

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1980 - 1981

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DOCUMENT 1-502/80

23 October 1980

MOTION FOR A RESOLUTION

tabled by Mr O. d'ORMESSON

pursuant to Rule 25 of the Rules of Procedure

on the adjustment of the common agricultural policy



The European Parliament,

- considering the soundness and effectiveness of the three basic principles of the common agricultural policy, Community preference, a single market and financial solidarity,

- whereas the application of these three principles has promoted significant agricultural expansion by enabling several sectors, particularly the dairy sector, to move out of a deficit into a surplus situation, the position of farmers nevertheless varies widely, despite the efforts of the EEC, because of the relative profitability of such diverse occupations as stock-farming and the production of cereals, milk, wine, sugar-beet, fruit and vegetables and specialized crops, the size of their farms, the fertility of their land, their equipment and their ability to adapt,

- whereas although surpluses in certain sectors reflect the dynamism of Community agriculture, they are currently a burden on the Community budget and there is therefore a need for wider outlets on the world market or, failing that, for measures to reduce stocks of each type of product,

1. Considers that in view of the difficulties confronting the CAP, proposals must be studied and new solutions considered that are in keeping with these three fundamental principles,

2. Proposes that the CAP be reformed as follows:

(a) adjustment of the common agricultural policy

- from the point of view of the institutions,
- from the point of view of management,
- from the point of view of trade,

(b) expansion of the CAP by implementing dynamic common policies in four sectors:

- exports
- agri-foodstuffs
- research
- energy independence of Community agriculture

- (c) improving production policy by implementing a system of ceilings on Community guarantees that will ensure a desirable production level but nevertheless allow farmers to produce free from constraint.
3. Instructs its President to forward this resolution and the explanatory statement to the Council and Commission of the European Communities.

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## REFORMING AND CONSOLIDATING THE CAP

This report is intended to put forward specific proposals for reforming the common agricultural policy that comply with the original principles (a single market, Community preference, joint financial responsibility) and allow its functioning to be adjusted to existing economic and financial restraints by establishing a solid basis for its development in the years to come.

It does not however deal with wine production for which special measures have just been introduced for the next three years, thus leaving enough time to assess the various aspects of wine production and determine its future prospects.

Nor does this report claim to provide miracle solutions to the difficulties confronting agriculture. Unless agriculture is nationalized or collectivized to the extreme, there will always be differences in area, yield and income.

Is it necessary to repeat that no single country or society that has abolished private land ownership has succeeded in preserving its freedom?

It is true however that circumstances have placed farmers in some regions of the Community at a clear disadvantage.

They deserve financial support to combat the drift from the land.

It is essential to preserve the open spaces of the Community and prevent any increase in unemployment.

But desirable though it may be, such a policy must be financed from a social fund and not from the agriculture budget.

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### I. THE PROBLEMS OF THE CAP

- (a) The weaknesses of the Community's decision-making bodies when it comes to reforming the CAP mechanisms are:  
in the Council of Ministers:
- difficulties in taking economic decisions;
  - increasing delays in fixing annual prices;
  - increasing uncertainty about the future of farmers.

in the Commission:

- insufficient impetus. The Commission has become more of an administrative than a reforming body. And yet the initiative in proposing any radical reform of the CAP lies with the Commission.

(b) General discontent with the functioning and management of the CAP:

- The most discontent of all are the farmers who are understandably annoyed; in the eyes of the public they are in a privileged position since agricultural expenditure takes up most of the Community budget because of the much-criticized surplus situation. However, they have to contend with all sorts of difficulties such as inflation, loss of annual earnings because of monthly inflation, loss of annual earnings because of monthly inflation (debts linked to the industrialization of farming methods, increased production costs, an annual increase in farm prices that is more often than not lower than the rise in the cost of energy and industrial products needed for agricultural production).

On the other hand, yields in several sectors have increased so sharply that in some cases they have offset the difference between the production costs and farmgate prices.

- The governments of the Member States, Parliament and the Commission are all aware of the need to keep steadily rising agricultural costs under control.

