

## EUROPEAN PARLIAMENT

# Working Documents

1981 - 1982

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6 April 1981

DOCUMENT 1-50/81/ANNEX

### ANNEX

to the report by Mr LIGIOS  
on behalf of the Committee on Agriculture  
on the proposals from the Commission of the European  
Communities to the Council (Doc. 1-959/80) on the  
fixing of prices of certain agricultural products  
and on certain related measures (1981/82)

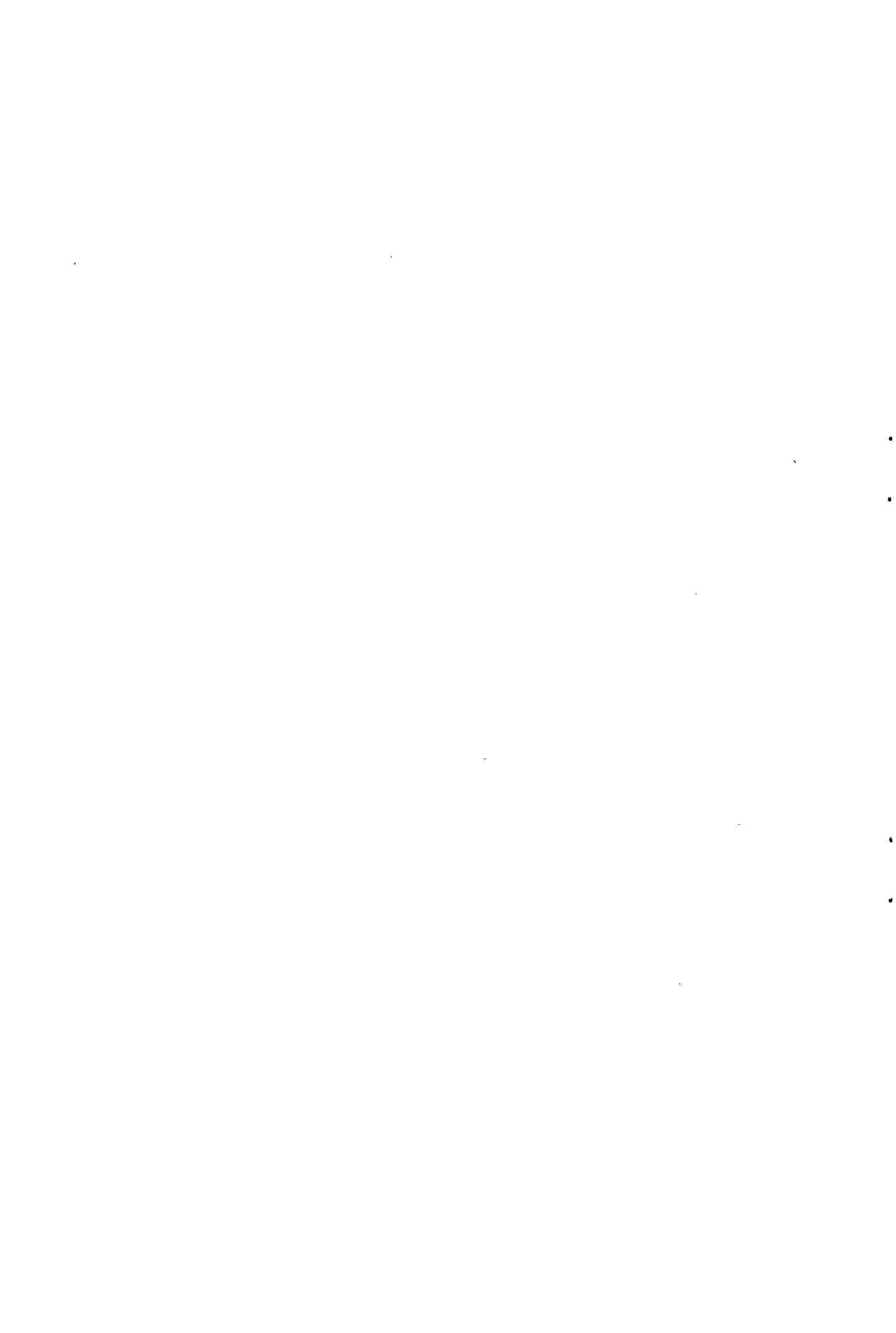
- Opinions of the committees asked for their opinion -

PE 72.171/fin./Ann.



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OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: the chairman of the committee

At its meeting of 18 February 1981 the Committee on Budgets appointed Mr FICH draftsman of the opinion for the Committee on Agriculture.

At its meeting of 19 and 20 March 1981 it adopted the opinion by 10 votes to 9 with 7 abstentions.

The draftsman having failed to complete his task, the opinion was presented by the chairman of the Committee on Budgets.

