

EUROPEAN COMMUNITY

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IN BRIEF

Common agricultural prices 1982/1983

Commission's proposals



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The proposals appear in full in the Document "Commission proposals on the fixing of prices for certain agricultural products and certain related measures" (COM(82) 10).

for background and additional information see:

- Mandate of 30 May 1980
 - Guidelines for European Agriculture -
Memorandum to complement the Commission's report on the mandate
COM(81) 608 final of 30 May 1980
- "The situation of the agricultural markets - Report 1981 - COM(81) 822
final
- "Common agricultural prices 1981/82 - Decisions of the Council"
April 1981 - Green Europe in brief

Manuscript finished in January 1982

PRELIMINARY REMARKS

1. This document contains the proposals concerning the fixing of prices for certain agricultural products for the 1982/83 marketing year, and related measures.
2. The Commission's proposals are based on the guidelines for agricultural policy set out in its report on the Mandate (COM(81) 300 of 24 June 1981) and more particularly in its memorandum Guidelines for European Agriculture (COM(81) 608 of 23 October 1981).
3. The proposals also take account of the Commission's communication and proposals concerning certain Mediterranean products - fruit and vegetables, citrus, olive oil and wine - in the context of enlargement of the Community (COM(81) 403, 402, 610 and 408). In addition, the Commission recalls its communication to the Council concerning the negotiation of framework agreements for the multiannual supply of agricultural products (COM(81) 429) which will soon be followed by formal proposals for negotiating directives with certain third countries.
4. The Commission has formulated its proposals in the light of the information gathered in its memorandum Guidelines for European Agriculture as well as in the 1981 Report on the Situation of Agricultural Markets (COM(81) 822) and in the 1981 Report on the Agricultural Situation in the Community, published in conjunction with the fifteenth General Report on the activities of the European Communities.
5. The present document contains three parts. Volume I includes the general explanatory memorandum and the explanatory memorandum for individual products, as well as the table of price proposals and agri-monetary measures. Volume II presents the financial implications. Volume III contains the legal acts concerning the prices and related measures.

INTRODUCTION

6. The beginning of 1981 was marked by the accession of Greece to the Community. In Greece thirty per cent of the labour force is engaged in farming and nearly half of its production consists of fruit, vegetables, olive oil, tobacco and wine.
7. During 1981 the Common Agricultural Policy has been the object of important discussions and reflections in the Community institutions. The European Parliament held a debate and adopted a resolution on 16 June on possible improvements to the agricultural policy. The Economic and Social Committee adopted an opinion on 26 November, and similarly most of the professional organizations have expressed their views. The Commission, in its report of 24 June on the Mandate, and more particularly in its memorandum Guidelines for European Agriculture of 23 October, has given a detailed analysis of the problems, and concrete indications for the reorientation of the Common Agricultural Policy. The Council and the Heads of State and Government, in their turn, have deliberated on these matters during recent meetings.
8. It is widely accepted that the agricultural policy must be adapted to the new realities both of general economic conditions and of the agricultural sector itself. It is now time for the Community to pass from the stage of reflection to the stage of decision and action.

9. That is why, in these proposals, the Commission includes a series of measures to adapt the common agricultural policy and integrate it more adequately into an overall policy for general economic recovery.

The measures are based on two principal considerations :

- a prudent price policy, taking into account both the income situation in agriculture and the problems of market equilibrium, and also the need to phase out monetary compensatory amounts;
 - the modulation of the price guarantees through the introduction of production objectives in a multiannual framework, with measures for the participation of producers if these thresholds are exceeded.
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10. The nature of agricultural production and markets requires that decisions be taken in a longer-term perspective, and for the reasons explained in its memorandum of 23 October 1981 the Commission suggests a time-horizon of five years, looking ahead to 1988. The Commission insists that the price adaptations should be intimately linked with the related measures concerning the market organizations, particularly so far as concerns the production thresholds beyond which the level of guarantee should be adjusted.

11. Once again the price package is presented in a period of serious economic difficulties. Inflation is still very high although it is decreasing slightly. The number of unemployed, which exceeded 10 million at the end of 1981, has grown at an accelerating rate since the end of 1979. Economic growth has been negative in 1981, and substantial industrial capacity remains unused. In addition, the balance of payments on current account still shows a large deficit. For the third consecutive year, agricultural incomes are expected to increase at a lower rate than prices in general, and therefore to experience a decrease in real terms.
12. The Commission considers that the 1982/83 price decisions should be such as to ensure a satisfactory increase in agricultural incomes. An insufficient increase in agricultural prices, and therefore in incomes, would represent a danger for the future of the common agricultural policy. It would create the risk of additional national aids, leading to serious economic distortions between Member States. But the conflict between this objective of sustaining incomes, and the objectives of more balanced agricultural markets and acceptable budgetary expenditure, poses a dilemma. The Commission is convinced that this dilemma can be resolved by the adoption of the measures announced in its memorandum of 23 October 1981, on which these proposals are based.
13. Only with the modulation of the guarantees, with producer participation in budgetary cost resulting from the cost of disposal of production in excess of production thresholds, can a price fixing be achieved which is correct from the point of view of development of farm incomes and coherent with the Community's other objectives.

14. In this context it must be recalled that the budgetary situation as regards the Guarantee Section of the EAGGF has considerably improved. The growth rate in EAGGF Guarantee expenditure in 1980-82 has fallen to around 9.5% a year, whereas the annual growth rate of the Community's own resources is about 11%.

As regards 1982, the situation on the world market in several important products is continuing more favourable than could be foreseen when the 1982 budget was drawn up. If this state of affairs continues, all the measures proposed could be financed from existing appropriations. As regards the trend of agricultural expenditure in the medium and long term, the Commission's aim is that agricultural expenditure should grow at a slower rate than own resources. This objective applies to a multiannual period because of the erratic nature of the factors determining agricultural expenditure, in particular world prices.

Average growth in EAGGF expenditure over the period 1979-82 was less than the growth in own resources, taking into account the enlargement of the Community in 1981. On the basis of the hypothesis concerning the trend of world prices explained in Volume II, expenditure over the period 1979-83 should continue to grow at a slower rate than own resources.