They were the cause, after all, of the very serious budgetary crisis in 1980 and might well lead to an even more serious crisis in the years to come.

(c) No prospect of extending the CAP, which is essential to its consolidation:

- The entry of Spain into the common market also worries farmers. The problem cannot be resolved in isolation; the whole approach to Mediterranean agriculture must be reviewed. Although specific measures have been taken within the rigid framework of the EAGGF, no overall proposal covering regional development aspects in the broad sense of the term has so far been put forward.
- The principle of Community preference seems to be seriously compromised by the fact that competitive products or substitutes are now allowed into the Community.

Community preference is however the backbone of the common market and should therefore be given a key role.

- Practically nothing has been done about exports, the agri-foodstuffs industry, joint agricultural research or development of information channels. The common agricultural policy cannot be limited, as has been the case from the outset, to the mere management of markets. It is essential that all stages of production, both upstream and downstream, be coordinated more efficiently if the CAP is to be developed.

## II. PROPOSED REFORMS

### Adjustment of the CAP

#### 1. As regards the institutions

Although by all accounts the three general principles are still valid, there would nevertheless seem to be a need to strengthen Community preference. The CAP could then be adjusted as follows:

##### (a) By easing the decision-making process:

A body with a permanent seat in Brussels, possibly an SCA (Special Committee on Agriculture) with extensive decision-making powers should be made responsible for a certain number of policy decisions to ease the workload of the Council of Ministers. The Ministers discuss a large number of technical details, which leaves too little time for in-depth consideration of problems of substance.

##### (b) By defining medium-term objectives:

This easing of the decision-making process would allow Ministers to concentrate on the major problems and to define the medium-term objectives of a development policy.

It is in fact irrational to live from day to day.

Community agriculture is so vast and so complex that objectives must be set for its future development. While there is no need for rigid planning, some overall view must be available in the form of development forecasts for individual sectors that could serve as a guide for current assessment and future development. The objectives will be based on forward estimates.

By this is meant:

- expectations of Community production and subsequent use: stock-piling, internal consumption, exports;
- definition of the measures needed to attain these objectives: cash limits, price policy, guarantee level, regional or social measures, etc.



They would serve a two-fold purpose:

- by providing a back-up to Community measures;
- by providing farmers with a frame of reference for choosing their options and setting their revenue objectives.

The Council of Ministers must attend to this aspect of the functioning of the CAP, and it would be up to the SCA to translate these guidelines into technical terms by determining the level of aid, prices etc.

(c) Closer involvement of farmers in the definition of the objectives and management of the CAP

There are in my opinion two ways of achieving this.

. Firstly, by setting up an agricultural information network that will provide the Commission with the most detailed and up-to-date information and help farmers to understand more easily decisions taken in Brussels and to follow the work of the Advisory Committees. This can only be done by creating a loosely structured agricultural information system (one centre with two or three people responsible for a region of the Community).

.. Secondly, by drawing up development contracts linked to the forward estimates under which farmers would enjoy special advantages. Such contracts could relate to redevelopment projects, specialization schemes, export projects, voluntary restraints on production, mergers, active participation in collecting statistics for the information system, etc. They could be concluded between farmers and storage or distribution organizations or establishments or with agri-foodstuffs undertakings.

Adjustment of the CAP at the institutional level is the prerequisite for any change in its management.

2 - MANAGEMENT

This consists of short-term policy management (SCA and use of the budgetary funds at its disposal).

(a) Making a clearer distinction between the individual sectors of the CAP

Agricultural problems differ from one sector to another.

The CAP must therefore be adjusted in the light of the diversity of the products.

There are three quite distinct groups:

. Basic products for export of which there is a surplus: cereals, milk, sugar<sup>1</sup>.

In all three sectors, the agricultural policy should:

- provide a fair guarantee based on the objective method but limited to the objectives of the forward development estimates which will take account of the acceptable production level and provide for a tax on stockpile value (see III, methods to be employed).

- promote a more attractive and better coordinated export policy than at present by allowing other forms of intervention than export refunds.