Present:

Mr NOTENBOOM, acting chairman

Mr SPINELLI, vice-chairman

Mr ADONNINO, Mr ARNDT, Mr BONDE, Mrs BOSERUP, Mr COLLA, Mr FICH, Mr FORTH, Mr GEORGIADIS, Mr GOUTHIER, Mr HABSBURG (deputizing for Mr AIGNER), Mrs HOFF, Mr HOWELL, Mr Robert JACKSON, Mr LANGES, Mr LEGA, Mr MOTCHANE, Mr NEWTON DUNN, Mr Brøndlund NIELSEN (deputizing for Mr ROSSI), Mr ORLANDI, Mr PFENNIG, Mr RYAN, Mr Konrad SCHÖN, Mr SIMONNET, Mr J.M. TAYLOR and Mr TUCKMAN

## PART I

### General considerations

1. Both within Parliament and within the Committee on Budgets there is general recognition that the CAP is of vital importance to the Community and should be broadly supported. The widespread desire for reform has concentrated on the containment of the budgetary consequences of the policy rather than the calling into question of the basic principles on which it is founded.

2. Parliament supported the Committee on Budgets' most recent statement on the policy contained in the report on the 1981 draft general budget.<sup>(1)</sup> It is worth recalling some of the paragraphs in this resolution:

#### "The European Parliament,

10. Confirms its support for the basic principles of the common agricultural policy, which is at present a genuinely integrated Community policy, but confirms also the need to correct the serious imbalances in sectors with structural surpluses;
11. Considers that the total amount of agricultural expenditure planned for 1981 should not be exceeded during the financial year as a result of decisions on prices for the 1981/82 marketing year - and that any additional expenditure should be financed by means of savings which, as undertaken by the Commission, could be made from the EAGGF, Guarantee section, budget;
12. Affirms, therefore, its intention of rejecting any proposal (supplementary or amending budget or transfer) submitted during the financial year 1981 for an increase in total agricultural expenditure and proposes that measures be taken immediately to ensure that the new 1981/82 farm prices can be financed from the appropriations allocated to the EAGGF, Guarantee section;
14. Considers that priority must be given to bringing types of production which are in structural surplus under control since progress here can improve the cost-effectiveness of the Common Agricultural Policy, and warns against the risk of increasing pressure on the financial resources of the Community leading to greater recourse to national aids and progressive disintegration of the Common Agricultural Policy."

3. The European Council and the Council of Ministers have committed themselves to a restructuring of the Community budget and it is essential that this commitment be implemented. The President of the European Council meeting in Venice on 12-13 June, 1980, stated that "there is a Community commitment to implement structural changes" to the Community budget "ensuring a more balanced development of common policies based on respect for their fundamental principles." The Commission's proposals for agricultural prices must be judged in the light of this Community commitment which is itself very much in line with Parliament's frequently expressed views. The Council in the

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<sup>(1)</sup> Doc. 1-540/80, rapporteur Mr Adonnino

mandate that it conferred on the Commission at its meeting of 30 May 1980, confirmed that the necessary restructuring of the budget should not involve the calling into question of the basic principles of the policy. These principles are outlined in the Treaty itself at Article 39. The Community has pursued these objectives on the basis of three operational principles: common prices, financial solidarity and Community preference.

4. It can be seen, however, that the operation of the policy and its practical management have not permitted some of these objectives to be met with the consequence of a real fall in the average income of farmers and the uncontrolled growth of Common Agricultural Policy expenditure.

5. That the policy should take the lion's share of the budget is not surprising because the Common Agricultural Policy is the only fully integrated Community policy with market support provided almost exclusively by the Community and not by the Member States. However, it can be seen that the utilisation of the finance devoted to the policy has not been such as to avoid a fall in the incomes of many poorer farmers. The financial burden of the policy results from the mechanisms of intervention: the financial means available could have more substantial consequences on the incomes of farmers. It would seem to be perfectly possible, within the sums currently devoted to EAGGF expenditure, to guarantee higher incomes to producers.

6. Therefore, your draftsman proposes that the following guidelines be adopted for examining the current price proposals:

- (i) the need to assure a reasonable income for producers;
- (ii) reasonable but not unlimited guarantees for the producers;
- (iii) a tighter grip over the growth of EAGGF expenditure, particularly for that expenditure destined for sectors with structural surpluses;
- (iv) a broad but not unlimited guarantee to buy in produce or to subsidise it for export.

7. In this strategy there are other policy elements which must play a role and which can only legitimately be commented on by the Committee on Agriculture. In particular, the Commission itself draws attention in its document<sup>(1)</sup> to the need for a thorough reassessment of trade policy. The Commission poses the question as to whether the export mechanisms that the Community has are sufficient. It points out that the present policy reposes too heavily on refunds as the only Community mechanism which is extremely costly and which can be in conflict with the Community's competition objectives.