15. Moreover, the Commission considers that the Community should ensure a tightening up of supervision of the implementation of agricultural legislation, and includes proposals for that purpose in this package. The conclusion of long-term export contracts would also help to sustain the orientation of the common agricultural policy as presented in these proposals. As regards the rules concerning national aids to agriculture, the Commission considers that stricter discipline is necessary, and intends to propose shortly to the Council a regulation specifying which aids are to be notified, which are prohibited, and which are authorized. Finally, the Commission considers that the application of the 1972 socio-structural directives should be renewed and adapted.

A. GENERAL SURVEY

Economic background

16. The Community still faces very serious economic difficulties, partly linked to the consequences of the second oil crisis. The Community's gross domestic product, having increased in real terms in 1980 by 1.1%, contracted in 1981 by 0.5%. At the same time the rate of unemployment has considerably increased so as to reach a level of 8% as compared to 6% in 1980. More than 10 million workers in the Community now are unemployed, and the crisis is affecting nearly all economic activities. The rate of inflation, illustrated by the implicit index of private consumer prices, slowed down only slightly (11.5% in 1981 against 12% in 1980) : thus inflation is still very high and still shows substantial differences between Member States. Inflation could continue to decelerate in 1982. The deficit in the Community's balance of payments on current account remained very high (about 28.7 milliard ECU in 1981).
17. Economic activity revived slightly in the second half of 1981 : this recovery should continue and probably gain momentum in 1982, when gross domestic product could grow by 2% in volume terms. However, even if present performance forecasts were fulfilled in 1982, this would be insufficient to reverse the trend of unemployment recorded over the last few years.

18. In these circumstances and despite the low growth rate, the continuing inflationary climate justifies keeping to the policies of restraining prices rises and strictly controlling public expenditure, which means that Community resources must be used effectively.
19. The state of the general economy is also influencing agriculture. The outlook for the development of food consumption in the coming years will be lower than in the 1970's especially for certain animal products such as beef. Lack of alternative employment outside agriculture seriously hampers the necessary structural adaptations and implies that any drift from the land is economically inopportune. At the same time the lower rate of outflow of agricultural manpower tends to depress agricultural incomes per active worker. Finally the high rate of interest and of inflation in general is seriously affecting the economic situation in agriculture.
20. Prices paid by farmers for their inputs show yearly rates of increase which are high. Inputs in this context include the cost of goods and services used in agricultural production, but exclude wages, depreciation, rents and interest payments. In 1978, for the Community as a whole the rate of increase was only 2.2%, followed by an increase of 9.2% in 1979, 12.1% in 1980, and is expected to reach 12.8% in 1981. Thus in 1981 cost inflation in agriculture will probably have slightly exceeded the rate of inflation in the economy as a whole.

21. Increases in input prices in 1981 differ substantially between Member States: 4% in Luxembourg, 8-9% in Germany, the Netherlands and Belgium, 10% in the United Kingdom, 13% in France, 15% in Ireland, 17% in Italy, 18% in Denmark and 23% in Greece.

22. This unfavourable development has been partly counterbalanced by a substantial improvement in the farmgate prices. Whereas in 1980 these rose by 7.9%, in 1981 they are forecast to increase by 11.3%. This development shows the influence of the price increases decided for the 1981/82 marketing year, including the agri-monetary changes. A part of the increases in common prices has come into effect in the later part of 1981, so that a favourable impact on incomes will also be felt in 1982. Market prices for beef and pigs have shown a marked improvement in the second half of 1981.

23. Producer price increases in 1981 also show substantial differences between Member States. They have been lowest in Luxembourg and Germany (5-7%), highest in Italy and Denmark (12-13%), Ireland (18-19%) and Greece (22%), whereas France, the Netherlands, Belgium and the United Kingdom (9-10%) show a more moderate increase in output prices.

24. In 1981 agricultural production in the Community is expected to increase, in terms of value, in a proportion similar to 1980. This is the result of a higher increase in the price of agricultural products than the previous year, but a slight reduction in volume. It is crops (especially fruit, wine and to a lesser degree cereals) whose production volume has decreased, while all livestock production (except beef) is increasing; milk production in 1981 shows a small increase compared with the big increase in deliveries in 1980.

AGRICULTURAL INCOMES

25. The statistic used as an indicator of agricultural incomes per head is the net value added per unit of labour employed. For the third successive year, this indicator has increased less rapidly than inflation (as measured by the implicit price of GDP) and has therefore decreased in real terms. In 1979 the reduction in real terms was 3% and in 1980 7%. In 1981, better prices for farm products led to an improvement in money terms, currently estimated at 8-9%, but nevertheless after account is taken of inflation there is still likely to be a reduction of 2% in real terms. The loss in purchasing power of agricultural income since 1978 mainly results from a moderate price policy due to the imbalances in agricultural markets, against a background of high rates of inflation.
26. The income progression in agriculture is therefore falling further behind income progression in the economy as a whole. In spite of the serious economic crisis, domestic product per head of the working population (excluding the unemployed) increased in 1980 and again in 1981 by 0.8% in real terms. However, since a growing number of workers are becoming unemployed, one should also take account of the development of domestic product per head of the total work force (including the unemployed) which increased slightly in 1980 by 0.3% but fell in 1981 by 1.2%. The development of these indicators is shown in Graph 1.

TREND OF REAL INCOME FOR THE ECONOMY AS A WHOLE AND IN AGRICULTURE (1973,1974;1975 = 100)

1 ECONOMY AS A WHOLE (employed persons)

Income in the Community is represented by the trend of net value added at factor cost less the GDP price deflator and expressed as an index per person employed.

