

# European Community

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## News Release

### Background Note

#### EUROPEAN COMMUNITY CONTINUES TO REDUCE FARM SUPPORT

For the second year in a row, the EC Council of Ministers this month adopted a farm package that freezes or cuts most support prices. It also tightens requirements for selling farm goods to public agencies, further limiting guarantees EC farmers previously enjoyed.

The package represents a continuing effort to make European agriculture more market-oriented. Support prices for 1987-88 will fall by an average of 0.2 percent as expressed in European Currency Units (ECU\*) for the Community of Ten.

The Council deferred action on a proposed tax on vegetable and fish fats and oils, calling for a study of the issue and consultation with the Community's main trading partners. The findings will be considered by the 12 EC Heads of State or Government in December.

The package represents savings of an estimated 230 million ECU in 1987, and 400 million ECU in 1988. The EC's 1987 agricultural budget is about 24 billion ECU. Measures include:

Grain. Intervention prices are frozen for all grains except durum wheat, where there is a 2.7 percent price cut. Public intervention agencies will buy grain only from October to May, and only when the average EC market price falls to 94 percent of the intervention price.

Grain farmers will continue to be subject to a «co-responsibility levy» on all grain sold off the farm - 3 percent of the intervention price - to help offset the cost of surplus production.

Dairy Products. All support prices are frozen, and the co-responsibility levy paid by dairy farmers - 2 percent of the target price - is maintained. The Community adopted measures last December designed to cut milk output by 9.5 percent over two years by reducing production quotas. Under a program adopted in 1984, dairy farmers pay a «super levy» if they exceed those quotas. Under a system adopted earlier this year, the Commission may suspend intervention purchases of butter when stocks reach 180,000 metric tons.

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\* ECU = CAD 1.49710 on 6 July 1987.

Oilseeds and Olive Oil. Prices are cut by 3 percent for soybeans and rapeseed, and frozen for sunflower seed and olive oil. «Maximum guaranteed quantities» are continued for rapeseed and sunflower seed, and introduced for soybeans. If production exceeds those quantities, Community aid is reduced proportionally.

Other Products. Prices are frozen for sugar, cotton and rice. Target prices are frozen for beef, pork and sheep. The Community in December limited sales of beef to intervention agencies to certain types of beef and certain market conditions - which will lower support by 13 percent.

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NOTE: All market support mechanisms of the EC's Common Agricultural Policy are based on the principle of the «target price» (sometimes referred to as the «guide price» or «norm price»). The target price is the officially regarded optimum price for the farmer plus the transport cost to the area of consumption - but is rarely achieved. To put a floor in the market, the Community sets an «intervention price», or similar minimum price. It intervenes to boost market prices when they fall below this «safety net» level. The intervention price is the price at which EC intervention agencies are obliged to purchase farm goods meeting specified standards during fixed periods of the marketing year.

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