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AGRICULTURAL PRICE PROPOSALS FOR 1980/81

The European Community's Commission has proposed an agricultural price package for 1980/1981. The proposals are aimed at reducing the structural imbalances in a number of agricultural markets such as milk, sugar, beef and veal, rye, starches, fruit and vegetable products. If adopted later in the spring by the Council of Ministers, these proposals will substantially reduce agricultural spending.

The fixing of agricultural prices is for the Community a major policy decision and it is mainly what was judged to be an excessive volume of agricultural expenditure (73.4% of the draft 1980 budget) which led the European Parliament to reject that budget in December 1979. Through modest price increases and a reduction of surpluses the present proposals represent a major contribution to the fight against the worsening inflation that has plagued the Community in 1979. They also are in line with the need to continue dismantling monetary compensatory amounts (MCA's) which cancel out the disparities in trade between the so-called "green rates" of the nine member-states and are applied to convert community prices into national currency.

Agriculture Commissioner Finn Olav Gundelach has emphasized the need for the Council of Ministers to approve the Commission's proposals since in the current difficult economic situation "it will be impossible for the Council, unlike in 1979/80, to evade the responsibility it bears to cut down the expenditures linked to the constitution of surpluses".

CURRENT AGRICULTURAL PICTURE

The Commission's agricultural proposals for 1980/81 were made against the following background:

1. The general economic situation in the EC is a matter of concern. The main feature is worsening inflation, the average prices having risen from 7.5% in 1978 to 12% at the end of 1979, while the unemployment rate now stands at 5.5% of the Community's labor force. Despite a 3.3% growth of the GDP, agricultural real income decreased between 1.5 and 2% due to rising costs (oil in particular), and this is an important element of this year's price determination.

2. Serious structural imbalances on some markets threaten the very existence of the Common Agricultural Policy. Milk and dairy products are the sectors where the situation has reached a critical level. Sugar, beef and veal, rye, starches and products processed from fruit and vegetables are also problem sectors.
3. The 1979 harvest was a bumper crop not only for sugar and milk, but also for wine (second largest of this century) and to a lesser degree for cereals, beef and veal, and pork. Consumption, on the other hand, continues to be depressed.
4. 1979 has seen a lessening of the gap between Community and world prices for most major agricultural commodities.
5. The slowing down of agricultural cost inflation ended abruptly in 1979 and led everywhere to a sharp increase of input prices.
6. The European Monetary System was established in 1979 and cushioned at the exchange level the difference in inflation rates between countries. Last year also saw a rapid phasing out of negative MCA's and the monetary gap between states has been considerably reduced.

A MODERATE AGRICULTURAL PRICE INCREASE

The Commission believes that since agricultural incomes have dropped while others have increased it is necessary to correct this situation without worsening the current bleak inflation picture or increasing the level of surpluses.

Agricultural prices should therefore rise up to 3.5% according to product; for beef and veal, for instance, the increase is limited to 1.5%, while the price of butter will remain at last year's level.

These agricultural price proposals would have the effect of raising food expenditures by only 0.8%.

ANTI-SURPLUS MEASURES

Milk deliveries to dairies increased by 2.4% in 1979 and will likely further increase by approximately 2% in 1980. While the Commission recognizes the increases of production costs at farm and factory level it insists on maintaining a rigorous price policy in this sector to balance the level of output and consumption.

The Commission proposes that the target price be increased by 1.5%. Since the present market situation is more difficult for milk fat than for skimmed milk the intervention price for butter should remain unchanged. The ratios between fat and non-fat in the price would then be adjusted to approximately 45:55.

The Commission also favors increase of the basic co-responsibility levy from 0.5% to 1.5% adopted last year to counteract the supply/demand imbalance. A levy-free franchise of 60,000 liters a year should apply to the deliveries of producers in the less favored areas. The latter represent 9.8% of the deliveries of producers in the less favored areas.

The Commission finally proposed an 84% supplementary levy that would be applied to the additional amounts collected by the dairies that purchased more than 99% of the preceding year's quantity.

MONETARY MEASURES IN AGRICULTURE

Following the creation of the European Monetary System and the introduction of a new unit of account, the ECU, the exchange rates between the Community currencies were more stable than before and this has helped prevent the creation of new MCA's.

1979 also saw a more rapid dismantling of existing MCA's. They represent in February 1980 only a fraction of those which existed at the beginning of 1979.