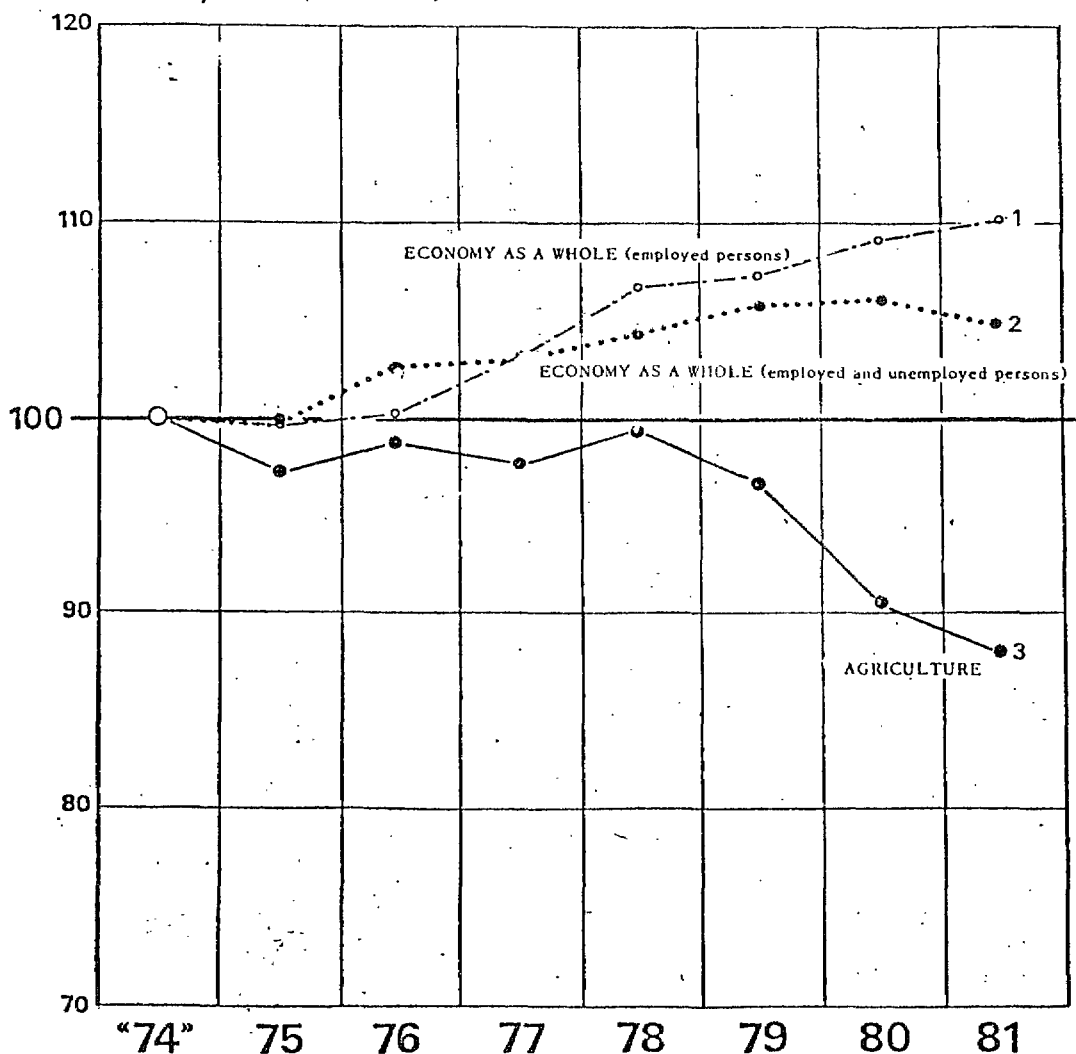
2 ECONOMY AS A WHOLE (employed and unemployed persons)

Income in the Community is also represented by the trend of GDP less the GDP price deflator and expressed as an index per person gainfully employed or unemployed.

3 AGRICULTURE

Income in the agricultural sector is represented by the trend of net value added at factor cost less the GDP price deflator and expressed as an index per work unit.

Mise à jour au 14 décembre 1981



SOURCES: 1973 - 1980 EUR 9 Eurostat, 1981 EUR 10 Commission estimates.