<sup>(1)</sup> COM (81) 80 final, page 12, para. 19.

8. Secondly, it is clear that the Community must persevere with its efforts in structural policy for agriculture which may be the soundest means of improving the efficiency of the agricultural sector: the modulation of price policy in itself cannot, in the medium and long-term, solve the financial problems of the EAGGF.

9. Equally the Community must safeguard and extend the integrated nature of the Common Agricultural policy by the progressive elimination of national aids, many of dubious legality.

The Commission proposals for 1981/82

10. The Commission's main proposals can be summarised as follows:

- (i) as regards prices, a growth in agricultural prices from between 4% and 12% with, for most products, the price increases ranging from 6% to 10%. For example, in the milk sector the Commission proposes an increase of 6% in the indicative price from the beginning of the year with an extra 2% from 16 September;
- (ii) as regards coresponsibility, the Commission proposes generalising this notion, by different mechanisms, to include not merely the milk and sugar sectors but also cereals, beef, olive oil, colza, tobacco and certain processed fruit and vegetables;<sup>(1)</sup>
- (iii) as regards agri-monetary measures, the Commission proposes reducing the positive monetary compensatory amounts for the Federal Republic and for Britain by five points and abolishing positive monetary compensatory amounts for Benelux.

The Commission states that it considers "the proposals in the present document represent a package and, in the Commission's view, the balance between price increases and other measures must be retained, if a satisfactory result is to be achieved. The Commission will reconsider its proposal if there were a serious risk of this balance being disturbed."<sup>(2)</sup>

11. The Commission, in its document, adds a number of economy measures, resulting from improved management, to be pursued:

- (i) restrictions on buying in to intervention in the beef sector;
- (ii) reduction in aids for skimmed milk for the feeding of calves;
- (iii) reduction in certain aids for butter;

<sup>(1)</sup> The Commission has already indicated this new policy approach in its document "Reflections on the CAP", COM (80) 800.

<sup>(2)</sup> Page 2 of COM (81) 50 final.



- (iv) the postponement of payments for butter and skimmed milk powder bought in;
- (v) significant reductions in export refunds for butter and skimmed milk powder (following a major improvement in the world market situation).<sup>(1)</sup>

12. The world situation has also permitted a certain number of economies to be made:

- (i) relative monetary stability, with the exception of the pound sterling which, because of its strength, has given rise to positive monetary compensatory amounts;
- (ii) the strength of the sugar market - no refunds necessary and an increase in the own resources from the levy on sugar exports;
- (iii) the relative strength of the cereals market with consequential lower refund rates.

However, as we have seen on so many occasions the world market situation can change very rapidly.

13. The Commission highlights further economy measures to be undertaken by improved market organisation:

- (i) the organisation of the market should reflect more accurately the economic situation in the sector concerned: the market support systems seem inflexible and there appears to be little coordination between sectors where developments in one can have an important economic effect on developments in the other;<sup>(2)</sup>
- (ii) the Commission's policy continues to provide aids which do not discriminate sufficiently against low quality produce: the Commission proposes new norms which should make the necessary distinction, particularly in the cereals sector;
- (iii) the Commission recognises that the difference between the Community price and the world price is likely to stimulate the use of substitution products - therefore, the Commission has made proposals to control the imports of manioc, for example;
- (iv) the Community production system itself seems to be full of loopholes, which encourage these price differences (other fatty substances entering the Community with practically no customs duties levied).

<sup>(1)</sup> Paragraph 29, page 17 of the Commission's proposals.

<sup>(2)</sup> Paragraph 17, page 11 of the Commission's proposals.

## PART II

### The budgetary consequences of the Commission's proposals

14. The total sum of EAGGF expenditure is entered into the 1981 budget as 12,870 mEUA . The Commission does not propose exceeding this sum. For the 1981 budget the increase in expenditure estimated as a result of the Commission's proposals is 250 mEUA, with a 70 mEUA partially compensating increase in own resources: the net increase would therefore be of 180 mEUA which could be covered by the reserve created in the 1981 budget of 254 mEUA, following the approval of a Parliamentary modification to the budget (the 2% reserve). Given that the potential savings represent an unknown factor for 1981, and given that the world market situation can change very rapidly, if it is the purpose not to exceed the appropriations in the 1981 budget already, then the Parliamentary reserve represents the only room for manoeuvre.

15. For a full twelve-month period the consequences of the Commission's proposals amount to 800 mEUA as an increase in expenditure, with a corresponding and partially compensating increase of 350 mEUA in own resources: the net effect amounting, therefore, to 450 mEUA.

16. These figures are net in as much as they take into account both the proposals for increases in prices and other measures, as well as the estimated reductions following the extension of the coresponsibility system and the new limitations on monetary compensatory amounts.