<u>Monetary compensatory amounts at</u>	<u>1.1.1979</u>	<u>2.6.1980</u>
United Kingdom	- 27,0	0 (1)
France	- 10,6	- 3,7 (2)
Italy	- 17,7	- 7,8 (1)
Ireland	- 2,0	0
Benelux	+ 3,3	+ 1,9 (1)
Germany	+ 10,8	+ 9,8 (1)
Denmark	0	0

(1) Rates applicable to most products.

(2) The rate applicable to pork is 0, and MCAs are to be abolished for all products at the beginning of the new marketing year.

The Commission proposes to further reduce the MCA's by 1 point in the F.R. of Germany, 0.5 in Benelux, 2.8 in Italy.

FINANCIAL REPERCUSSIONS

The present efforts to curb agricultural spending should achieve savings of the order of 1,025 million EUA on the draft budget for 1980.

As a result, the European Agricultural Guidance and Guarantee Fund (EAGGF) budget for 1980 will be slightly smaller than the 1979 budget (10,370 million ECU instead of 10,384 million ECU), and 823 million ECU less than the total appropriation in the Draft Budget in 1980. The milk sector should account for the main reduction in expenditure.

Tables on the specific price proposals follow. Prices listed are given in ECU at the beginning of February 1980

Indicative monetary parities

	Feb. 11, 1980 1 ECU = national currency	Feb. 1980 Green rates (1) for converting common prices and amounts 1 ECU = national currency	Feb. 1980 (2) 1 US\$ = national currency
1	2	3	4
DM	2.48	2.78	1.73
FF	5.84	5.55	4.07
LIT	1157	1117	806
HFL	2.74	2.79	1.91
BFR/LFR	50.0	40.59	28.19
UKL	0.625	0.587	2.30
IRL	0.668	0.659	2.12
DKR	7.72	7.72	5.43

(1) In some member states different green rates apply for different agricultural products

(2) In London.

PROPOSITIONS OF THE EUROPEAN COMMISSION FOR THE 1980-1981 PRICES

Product	Category of price or amount	Amounts fixed 1979 ECU/metric tons	Increase (%) per year		1980/81 proposals		Application period
			79/80 first year (1)	79/80 compared to 78/79	amounts ECU/metric tons	Increase %	
Durum Wheat	Target price	277,37	5,2	2,3	287,77	3,75	8/1/80 7/31/81
	Single intervention price	249,12	4,8	1,5	254,10	2,0	
	Aid	77,31/ha	-	1,7	77,31/ha		
Common wheat	Target price	201,42	3,8	2,6	208,97	3,75	8/1/80 7/31/81
	Common single intervention price	149,17	1,9	1,5	152,15	2,0	
	Reference price for bread-wheat	168,06	1,3	1,5	171,00	1,75	
Barley	Target price	182,89	4,3	2,8	184,75	3,75	8/1/80 7/31/81
	Common single intervention price	149,17	3,2	1,5	152,15	2,0	
Rye	Target price	192,50	4,5	2,7	(4) (5)		8/1/80 7/31/81
	Single intervention price	159,82	3,5	1,5	(5)		
Corn	Target price	182,89	4,4	2,8	189,75	3,75	8/1/80 7/31/81
	Single intervention price	149,17	4,0	1,5	152,15	2,0	
Rice	Target price (husked rice)	382,28	4,9	5,0	398,60	+4,27	9/1/80 8/31/81
	Single intervention price-paddy rice	218,58	3,4	3,3	228,25		
Sugar	Minimum price for sugarbeet	31,83	4,1	1,5	32,31	1,5	7/1/80 6/30/81
	Target price for white sugar	432,60	4,4	1,5	435,46	2,8	
	Intervention price for white sugar	410,90	4,4	1,5	422,41	2,8	