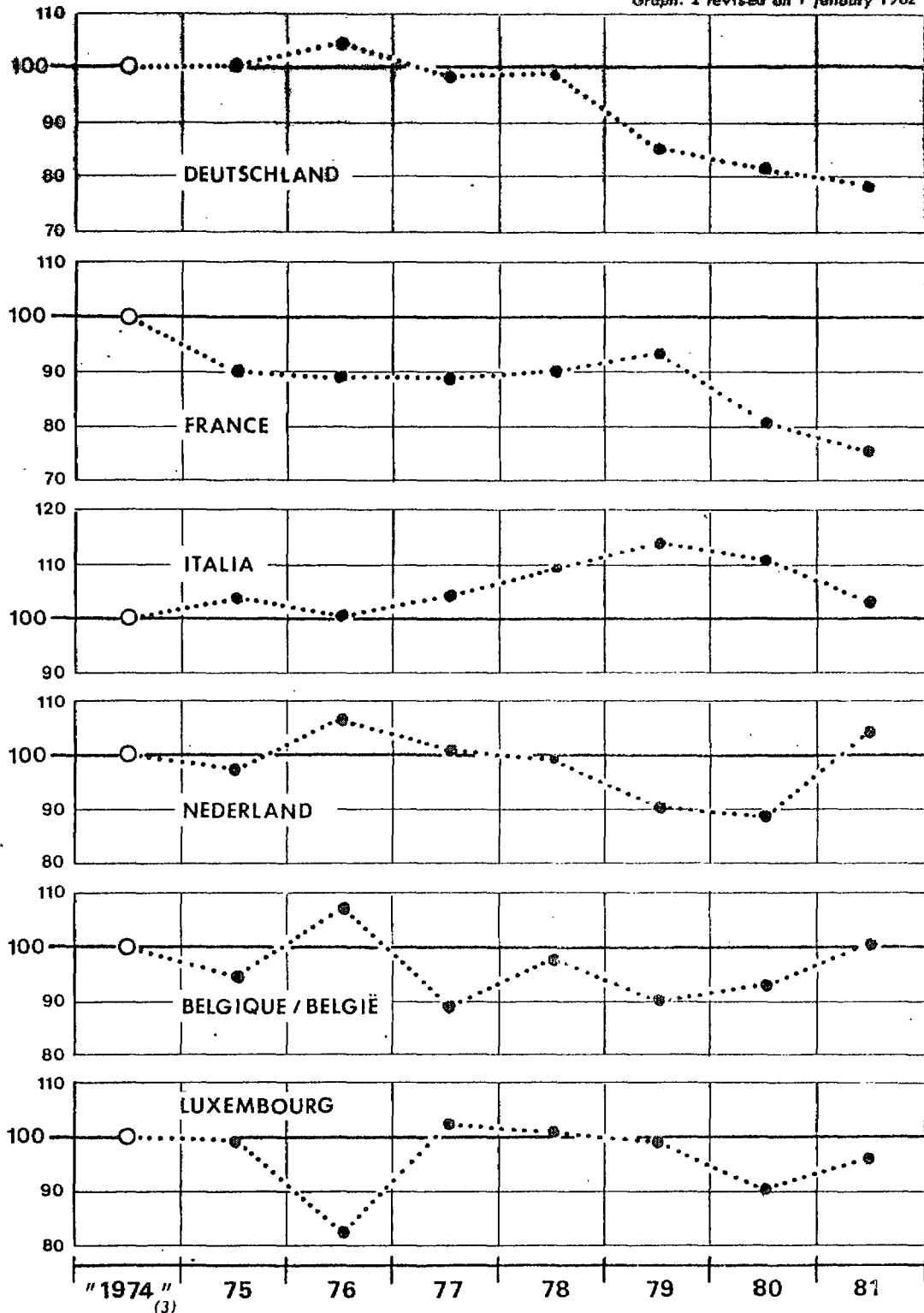
DG VI - A2 - 8111

27. The development of agricultural incomes in Member States has not been uniform. In 1981, according to the latest official estimates, established by the Statistical Office of the European Communities on the basis of information provided by the national authorities, incomes per head (in the sense of net value added per unit of labour employed) improved markedly in real terms in the Netherlands (+ 17.2%), Belgium (+13.1%), Denmark (+ 15.7%) and Luxembourg (+ 6.3%) and more modestly in Greece (+1.8%), Ireland (+0.3%) and the United Kingdom (+0.4%), while they decreased in real terms in Germany (-3.2%), France (-6.8%) and Italy (-6.9%). This is in contrast to 1980, when they decreased in real terms in all nine Member States. However, the development in 1981 must also be placed in a longer-term context, as shown in Graph 2, from which it appears that the development over a period of years has followed different configurations for different Member States.

28. It should be noted that agriculture for its part, has made a contribution to the restraint of inflation in recent years. Agricultural producer prices between 1978 and 1981 rose at a yearly rate of 8.7%, food prices at a yearly rate of 10.1% and consumer prices in general at a yearly rate of 12.2%.

TREND OF NET VALUE ADDED (1) PER PERSON EMPLOYED (2)
IN AGRICULTURE

Graph. 2 revised on 7 january 1982

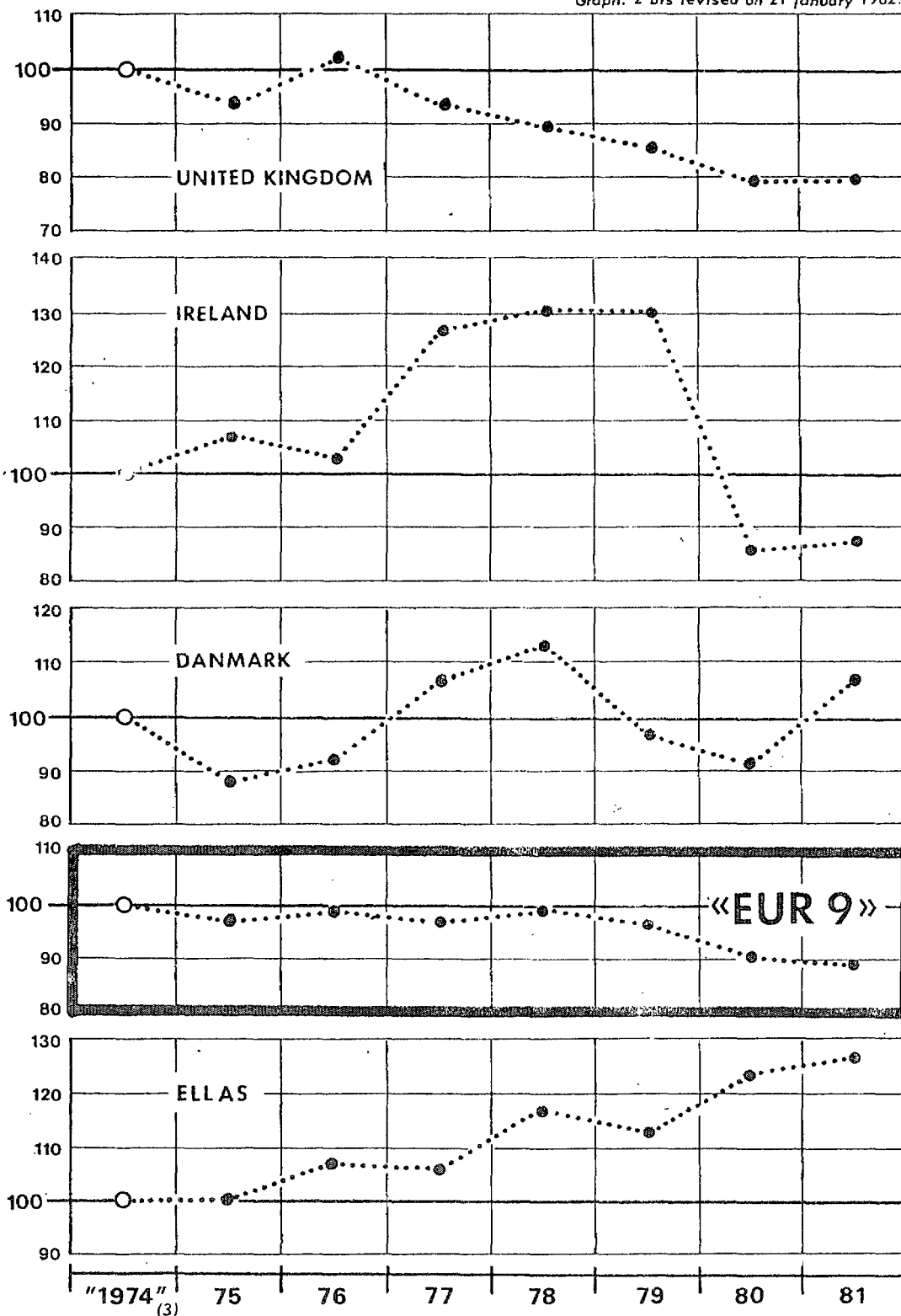


(1) at factor cost in real term (adjusted by the GDP price deflator)
(2) measured in work units
(3) Base: average 1973-1974-1975 = 100