.. Mediterranean products: wine<sup>2</sup>, fruit and vegetables, olive oil.

The market guarantee for these products is precarious and inadequate because of widely varying production from one year to another, the problems of Community preference and the prospect of enlargement. However, their importance to regional economies is decisive. Solutions must therefore be sought in terms of regional development, which implies cooperation between the EAGGF, the ERDF, the Social Fund and regional development programmes.

These programmes would provide for a guaranteed income in the event of market disequilibrium as well as withdrawal arrangements for fruit and vegetables etc. but should also allow for partial conversion to other crops and improved product quality. Moreover, the development of the foodstuffs sector should also guarantee the economic equilibrium of the region, prevent stagnation and control overheating in the agriculture-related industries.

... Other products: stock farming - fodder - potatoes - rice, tobacco etc.

These products must also be supported by means of premiums or attractive prices, otherwise the markets will be thrown out of balance by competition from imports, because production is inadequate for Community requirements or because they are being replaced by other products. As these markets must be protected and supported, a solution

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<sup>1</sup>For sugar the present quota system is positive.

<sup>2</sup>Wine is not discussed in this note; a separate report will be drawn up later.

must be adopted that combines incentive premiums with ceilings on stocks to prevent temporary over-production or gluts (imports + production) from creating costly disturbances.

A tax on the stockpile value could also be introduced if necessary for these sectors.

(b) Modifying the structure of the budget - transparency

. There is a justified and general need for separate accounts to be annexed to the budget for expenditure resulting directly from the CAP and for external commitments or other policies (food aid, New Zealand butter).

.. Agricultural expenditure under Titles 6, 7 and 8 is compulsory and it is therefore desirable that Parliament should be provided with full details, which is not currently the case.

(c) Improving forecasting

Without including agricultural policy in a sophisticated information network, the various economic, financial, social and climatic data must be made more easily available and a more reliable forecasting system created than is currently available to farmers.

The medium-term development policy, the increased importance of the objective method, the advisability of involving farmers more closely in the management of the CAP and of making them more export-oriented and the desire to control expenditure all call for a radical revision of techniques for forecasting and following up the trend of agricultural production.

The Community institutions do not always have reliable data on regional incomes; they find it difficult to assess the impact of the agricultural policy; their budget proposals are often rough estimates. All these shortcomings make it impossible to manage the agricultural sector properly or to propose long-term adjustments.

Hence the need to:

- consider the creation of an extensive but flexible information network,
- insist on more reliable economic and budgetary forecasting with increased technical and staffing facilities,
- call for tighter budgetary control by Parliament of the use of Community funds and more detailed analysis of their usefulness.

3 - Trade: introduction of a milling tax or a tax on the distribution of substitutes - exports - agri-foodstuffs - research - energy independence?

Some products such as soya, cassava, ACP sugar, New Zealand butter, beef and veal and vegetable oils and fats are imported into the Community at a zero or reduced rate of duty under international agreements.

But this has a noticeably harmful effect on Community finances.

Import regulations must therefore be changed so that Community preferences are increased for similar or substitute products. There are several ways of doing this:

- renegotiating agreements: e.g. New Zealand butter or ACP sugar
- voluntary restraint arrangements (cassava)
- the introduction of a milling tax or a tax on distribution would establish the coresponsibility of importers, distributors or users (soya, cassava). This would in fact help to:
  - firstly, regulate markets currently upset by imports at zero or reduced rates of duty
  - and secondly, provide resources that would alleviate budgetary expenditure. In the present situation, the tax could be applied to industrial processing or marketing.

The tax would thus not apply to the importation of oil-protein products but to their milling or marketing.

(b) Development of the CAP

The common agricultural policy should be extended to include activities other than market support or regional development.

Three new areas and perhaps a fourth could gradually be integrated into a Community policy:

- exports
- agri-foodstuffs
- agricultural research
- ensuring the energy independence of Community agriculture.

(1) Exports

The Community should devise a system of export incentives by:

- indicating prospects by means of a forecasting policy
- providing information on external outlets
- subsidizing loans for products it feels should primarily be exported.

