European Community NEWS

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E.C. COMMISSION PRESENTS FORMAL PRICE REFORM PACKAGE

The E.C. Commission on February 27 submitted to the E.C. Council of Ministers its annual price proposals package for the 1991/1992 marketing year. The first Council meeting to consider the package will be held March 4-5.

These proposals follow the January 30 Reflection Paper on the Development and Future of the Common Agricultural Policy (CAP) which opened a debate on major new reforms because existing restrictive price policies and "stabilizer" mechanisms are not sufficient to keep agricultural markets in balance.

Describing the Commission's proposals, E.C. Commissioner for Agriculture Ray MacSharry commented "it is time of fundamental rethinking, a careful examination of options, for facing up to realities and for resolute action. The Commission has taken the first step; it has put a challenging vision of the future of agriculture and of rural society on the table and has shown it could be brought about. The next few months will show whether that challenging vision is responded to."

This year, the annual price-fixing exercise is being carried out separately to avoid complicating the extensive debate underway on more fundamental reform. The Commission will be putting forward additional reform measures in the coming months.

The imbalances in agricultural production and income in the European Community have been aggravated during 1990 by the United Nations embargo against Iraq, German reunification and other upheavals in Central and Eastern Europe which have affected the general supply and demand situation. The consequences have been a sharp drop in export prices relative to the same period last year.

The new proposals would mean an estimated agriculture expenditure of 32.5 billion European Currency Units (ECU)* in 1991.

Sectoral Impact

The Commission believes that for the majority of products it is advisable to freeze prices for the 1991/1992 marketing year at 1990/1991 levels without prejudice to the effects of the application of the stabilizer mechanisms. Nonetheless, for certain sectors with difficult market situations or rising budgetary costs, the Commission believes that price reductions are necessary.

*ECU = $1.39, as of February 15, 1991

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These reductions would be as follows:

durum wheat...a 7 percent cut in the intervention price of durum wheat to bring it into line with price of bread wheat;
rice...a 3 percent reduction in the intervention price to offset a surge in production. Rice is not subject either to the stabilizer mechanisms or co-responsibility levies;
sugar...an across the board cut of 5 percent in the intervention price;
oilseeds and protein products... a 3 percent cut in the support price, given the deterioration on world markets in comparison to the level the sector receives in the Community;
hemp and flax....a 3 percent cut for hemp and flax;
tobacco....an average reduction of 10 percent in prices and premiums for various varieties of tobacco made necessary by increased spending on excessive production development of certain varieties;
wine...no change, except for a proposed reduction in aid for wine distillation;
sheep meat....a price cut of 2 percent, which in poorer regions would be offset by an increase in the subsidy for ewes from 4 to 5.5 ECUs

Related Measures

Given the growing imbalance in the cereals sector and the big jump in budgetary outlays forseen for the sector, the Commission thinks it is necessary to increase the current 3 percent co-responsibility levy. The Commission proposes an increased levy of 6 percent for the 1991/92 marketing year.

In the dairy sector, a significant reduction of the total guaranteed quantity will be necessary to restore market balance. For this reason, it is proposed to limit the reduction of total guaranteed quantities by 2 percent for the marketing year 1991/92. It is likewise suggested to adjust the intervention scheme for butter to prevent intervention purchases at the full price.

In order to discourage excessive deposits of bovine meat into intervention as a result of the automatic triggering of this "safety net", the Commission is proposing to combine the essential elements of the "safety net" and the normal rules for assessment concerning intervention. With the new plan, the arrangement for automatic buying-in at 80 percent of the intervention price will disappear and at the same time the ceilings applicable to the quantities which can be sold into intervention will be abolished. This solution will allow the Community to act in a more selective way in some situations where the intervention mechanism is an essential element of market support.

With a view to improving the efficiency of the current arrangement of set-aside and to achieve the commitment of the Commission on the adoption of prices for the present year, the Commission proposes to set up a special system to encourage the temporary set-aside normally used for cereal production and for other subsidized products.

This arrangement means that those producers who agree to a 15 percent reduction of land used to produce cereals or other subsidized crops for the 1992 harvest would get a reimbursement of their coresponsibility levy for 1991.

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