SOURCE: Eurostat - Index of sectoral income

DG VI.A2.82.820101

Graph. 2 bis revised on 21 January 1982:



(1) at factor cost in real term (adjusted by the GDP price deflator)

(2) measured in work units

(3) Base; average 1973-1974-1975 = 100

SOURCE: Eurostat - Index of sectoral income

DG VI.A2.820101

Graph. 2 (continuation)

Market situation and outlook

29. In its memorandum of 23 October 1981 the Commission has provided an assessment of the agricultural market situation and prospects in a long-term perspective, including forecasts for the period up to 1988. That assessment suggested that, in many cases, on present trends production will continue to increase more rapidly than Community consumption.
30. In 1981 production is expected to increase for some products at a slightly lower rate than in previous years, for example in the milk, beef and cereals sectors; sugar is an exception to this, an increase of 22% being expected. This trend has been paralleled by an increase in productivity per man employed resulting from structural adjustment in the agricultural sector leading to larger farming units and improved technical management.
31. Consumption in the Community is not increasing significantly for most temperate products. Consumption of cereals, sugar, certain milk products and beef is in fact hardly growing at all.

32. As a result of rising production and a lack of consumption growth in most Member States, intra-Community trade has tended to stagnate in most sectors between 1978 and 1981, in marked contrast to the considerable increase in the period 1973-78 after the accession of the United Kingdom, Ireland and Denmark. This trend is particularly noticeable in the sugar sector, where the two major importing Member States (the United Kingdom and Italy) have increased their domestic production.

33. As a result of good market management and an active export policy combined with good conditions for exports, public intervention stocks for products such as butter and beef have decreased while exports have been at record levels for most products. The Community is the world's leading exporter of livestock products and a considerable exporter of sugar and cereals. It should be noted that, owing to the underlying trends of production and consumption, the Community is becoming increasingly dependent on the external markets. As a main supplier of certain products on the world market, the Community has a responsibility and an interest in keeping world prices at a stable level.

34. In the short term the trends are likely to continue unabated. Although cereal production is expected to decrease slightly in 1981/82, the Community will still be a net exporter. An important factor in the Community's cereals balance is the level of imports of cereal substitutes. While such substitutes provide a cheap base for animal feeds, the cost of exporting an equivalent amount of cereals is a considerable burden to the EAGGF. Actual export levels in the medium term will depend on decisions taken by the Council in the context of the prices decisions as well as external factors such as the dollar value and the level of world demand.

35. Although the prospects for sugar are not very reassuring, since the international market is expected to remain depressed during most of 1982, it should be noted that producers must bear the full cost of exporting sugar in excess of internal demand in the Community other than the equivalent of about 1.3 million tons imported from ACP countries. This is of fundamental importance because it has reduced the budgetary cost of the support arrangements for sugar.
36. Turning to milk and milk products, the increase in domestic consumption in 1981 is not likely to exceed 0.5% in milk equivalent terms since the growth in the markets for cheese and fresh milk products has slackened. Although the decline in butter consumption should level off in the short term, the balance on the market will still largely depend on the continuing demand for milk products from oil-producing countries as well as Eastern European countries, particularly the USSR.
37. A similar picture can be drawn in the beef and veal sector where only a low increase in consumption can be expected : the current situation of over-supply, however, would be alleviated in the short term by a cyclical fall in production, expected to be 1-2% in 1982.

38. As far as Mediterranean products are concerned, such as fruit and vegetables, wine and olive oil, the Commission has recognized that the entry of Spain and Portugal into the Community will not only change the market situation for most agricultural products but will require changes in the common agricultural policy itself. To this end proposals for modifying the existing regulations in the product sectors are already on the table of the Council for decision before the accession of these two countries to the Community becomes effective.

Structural policy

39. The socio-structural directives adopted in 1972 expire on 19 April 1982. Given that, in 1981, the Council adopted a number of amendments to these Directives and that further modifications may be necessary in the light of experience, the Commission proposes that the life of these Directives be extended until 31 December 1983. In the meantime, the Commission will submit appropriate proposals to the Council, including a proposal for applying in Greece the same rates of reimbursement as applied in Italy.
40. The Commission has completed its study of the financial conditions attached to loans for investment purposes and has made proposals to increase the levels currently set out in Directive 72/159/EEC on interest rate subsidies for farm modernization.
41. Following the memorandum Guidelines for European Agriculture and the action programme for Mediterranean agriculture in the context of the Mandate of 30 May 1980, the Commission is studying the problems of the least favoured regions of the Community. It will make proposals to the Council, before the end of 1982, involving the use not only of the EAGGF but also of the other structural funds of the Community.

Price proposals and related measures

42. As a result of its analysis of markets and incomes, the Commission proposes appropriate prices and measures for each product. The present systems of support need to be adapted in order to ensure that the increasing production volume available can be disposed of, either internally or externally, at reasonable cost while taking account also of the situation of farmers' incomes. As the Commission emphasized in its memorandum of 23 October 1981, "in the present conditions and prospects for agricultural markets, the limitation of the guarantees to a certain desired volume, and the introduction of producer participation beyond that point, is a precondition for the maintenance of a sound agricultural policy responding to the principles of the Treaty".
43. In making its price proposals, the Commission has taken account not only of the development of agricultural incomes in recent years, but also of the factors which are likely to affect them in the coming year. It has also taken account of the situation and prospects of agricultural markets, within and outside the Community.
44. The development of incomes in recent years, taking account of agricultural prices and the costs of inputs, is outlined in earlier paragraphs. In this context the Commission has felt that the so-called objective method was one of the elements to be taken into account in its price proposals, but in recent years it has been increasingly difficult to use this method because of the effects of movements in exchange rates and in the representative rates used in the CAP.

- Depending on the length of the period under consideration, monetary or agri-monetary fluctuations may be taken into account or not, which appreciably affects the outcome of the calculations.
- Similarly, depending on whether the calculation is made on a point-to-point basis or on the basis of two annual averages.
- Lastly, the results will differ depending on whether one takes into account the potential trend of representative rates resulting from the movement in exchange rates during the period considered, or the actual trend of representative rates during the same period.