(2) Agri-foodstuffs

The Community should provide the agri-foodstuffs sector with financial aid to investigate external markets as the undertakings in this sector deserve financial aid to find new outlets.

A great deal of Community spending goes on processed products. But the financing of such expenditure depends more on the situation of the market in the basic products they need than on an agri-foodstuffs policy.

The Committee on Agriculture could therefore propose that when medium-term objectives are set the trend for the main agri-foodstuffs products should also be estimated and the appropriate support measures (export incentives, processing aid and restructuring assistance for undertakings) introduced.

(3) Research

Agricultural research is of fundamental importance to the survival and extension of Community agriculture.

Research contracts with farmers are already financed by the Community but the amounts involved are very low; it would be wise to extend this practice.

The Community should therefore define the major areas of research for the years to come and set up a Community agricultural research fund with much greater resources than are available today. The fund would have the task of stimulating various types of research and harmonizing research carried out on the same subject by different countries.

(4) Energy independence of Community agriculture?

The potential uses of methyl and ethyl alcohol deserve thorough discussion by the Committee on Agriculture on the basis of the studies already carried out. Is the production of methyl alcohol from the biomass (wood, donax, maize, vine-growing - vine shoots and grape marcs - straw, surplus products, manure) and ethyl alcohol from sugar products (sugar-beet), Jerusalem artichokes, sweet sorghum) not in fact likely to become profitable in the medium-term considering the successive increases in the price of oil? The production of these alcohols would enable Community farmers to become independent in their energy requirements and could help to lower their production costs considerably.

### III. METHODS TO BE EMPLOYED

The methods to be employed to reform the CAP in this way cannot be described in detail here, but they cover four areas in which new resources can be obtained.

#### (1) Limiting the guaranteed price granted for surpluses

A system for limiting the guaranteed price granted for surpluses depending on market requirements and stock levels could be devised along the following lines:

The guaranteed price would apply to 90% of surplus produce such as butter and powdered milk but gradually reduced for the remaining 10% and producers thus made to take a share in the responsibility.

Thus quantities produced in excess of Community requirements would benefit either from a reduced guarantee price or, in the event of exports, from attractive refunds.

#### (2) Introduction of a milling tax or a tax on distribution

The yield from this tax would be of a purely fiscal nature, representing what are designated as 'balancing contributions'. The rate would be fixed by the Council of Ministers and, although not high, should provide a major source of revenue, initially estimated to be of the order of 500 m EUA. This figure is obtained by applying a tax of 100 ECU per tonne to the total volume of imports of feedingstuffs (soya and cassava: about 5 million tonnes). The consumer price of these products would increase by 3 to 4%.

#### (3) Introduction of a tax on stockpile value

This tax would be a means of controlling the market and would be applied once the average level of stocks needed had been exceeded during a marketing year.

Aimed at encouraging exports, the tax would have a ceiling of 10% of the intervention price and would be fixed by comparing the average level of stocks during the preceding marketing year and the level of stocks deemed necessary by the Ministers concerned.

In the case of butter, this tax could yield 64.5 m EUA.

Although low, the yield from such a tax could affect the market directly in two ways:

- by limiting the quantities sold into intervention
- by stimulating exports.

Moreover, if it were applied simultaneously to milk powder, butter, cereals or beef and veal the yield would increase considerably.

(4) Flexibility of the system: exports

A surplus situation can be improved by increasing exports. Exports should therefore be promoted more actively and the agri-foodstuffs industry encouraged to seek external markets.

The level of refunds, theoretically defined as the difference between the internal price and the world price, should therefore be maintained.

The tax on stockpile value would also play a part and the refund level would encourage producers to export.

This note has been written with a view to safeguarding the principles of the CAP, controlling market potential, stimulating exports, guaranteeing agricultural earnings, encouraging the agri-foodstuffs sector, increasing food aid and reforming the CAP on the basis of the two inseparable qualities of initiative and flexibility that are an essential requirement of any market.