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Milk	Target price for milk	214,00	5,1	0	217,2	1,5	4/1/80 3/31/81
	Intervention price						
	* for butter	2 849,70	2,8	0	2 849,7	0	
	* for skimmed-milk powder	1 157,90	8,0	0	1 190,9	2,8	
	* for cheese						
	-Grana padana 30-60 days	2 794,30	5,8	0	2 838,7	1,6	
-Grana padana 6 months	3 340,90	5,9	0	3 437,9	1,4		
-Parmigiano-Reggiano 5 months	3 699,80	5,9	0	3 746,8	1,3		
Beef and Veal	Guide price for adult bovines (live weight)	1 545,80	5,9	1,5	1 569,0	1,5	4/7/80
	Intervention price for adult bovines (live weight)	1 391,20	3,7	1,5	1 412,1	1,5	4/5/81
Pork	Basic price (slaughter weight)	1 504,46	4,5	1,5	1 549,59	3,0	11/1/80 10/31/81
Silkworms	Aid per box of silk weed Aid to recognized producer groups (per box)	67,50	9,3	1,5	69,19	2,5	4/1/80 3/31/81
Seeds	Aid (per 100 kg)				(6)		1,5 average 7/1/80 6/30/82
	* Monoecious hemp	12,7	10,7	0	12,9		
	* Fiber flax	17,5	10,4	0	17,8		
	* Linseeds	13,9	6,7	0	14,1		
	* Grasses	12,1-45,9	3,2-3,4	0-0	2,3-50,3		
	* Legumes	4,8-33,9	3,1-4,3	0-0	4,9-36,8		
	* Rice	12,1	-	0	12,1		
Table Type wine:	Guide price (per degree/hl or per hl according to type)						12/16/80 12/15/81
	RI	2,54	4,5	1,6	2,64	3	
	RII	2,54	5,4	1,6	2,62	3	
	RIII	39,61	4,4	1,5	40,80	3	
	AI	2,38	4,3	1,3	2,45	3	
	AII	52,79	4,6	1,5	54,37	3	
	AIII	60,28	4,6	1,5	62,09	3	
Raw tobacco	Guide price	(2)	2,6	1,5	(2)	2,3	8/1/80 12/31/80
	Intervention price		average	average		average	
Fruits and Vegetables	Basic price Buying-in price	(3)	3,0 average	1,4 average	(3)	3,5 average	1980/81

Olive oil		2 350,40 1 470,00 1 731,90 529,00	4,1 3,3 5,3 1,7	1,5 0,7 1,5 1,5	2 420,9 1 758,0 544,9	3 1,5 3,0	11/1/80 10/31/81
Oilseeds	Target price						7/1/80
	* Colza and rape seed	364,10	3,4	1,5	376,80	3,5	6/30/81
	* Sunflower seed	396,60	4,1	1,5	416,4	5	9/1/80 8/31/80
	Basic intervention price						7/1/80
	* Colza and rape seed	358,60	3,4	1,5	358,9	1,5	6/30/81
	* Sunflower seed	385,10	4,1	1,5	390,9	1,5	3/1/80 8/31/81
	Guide price						11/1/80
	* Soya seed	394,80	7,0	0,9	410,6	4,0	10/31/81
	* Flax seed	397,90	4,3	1,5	411,8	3,5	11/1/80 7/31/81
	* Castor seed	515,40	1,5	1,5	530,9	3,0	10/1/80 9/30/81
Fixed rate aid (per ha)						10/1/80	
* Cotton seed	133,38	5,9	1,5	137,38	3,0	7/31/81	
Dried Fodder	Fixed rate aid	6,14	1,7	1,7	6,32	3,0	4/1/80
	Guide price	126,40	1,5	1,5	131,46	4,0	3/31/81
Peas and beans	Activating price	349,70	1,5	1,5	363,9	4,1	7/1/80
	Minimum price	214,80	1,5	1,5	221,2	3	6/30/81
Flax & Hemp	Fixed rate aid (per ha)						
	* Fiber flax	248,55	7,2	1,5	256,00	3	8/1/80
	* Hemp	225,74	9,9	1,5	234,77	4	7/31/81

- (1) Annual rate of increase since the introduction of common prices
- (2) 19 varieties of tobacco
- (3) Application periods of cauliflowers: 5/1/80 to 4/30/81; Tomatoes: 6/1/80 to 11/30/80; Peaches 6/1/80 to 9/30/80; lemons: 6/1/80 to 5/31/81; Pears 7/1/80 to 4/31/81; Table grapes: 8/1/80 to 10/31/80; Potatoes: 8/1/80 to 5/31/81; Tangerines: 11/16/80 to 2/28/81; Sweet oranges: 12/1/80 to 5/31/81
- (4) A special price increase of 6,01 ECU/t is proposed for bread rye
- (5) Price to be fixed taking into account the current propositions for reducing imbalances in agricultural markets.