45. Use of the objective method thus gives rise to considerable problems of integration in calculating the monetary fluctuations and the agro-monetary adjustments, and may produce results which vary greatly depending on how these factors are taken into consideration. The following table summarizes the results obtained for 1982/83 using different methods of calculation, in terms of the "need for price increases":

<u>Method of calculation</u>	<u>Period of reference</u>			
	1 year 1981	2 years 1980-81	3 years 1979-81	Cumulative 1973-81
(a) Calculation of changes in exchange rates on point-to-point basis	7%	9%	13%	6%
(b) Calculation of changes in exchange rates on basis of annual averages	9%	10%	15%	7%
(c) Calculation based on actual changes in representative rates (equals average of needs by Member State)	8%	7.5%	4%	5%

These widely divergent figures show that the results of the objective method must be interpreted with great caution.

46. The factors which are likely to affect agricultural incomes in 1982 include:
- the general rate of inflation, which is expected to continue to decrease
 - the positive effects of the 1981 '82 price decisions, which will have their full impact only in 1982
 - the potential for improving productivity in agriculture, which is continuing to increase
 - for livestock farmers, the lower rate of increase in cereals prices which will reduce their feed costs in real terms.
47. Taking into account these considerations, the Commission has decided to propose an increase of 9% in common prices for the majority of products with increases of between 6% and 12% for other products. In proposing an increase of 9% in prices for the majority of the main products, the Commission wishes to give effective support to the maintenance of producers' incomes, and thus to avoid not only the risk of a proliferation of national aids, but also to allow their disappearance, because their development in recent years poses in fact a grave risk to the cohesion of the Community. In order to control such aids, the Commission intends to apply the Treaty rules in a strict manner. A central feature of the proposal is the improvement in the hierarchy of prices resulting from a lesser increase in the price of cereals, designed as a first stage in the programme to reduce the gap between Community cereals prices and those prevailing in its main competitors. In the beef sector, special prudence as regards prices is dictated by the need to avoid a decline in consumption, which is affected by the general economic situation and by competition from other meats. As regards the related measures, the Commission includes in its proposals the main elements announced in its memorandum of 23 October, particularly the adjustment of the level of guarantee when production in an individual sector exceeds an agreed guarantee threshold, and the participation of producers in the cost of disposal if such a threshold is exceeded. These measures are more fully described later in this volume in the explanatory memorandum for each product, and details of the price increases are given in the table at the end of this volume.

48. The principal features of the Commission's proposals for the different products may be summarized as follows:

- Cereals
- Increase of 6.58% in common intervention price for wheat, barley, maize, in reference price for common wheat, and in intervention price for durum wheat
 - Increase of 5.3% in the price for bread-wheat of minimum quality
 - Adjustment of quality standard for intervention barley
 - Production threshold for 1982/83 of 119.5 million tons for all cereals (excluding durum wheat). If production exceeds this level, intervention prices in 1983/84 will be reduced
 - Cereal substitutes : completion of negotiations for limitation of imports of manioc, examination of appropriate measures to be taken to keep imports of other substitutes under control, and adjustment of import levy for brans
 - Durum wheat : increase of 9% in aid, with limitation of the aid to the first 10 hectares for each farm
- Rice
- Increase of 10% in intervention price
- Sugar
- Increase of 9% in minimum price for sugar beet
- Olive oil
- Increase of 9% in prices and aids, with reinforcement of control measures
 - Adaptation of intervention

- Oilseeds - Colza - Increase of 7% in target price
- Production threshold for 1982/83 of 2.15 million tons. If production exceeds this level, intervention price in 1983/84 will be reduced
- Other oilseeds - Increase of 9-12% in target prices and other elements

- Protein products - Increase of 9-12 % in guide prices and other elements
- Extension of aid for dried peas and beans to include those for human consumption

- Textile fibres - Increase of 10% in prices and aids

- Wine - Increase of 9% in guide price
- Reinforcement of control measures

- Fruit and vegetables - Increase of 8-10% in basic prices
- Inclusion of certain products in support system
 - Adaptation of penetration premiums
 - Reinforcement of control measures
 - Fixing of production threshold of 4.5 million tonnes for processed tomatoes.

- Tobacco
- Increase of 8-11% in guide prices
 - Adaptation of intervention prices and premiums

- Milk
- Increase of 9% in target price.
 - Adaptation of aids for human and animal consumption.
 - Maintenance of co-responsibility levy at the same rate (2.5%) and the same conditions as in 1981/82.
 - Introduction of production thresholds from now until 1988.
For 1982 this threshold will correspond to an increase in milk deliveries of 0.5% as compared with 1981.
 - Introduction of an income support measure costing about 120 Mio ECU, to take account of the situation of small milk producers.

- Beef
- Increase of 9% in guide price (6% at beginning of 1982/83 season and 3% on 6 December 1982)
 - Adaptation of intervention
 - Maintenance of existing premiums for 1982/83 season
 - Examination during 1982/83 of possibility of a more uniform system of income aid for specialized beef producers, in replacement of existing premiums

Sheepmeat - Increase of 9% in basic price

Pigmeat - Increase of 9% in basic price

Agri-monetary measures

49. Compared to the mid-1970's exchange rates between Community currencies have been relatively stable since the introduction of the European Monetary System in 1979. In its price decisions for 1981/82 the Council made an important contribution to the re-establishment of the unity of the market by adapting green rates, taking account of the adjustment of central rates in the EMS which took place in March 1981. The adjustment of central rates during the month of October 1981, however, led to the introduction of new MCA's for the Netherlands and an increase in existing MCA's for Germany and Italy. However, the Council decided a devaluation of the green rate for France, which avoided the introduction of negative MCA's and resulted in an increase of 1.5% in prices in national money in that country. The Council subsequently decided a devaluation of the green rate for Italy so as to partially dismantle its MCA, resulting in an increase of 2% in prices in national money in that country.

50. The MCA's effectively applied during the past year have been:

Member States	MCA's		
	31.12.1980	6.4.1981 (after the 1981/82 price fixing)	31.12.1981
Germany	8.8	3.2	8.3
Belgium/Luxembourg	1.7	0	0
Netherlands	1.7	0	4.3
Denmark	0	0	0
Ireland	0	0	0
France	0	0	0
Italy	- 1.0	- 1.0	-1.8 (1)
United Kingdom	12.1	12.9	8.0
Greece	.	0	0

(1) - 4.4 for eggs, poultry, cereals and sugar.

