



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

AGRICULTURE 1980

Common Market Commission Launches 10-Year Agriculture Reform Program; Submits Price Proposals for the 1969/70 Marketing Year

The Commission of the European Communities has launched a ten-year program for reforming agriculture. Policy guidelines and a review of the current state of affairs are contained in a statement on "The Reform of Agriculture in the European Economic Community" made by Sicco Mansholt, a Vice President of the Commission, at a meeting of the Communities Council of Ministers in Brussels on December 10.

Key to the new reform program will be larger and more efficient farms. The aim of the Commission is to see that agriculture in the Common Market no longer lags behind but develops as favorably as other sectors of the economy.

Background of the Problem

Agriculture in the Common Market has been a problem for many years. A great deal of money has been spent, considerable improvements have been achieved, and labor productivity has gone up more in farming than in the economy as a whole; but, no clear solution has yet been found to the major problems. The agricultural population is not getting its share of today's rapid increase in prosperity. This cannot be remedied merely by a common market with a common price policy. Production of most farm commodities is rising more rapidly than consumption and production quotas are no solution, as they not only involve great technical and administrative difficulties, but run counter to specialization, one of the main benefits of a common market. Moreover, a cutback in production alone results in a lower income for the producer. This, in turn, can only be offset by yet higher prices or by expanding production of other products, which again leads to distortion of the market.

The Commission feels that it is impossible to ensure, through price policy alone, that the farming population shall have a reasonable income and that the market shall be balanced -- production must be adjusted at the same time as market and price policies. Therefore, the Commission wishes to remove the economic and legislative barriers which make it difficult to increase the size and scale of farms and improve land use and the mobility of labor.

As many as 80 per cent of the farms in the European Community are too small to provide enough work for one man on a rational basis. With modern facilities one man can easily cope with 30 to 40 hectares (75-100 acres) or 40 cows.

New jobs in manufacturing and services will continue to attract workers from the land, but if over a period of ten years the farmer's standard of living is to be raised sufficiently there will have to be a greater annual reduction in the farm population than is now the case. This would bring the active farming population in 1980 to 6 per cent of the total working population, compared with 15.7 per cent in 1965, and 20.7 per cent in 1960.

The implementation of a policy designed to guide agricultural production along modern lines will make very great demands of the farming community. Rapid changes in the patterns of production and an increase in the size of holdings require a high degree of adaptability. The new policy will work only if cooperation is voluntary; coercion is out of the question.

There are considerable tensions in the farming community -- a feeling of despair in many people who see no future in their work and yet who are unable to escape from the situation. These tensions will inevitably lead to some sort of explosion if no clear prospects are offered. A few simplistic solutions will not do, nor will the needed developments be brought about as part of a rigid schedule of legislation and implementing measures. It is also clear that what has been built up over the years cannot be simply demolished. Farmers and their trade organizations will have to be encouraged to do a great deal for themselves.

Mansholt Statement on Agricultural Reform

The key to the problem is the structure of production, Mr. Mansholt said. Production should be concentrated on efficiently run farms of a size that would permit an optimum combination of various factors: the use of modern techniques, better investment opportunities, and a working week for farmers in line with what is normal for workers in other sectors.

The Commission is thinking of "production units" of no less than 80 hectares (around 200 acres) of arable land for holdings growing grain, or of at least 40 head of dairy cattle, or 10,000 laying hens. Units of this size could be obtained by expansion or voluntary amalgamation; and "modern agricultural enterprises" -- the most highly developed type of farm -- could be established by the amalgamation of production units. The Commission would like to see these developments encouraged by the removal of the legal and tax barriers at present hampering an increase in the scale of units and by financial assistance -- some kind of allowance to help production units get off the ground, plus an investment subsidy and arrangements for guaranteeing loans.

Financial Aids

Member countries' expenditures to improve agricultural structure will have to be directed more and more towards realizing these new aims; the Guidance Section of the European Agricultural Guidance and Guarantee Fund will soon concentrate on them exclusively.

The "modern agricultural enterprises" will employ fewer workers than the farms from which they have grown. Older people will be given financial help so that they can retire if they do not wish to keep on working. Farmers over 55 who do not wish to stay on and who make their land available for the structural reform program will be given appropriate financial compensation. Younger farmers, too, will have to be helped to leave farming by means of financial assistance or training for other jobs. One of the Commission's ideas is for scholarships to be awarded to children from farming families.

In order to adapt total agricultural area to the requirements of consumption and exports of farm produce, no new land should be used for agricultural purposes and unsuitable land will have to be withdrawn from use. This would bring the Community's agricultural area down from 173 million to 160 million acres between 1970 and 1980, making it possible to meet the growing need for recreation facilities: we are getting more and more leisure in the Community but are having to live in more and more densely populated industrial centers. The figures include subsidized forestation of some 10 million acres to make up for the extreme shortage of timber forecast for the Community in the years ahead.

Short-term Measures

As a special measure to restore short-term equilibrium, the Commission wishes to cut back the number of dairy cows from about 22 million to about 19 million over a

four-year period. To offset the loss of income resulting from a cutback in dairy cows, a slaughter subsidy will be paid out in the first two years. The member states themselves should meanwhile terminate any measures which maintain or increase their dairy herds. Fattening subsidies are also envisaged to improve the beef and veal position. As prices on the market for oils and fats have slumped, a charge will be levied on processors. The Commission also wishes to reduce the sugar quota.

Market Structure

Mr. Mansholt noted that improvements to market structure and distribution are also essential if full benefit is to be drawn from the common market. The Commission feels that there should be an efficient information service to keep all concerned up to date on the current position and future prospects of supply, demand and stocks. Some degree of discipline is needed to preclude market distortion, and the only way to satisfy demand is for producers to form into groups. In order to make it easier to attain these aims, the Commission proposes that Community-wide organizations be set up for each commodity or group of commodities.

