target price of husked rice	213.25	226.00	6	1/9/74
	Intervention price of paddy rice	131.30	136.55	4	31/8/75
Sugar	Minimum sugarbeet price	17.86	18.84	5.5	
	Half-lean price of sugarbeet	10.50	11.08	5.5	1/7/74
	Target price of white sugar	248.00	265.50	7	
	Intervention price of white sugar	235.70(4)	252.20(4)	7	30/6/75
Olive oil	Production target price	1 371.70	1 371.70	0	1/11/74
	Market target price	950.00	950.00	0	31/10/75
	Intervention price	877.50	877.50	0	

Products	Nature of prices and amounts	Amounts fixed		Prices fixed in March 1974	
		1973/74 u.a./ton	Absolute amount u.a./t	Increase (in %) compared with 1973/74	Application period for the prices fixed
(1)	(2)	(3)	(4)	(5)	(6)
Oilseeds	Target price				
	• Colza and rape seeds	210.60	219.00	3	1/7/74-30/6/75
	• Sunflower seeds	212.60	225.40	6	1/9/74-31/8/75
	Basic intervention price				
	• Colza and rape seeds	204.50	212.70	3	1/7/74-30/6/75
	• Sunflower seeds	206.50	218.90	6	1/9/74-31/8/75
Dehydrated fodder	Standard aid (lucerne and others)	-	6.00	-	1/4/74-31/3/75
Cotton seeds	Standard aid (per hectare)	82.00	83.60	2	1/8/74-31/7/75
Flax and hemp	Standard aid (per hectare)	• flax • hemp	150.00(4) 125.00	160.00(4) 135.00 + 10 u.a./ha	1/8/74 31/7/75
Seeds	Aid (per kg)				
	• Flax	8	10	-	1/7/74
	• Graminaceous plants	8 to 30	10 to 30	-	30/6/75
	• Leguminous plants	5 to 20	6 to 20	-	
Table wine	Guide price (by degree/hectolitre or per hectolitre depending on type)				
type RI		1.46	1.62	11	
type RII		1.38	1.58	11	
type RIII		22.80	25.31	11	16/12/74
type AI		1.37	1.52	11	15/12/75
type AII		30.40	33.74	11	
type AIII		34.70	38.52	11	
Unmanufactured tobacco	Guide price Intervention price	(1)	(1)	6 on average (1)	1/1/74 31/12/74
Fruit and vegetables	Basic price Purchase price	(2)	(2)	Intervention price - pears: 4 - apples: 7 - others: 10	1974/75 (3)

Products	Nature of prices and amounts	Amounts fixed 1973/74 u.a./ton	Prices fixed in March 1974		
			Absolute amount u.a./ton	Increase (in %) compared with 1973/74	Application period for the prices fixed 1973/74
(1)	(2)	(3)	(4)	(5)	(6)
Milk	Target prices of milk Intervention price	124.20	134.10	8	
	• of butter	1 760.00(4)	1 760.00(4)	0	
	• of skimmed milk powder	660.00(5)	790.00(5)	19.7	
	• of cheeses				
	- Grana-Padano 30-60 days	1 575.50	1 755.00	11.4	1/4/74
	- Grana-Padano 6 months	1 835.50	2 066.00	12.6	31/3/75
	- Parmigiano-Reggiano 6 months	1 979.50	2 236.00	11.5	
	Direct aid for skimmed milk				
	• in powder form	260.40	(6)	-	
	• in liquid form	24.20	(6)	-	
Beef and veal	Guide price for beef (live weight)	862.00(4)	965.00(4)	12	1/4/74
	Guide price for veal (live weight)	1 037.50(4)	1 130.00(4)	9	31/3/75
Pigmeat	Basic price (slaughtered pigs)	860.00	930.00	8	1/11/74 - 31/10/75
Silk-worms	Aid per box of silk-worm grains	31.00	31.60	2	1/4/74 - 31/3/75

1. Nineteen varieties of tobacco for which prices apply to the harvest of the calendar year; 5% increase for Nostrano del Brenta, 9% for Paraguay.
2. Produce in Annex II of Council Regulation 1035/72: cauliflowers, tomatoes, sweet oranges, mandarins, lemons, dessert grapes, apples (not including cider apples), pears (not including perry pears), peaches (not including nectarines).
3. Periods differentiated according to products: see EC Bull. I-1974, sec. 1217.
4. Prices and value differences for one or other new Member State:

Products	Member States	Nature of amount and unit	Amounts fixed 1973/74	Amounts fixed 1974/75
Sugar	Italy	Intervention	252.80	274.30
	6 Member States	price for white	235.70	252.20
	UK	sugar	197.90	218.50
	Ireland		216.50	235.70
Flax	7 Member States	Aid per hectare	150.00	160.00
	UK	in u.a.	70.00	92.00
	Denmark		125.00	160.00
Butter	6 Member States	Intervention	1 760.00	1 760.00
	UK	price u.a./t	879.60	1 048.90
	Denmark		1 715.00	1 724.00
	Ireland		1 602.50	1 634.00
Beef	7 Member States	Guide price	862.00	965.00
	UK	u.a./t	700.00	745.00
	Ireland		700.00	820.00
Veal	7 Member States	Guide price	1 037.50	1 130.00
		u.a./t	843.50	900.00
			843.50	1 960.00

5. For Belgium, Germany, Luxembourg and the Netherlands the purchase price of powdered skimmed milk is 640 u.a./ton in 1973/4 and 770 u.a./ton in 1974/75.
6. From the 1974/75 season onwards, the amounts for direct aid are to be fixed by the Commission inside a margin laid down by the Council.