51. The Commission considers that the 1982/83 price fixing should allow the Community to make another significant step towards re-establishing the unity of the agricultural market in order to avoid distortions in competition in trade and to achieve a more equitable situation between farmers in the different Member States. Therefore the Commission proposes adaptations of green rates such as to lead to :

- for Germany, a substantial reduction in the positive MCA (reduction of .5 points)
- for the Netherlands, a substantial reduction in the positive MCA (reduction of 3.0 points)
- for Italy, whose currency fluctuates within wider margins in the EMS, elimination of the negative MCA (reduction of 2.5 points)
- for the United Kingdom, whose currency is floating, a substantial reduction in the positive MCA (reduction of 4 points) or elimination of the MCA if at the time of the price decisions it does not exceed 4.0%.

Details of the green rates of Member States, the proposed revaluations or devaluations, and the consequences in national money, are given in the table at the end of this volume.

Conclusion

52. In these proposals, the Commission has devised an integral package of measures that will permit the common agricultural policy to fulfil the objectives of the Treaty, and to respect the guidelines for the future development of the policy.
53. On the one hand, the price increases should contribute to a more satisfactory development of incomes for the more than 8 million persons occupied in agriculture. Taking account of the rate of inflation, and the continued increases in agricultural productivity, the Commission therefore proposes an increase in common prices of 9% for the majority of products, with increases of between 6% and 12% for other products. This modulation of price increases for certain products will permit an improvement in the hierarchy of agricultural prices, particularly for cereals where the Community's prices should come progressively closer to those of the main competitor countries. Adjustments of green rates should also be made in such a way as to reduce the monetary compensatory amounts, and to modulate the price increases in national currency.
54. On the other hand, measures must at the same time be taken to integrate the annual price decisions into a longer-term framework, including the introduction of production thresholds, and the participation of producers if these thresholds are exceeded. In this way the support which the Community gives to its agricultural production should be more related to the quantities which it is in its interest to produce within its frontiers, taking account of consumers' needs, international trade, and the effort to combat hunger in the world. The Commission considers that, without such measures, the increases in prices could aggravate the difficulties of market balance for several important products.

55. As regards Mediterranean agriculture, the Commission recalls that a programme of structural action is already engaged in favour of these and other less-favoured regions, and that proposals for integrated programmes will be submitted before the end of 1982. Meanwhile, in the present proposals the Commission has modulated the price increases certain Mediterranean products, taking due account of the market prospects in these sectors; and it has already submitted proposals for the improvement of the market organizations for several Mediterranean products in the perspective of enlargement.
56. The persistence of different rates of inflation in Member States poses a real threat to the common agricultural policy, and the Commission has undertaken to study this matter and report by 1 March 1982.
57. The impact of the Commission's proposals on consumer prices for food in the Community is estimated at about 3%, which corresponds to about half a per cent on the cost of living.

Table of price proposals for individual products

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Common wheat	Target price	230.55	7.73	246.81	7.05		C.P.	C.P.
	Common single inter- vention price	165.23	6	176.10	6.58	1.8.82 - 31.7.83	C.P.	C.P.
	Reference price for bread- wheat (average quality)	192.72	7.5	205.40(b)	6.58		182.44	197.18
Durum wheat	Target price	311.48	7.73	333.44	7.05		C.P.	C.P.
	Intervention price	274.99	7.50	293.08	6.58	1.8.82 - 31.7.83	251.79	274.54
	Aid	85.18	7.50	92.85	9.00		57.23	66.14(c)
Barley	Target price	210.00	8.07	224.59	6.95		C.P.	C.P.
	Common single inter- vention price	165.23	6	176.10	6.58	1.8.82 - 31.7.83	C.P.	C.P.
Rye	Target price	210.00	6.43	224.59	6.95	1.8.82 - 31.7.83	C.P.	C.P.
	Intervention price	169.20	3.28	176.10	4.08		163.04	C.P.
Maize	Target price	210.00	8.07	224.59	6.95		C.P.	C.P.
	Common single inter- vention price	165.23	6	176.10	6.58	1.8.82 - 31.7.83	C.P.	C.P.
Rice	Target price-husked rice	450.50	10.37	487.53	8.2	1.9.82 - 31.8.83	C.P.	C.P.
	Intervention price - paddy rice	259.42	11	285.36	10		C.P.	C.P.
Sugar	Basic price for sugarbeet	35.91	8.5	39.14	9	1.7.82 - 30.6.83	C.P.	C.P.
	Intervention price for white sugar	469.50	8.5	511.80	9		C.P.	C.P.

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Olive oil	Production target price	2 727.70	10	2 973.20	9	1.11.82-31.10.83	C.P.	C.P.
	Intervention price	1 963.30	9	2 140.00	9		1 869.70	2 063.50
	Production aid	600	7.5	654.00	9		150.00	253.50
Oilseeds	Target price							
	- Colza and rape seed	425.60	10	455.40	7	1.7.82-30.6.83	C.P.	C.P.
	- Sunflower seed	477.50	12	534.80	12	1.9.82-31.8.83	C.P.	C.P.
	Basic intervention price							
	- Colza and rape seed	397.10	8	415.50	7	1.7.82-30.6.83	C.P.	C.P.
	- Sunflower seed	440.60	10	488.50	12	1.9.82-31.8.83	C.P.	C.P.
	Guide price							
	- Soya seed	462.60	10	513.50	11	1.11.82-31.10.83	C.P.	C.P.
	- Flax seed	464.00	10	505.80	9	1. 8.82-31.7.83	C.P.	C.P.
	- Castor seed	598.10	10	651.90	9	1.10.82-30.9.83	C.P.	C.P.
Dried fodder	Minimum price soya seed	416.30	7.6	453.80	9.01	1.11.82-30.9.83	C.P.	C.P.
	Minimum price castor seed	569.60	10	620.90	9	1.10.82-30.9.83	C.P.	C.P.
Dried fodder	Fixed rate aid	7.03	8	7.87	12	1.4.82-31.3.83	C.P.	C.P.
	Guide price	148.08	10	165.85	12	1.7.82-30.6.83	140.93	159.85
	Aid for dehydrated potatoes	13.41	8	14.62	9		2.68	5.67
Peas & beans	Activating price	418.30	11.3	467.80	11.8	1.7.82-30.6.83	C.P.	C.P.
	Guide price	x	x	307.80	x			
	Minimum price	244.70	8	269.20	10			
Flax and hemp	Fixed rate aid (per ha)							
	- Fibre flax	296.48	12	326.13	10	1.8.82-31.7.83	59.30	81.53
	- Hemp	269.26	12	296.19	10		53.85	74.05