Basic Approach

A reform of farming can be carried through only if the differing circumstances of each region are taken into account. What is needed here is a decentralized regional policy, together with an active training policy (the new-style farming will need well-trained managers) and a social policy that will take care of the 800,000 or so farmers who are now over 65; the European Social Fund should be put in a position to play a full part in the retraining of younger farmers.

Implementing these measures over a period of ten years will cost millions. It should be borne in mind that the EEC countries themselves spent no less than \$1.9 billion on improving agricultural structure in 1967. Only \$1.3 billion of this total, however, was intended for measures corresponding to what the Commission is now proposing. The EEC countries' expenditure on structural improvements is constantly going up, and the total budget for 1980 could amount to much more than the cost of the Commission's new program. If no action is taken, the Community's butter surplus could mount at a rate in excess of 300,000 tons a year. By 1969, at this rate, storage facilities for butter would already be inadequate. From then on it would be impossible to take effective action in the dairy industry by means of market and price policies. Drastic reform is the only means of ending the financial, economic, and social chaos which we call "the agricultural problem" and which is unworthy of the times we live in.

PRICE PROPOSALS 1969/70

Subsidy for Slaughter of Dairy Cows and for Fattening Beef Cattle; Tax on Oils and Fats; Quota for Sugar Reduced

The Commission considered the situation in farming in many parts of the Community to be a cause for concern. No real improvement, it is felt, can be brought about by price policy alone. The price of agricultural products is already quite high, and the Common Market is effectively protected against imports that would constitute a threat to the price levels aimed at. Present difficulties are more a consequence of disequilibrium between supply and demand.

The Commission drew attention in particular to the critical situation in the grain and sugar industries -- and even more in dairying.

The Community has large surpluses of certain kinds of grain. The Commission therefore wanted to refrain from increasing the target price and to reduce slightly the intervention prices for common wheat, barley, and rye in order to stimulate consumption of domestic grain.

No change was proposed in durum and corn prices, nor in rice prices.

Any reduction in the price of sugar would have to be a big one to have the desired effect, because production is much too high. The Commission therefore suggested a slightly lower price together with a linear reduction of production quotas for 1969/70.

The Commission intended to cut down the growth of oilseed production by lowering the target price for rapeseed. It also wished to levy a charge on products

processed from oils and fats. Since milk prices are a factor in the incomes of a large number of farmers (well over half the EEC's farms are small dairy farms), the Commission proposed that for 1969/70 the milk price be left as it is, but suggested a drastic cut in the price of butter and special measures to cut back milk production. At the same time the Commission hopes to stimulate output of top-quality beef, of which there is a shortage in the Community; no price changes were proposed here. The Commission also envisaged measures to make the market in fruit and vegetables more balanced.

AGRICULTURAL PRICES 1967/70: COMMISSION PROPOSALS

Commodity	Type of price	Current price (in dollars per metric ton)	Proposed price	Period of application
Durum wheat	Target price	125.00	125.00	
	Basic intervention price	117.50	117.50	
	Minimum price (wholesale) guaranteed to producer	145.00	145.00	1/8/69 - 31/7/70
Common wheat	Target price	106.25	106.25	
	Basic intervention price	98.75	97.75	
Barley	Target price	94.44	94.44	
	Basic intervention price	87.97	86.98	
Corn	Target price	94.94	94.94	
Rye	Target price	97.50	97.50	
	Basic intervention price	91.00	90.00	
Rice	Target price	189.70	189.70	1/9/69 - 31/8/70
Sugar	Minimum price for beet	17.00	16.00	1/7/69 - 30/6/70
	Price for "medium-price beet"	10.00	9.00	
	Target price for white sugar	223.50	221.70	
	Intervention price for white sugar	212.30	211.70	
Oilseeds	Target price	202.50	197.50	1/7/69 - 30/6/70
	Basic intervention price	196.50	191.50	
Milk	Target price	103.00	103.00	
	Intervention price:			
	Butter	1,735.00	1,110.00	1/4/69 - 31/3/70
	Skim milk powder	412.50	712.50	
	Cheese - Grana padano	1,248.00	1,428.00	
	Parmesan	1,488.00	1,668.00	
	Direct aid for skim milk			
Powder	82.50	382.50		
Liquid	15.00	42.50		

AGRICULTURAL PRICES 1967/70: COMMISSION PROPOSALS

Commodity	Type of price	Current price (in dollars per metric ton)	Proposed price	Period of application
Beef and veal	Guide price for grown cattle (live weight)	680.00	680.00	1/4/69 - 31/3/70
	Guide price for calves (live weight)	915.00	915.00	
Special Measures:				
Sugar:	Reduction of quotas by 5% - from 6,480,000 tons in 1968/69 to 6,156,000 tons in 1969/70.			
Dairy and beef cattle:	Slaughter subsidy in 1969 and 1970 of \$300 per dairy cow, for farmers who slaughter all their stock; Fattening subsidy for 1969 and 1970 of \$10 per 100 kg live weight, for specified grades.			
Butter surpluses:	<ul style="list-style-type: none"> -Deliveries to specific food industries; -Deliveries to consumers in the form of concentrated butter; -Deliveries to certain sections of the community where is room for increased butter consumption; -Addition of butter to feed for calves; -Export of dairy produce to developing countries; -Reduction of the price of butter by \$.62½ (DM 2.50) per kg. 			
Oils and fats:	Introduction of a tax on products processed from oilseeds and oleaginous fruit. The proceeds from this tax could be used, for instance, to offset the ill effects of low world prices on countries associated with the Community.			

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