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Cotton	Guide price	760.00	x	836.00	10	1.8.82 - 31.7.83	C.P.	C.P.
	Minimum price	722.00	x	794.20	10		C.P.	C.P.
Table wine								
Type RI	Guide price (per degree/hl or per hl according to type)	2.95	10	3.22	9	16.12.82-15.12.83	2.71	3.02
RII		2.95	10	3.22	9		2.71	3.02
RIII		45.97	10	50.11	9		C.P.	C.P.
AI		2.72	8.5	2.96	9		C.P.	C.P.
AII		61.26	10	66.77	9		C.P.	C.P.
AIII		69.96	10	76.26	9		C.P.	C.P.
Raw tobacco	Guide price		8		(x)	1982 harvest	C.P.	C.P.
	Intervention price		average					
Fruit & vege- tables	Basic price		8 to 11 (e)		10(d) (e)	1982 - 1983	(e)	(e)

(x) Increase of 8-11% but change in the relationship with the guide price.

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Milk	Target price for milk	242.60	9	264.40	9	1.4.82-31.3.83))
	Intervention price))
	- for butter	3 178.40	9	3 451.10	8.58))
	- for skimmed-milk powder	1 324.50	9	1 445.80	9.16))
	- for cheese))
	. Grana padano 30-60 days	3 172.00	9.53	3 474.60	9.54))
	. Grana padano 6 months	3 842.70	9.84	4 221.40	9.86))
	. Parmigiano-Reggiano 6 months	4 188.70	10.01	4 608.90	10.03))
Beef and veal	Guide price for adult bovines (live weight)	1 728.00	7.5	1 874.50	6	5.4.82-6.12.82))
		1 768.40	10.0	1 927.60	9	7.12.82-4.4.83))
	Intervention price for adult bovines (live weight)	1 555.40	7.5	1 687.00	6	5.4.82-6.12.82))
		1 591.60	10.0	1 734.80	9	7.12.82-4.4.83))
Sheep- meat	Basic price (slaughter weight)	3 708.80	7.5	4 042.60	9	6.4.82-4.4.83	C.P.	C.P.
Pigmeat	Basic price (slaughter weight)	1 761.80	11.0	1 920.36	9	1.11.82-31.10.83	C.P.	C.P.
Silk- worms	Aid per box of silk seed	85.00	19.4	93.50	10	1.4.82-31.3.83	64.03	71.40

Footnotes

- (a) Greek prices are shown only where they differ from the common prices.
C.P. = common price.
- (b) The price is reduced by 10.76 ECU per tonne where special intervention measures are applied to the minimum breadmaking quality, i.e. 194.64 against 184.84 in 1981/82 (+ 5,3%) and for Greece 186.42 against 174.56 in 1981/82.
- (c) For Greek regions which did not receive national aid before accession : 23.21 ECU per tonne.
- (d) Except tomatoes for which 8% is proposed and mandarins for which 9% is proposed.
- (e) Products in Annex II of the Council Regulation (EEC) No 1035/72 of 18 May 1972 and periods of application.

Greece

	<u>1981/82 : 1982/83 : 1982/83</u>			
	:			
Cauliflowers	+ 11 % :	+ 10 % :	C.P. :	1. 5.1982 to 30. 4.1983
Tomatoes	8 % :	8 % :	16.2 % :	11. 6.1982 to 30.11.1982
Peaches	11 % :	10 % :	17.4 % :	1. 6.1982 to 30. 9.1982
Lemons	11 % :	10 % :	12.2 % :	1. 6.1982 to 31. 5.1983
Pears	11 % :	10 % :	- 2.2 % :	1. 7.1982 to 30. 4.1983
Table grapes	11 % :	10 % :	7.7 % :	1. 8.1982 to 31.10.1982
Apples	9 % :	10 % :	C.P. :	1. 8.1982 to 30. 6.1983
Mandarins	11 % :	9 % :	13.9 % :	16.11.1982 to 28. 2.1983
Sweet oranges	11 % :	10 % :	19.6 % :	1.12.1982 to 31. 5.1983
Apricots	- :	- :	C.P. :	1. 6.1982 to 31. 7.1982)
Aubergines	- :	- :	C.P. :	1. 7.1982 to 31.10.1982)
) Prices cal-
) suant to
) Art.16 of
) Reg. 1035/72

For Greece lower prices have to be fixed for tomatoes, peaches, lemons, mandarins and oranges and higher prices for pears (price alignment + increase included).

The common prices are applicable for cauliflowers, apples and table grapes.

AGRI-MONETARY PROPOSALS

Currency	Representative rate		Reduction in the gap	Revaluation (+) or devaluation (-) proposed	Effect on prices	Monetary gap resulting from the proposals (1)	
	In force 1 ECU =	Proposed 1 ECU =				Real	Applied
DM	2,65660	2,53140	4,5	+ 4,946	- 4,713	+ 4,8	+ 3,8
HFL	2,81318	2,72653	3,0	+ 3,198	- 3,080	+ 2,3	+ 1,3
BFR/LFR	40,7985	unchanged	-	-	-	+ 0,1	0
DKR	7,91917	unchanged	-	-	-	+ 0,1	0
FFR	6,08656	unchanged	-	-	-	- 1,4	0
IRL	0,685145	unchanged	-	-	-	+ 0,1	0
UKL	0,618655	0,592604	4,0	+ 4,396	- 4,211	+ 5,0	+ 4,0
LIT	1,258.00	1,289,000	2,5	- 2,405	+ 2,464	- 0,8	0
DRA	61,4454	unchanged	-	-	-	- 0,3	0

(1) Based on the situation on 18.1.1982.