17. As a result of the reserve entered into the budget, at Parliament's instigation, and because of economy measures, no overall increase in the 1981 budget will be needed, according to the Commission, and therefore for the second year running, breaking the pattern of several previous years, no preliminary draft supplementary budget need be introduced as a result of agricultural price decisions - if the Commission's proposals are followed.

18. The increase for the 1982 budget, if the Commission's proposals are accepted in their entirety, even when the possibilities for further increases are taken into account for the 1982/83 price review, would be unlikely to cause the total growth in agricultural expenditure to exceed that of the inflation rate or the natural growth in own resources.

19. Your rapporteur has made certain calculations for the different proposals being made in the context of the 1981/82 review:

Budgetary costs of the different proposals concerning the 1981/82 review<sup>(1)</sup>

	<u>1981</u> (mEUA)	<u>12 months</u>
Commission's proposals	180	450
Commission's proposals without extension of coresponsibility	400	1,000
Proposals of the rapporteur of the Committee on Agriculture (12% increase in prices)	500	1,450
Proposals of the rapporteur of the Committee on Agriculture (with a 15.3% increase, as proposed in some quarters)	650	1,810
Proposals of the farmers organisations	800	1,850

20. In this context it is worth pointing out that the growth of agricultural spending over the last few years has slowed down considerably, partly as a result of consistent Parliamentary pressure. Whereas during the period 1975 - 1979 an annual rate of growth in agricultural spending of 23% was attained, for 1980 the increase achieved was only 10.2%. For the 1981 budget, which it is not proposed to increase by means of a supplementary budget, the annual growth is limited to 12% and when the new factors of Greek accession and the common organisation of the market in sheepmeat are excluded from the calculations, this increase falls to 8%.

21. As a result of the efforts of the last two years, the proportion of the budget devoted to agricultural expenditure has dropped from 73% in 1979 to 67% in 1981.

22. At the same time, expenditure on other policies within the budget - particularly social and regional policy - has increased. So we have witnessed during this period a small but significant shift in the budget in the direction sought by Parliament.

23. However, threatening this relatively satisfactory development is the danger presented by the imminent exhaustion of own resources.

(1) The unused margin for increasing own resources now amounts to approximately 1,000 mEUA (VAT rate in the 1981 budget set at 0.89%). It is worth pointing out that each percentage increase, everything else unchanged, in agricultural prices entails extra budgetary expenditure for a full year of 120 mEUA and 50 mEUA for a part year.

24. This highlights the importance of the Commission's approach in linking a reasonable level of increase in agricultural prices with economy measures and with the principle of coresponsibility. If an average increase of 8% in agricultural prices was accorded, without any compensating economies and other measures, then the Community budget would have arrived at the ceiling of own resources certainly for the 1982 budget. With the approach adopted by the Commission, however, such an increase becomes feasible because the net growth in agricultural expenditure is largely offset by increases in own resources and is, in any case, less than the annual inflation rate.

25. The tables attached to this draft opinion show the breakdown of the financial consequences of the Commission's proposals for the 1981 budget and for a full twelve-month period, as between the consequences of the Commission's proposals for price increases, other measures and the evolution of agrimonetary measures.

### PART III

#### Remarks of the Committee on Budgets

##### A. On the Commission proposals for prices

26. The Committee on Budgets adheres to the line already adopted in its document on the 1980 price review,<sup>(1)</sup> although the amendments from the Committee did not receive majority support in Parliament. This document sought to assess the Commission's price proposals solely in terms of their conformity with the budgetary objectives established by the Committee on Budgets. It is not for the Committee on Budgets to pronounce on individual price increases by sector - this judgment should be reserved for the Committee on Agriculture. However, the agricultural proposals must be examined as a package which sets off price increases by other economies. In this context therefore it is not the price increases themselves which are of most interest to the Committee on Budgets but the overall picture including the supplementary measures and the general evolution of the world market situation.
27. The functioning and the cost of the Common Agricultural Policy and the approach adopted in fixing agricultural prices should obviously be the subject of review when the budget is restructured according to the mandate. In this sense the 1981/82 exercise should be considered as a transitional one, which should, however, not be conducted in a way which might contradict the aims of the restructuring.
28. It is a legitimate concern of Parliament as a whole that the consequences of a prudent price policy have been excessively harsh on certain farmers, while other producers have been able to ignore these consequences by increasing their production.
29. This can be seen in the general levels of agricultural incomes which have declined in 1979 and 1980 (by 1.8% and 8.9% respectively) while incomes in other sectors of the economy have maintained an albeit slow rate of growth (+ 1% in 1980). This increasing disparity has not been a uniform process since major differences exist from Member State to Member State, and within Member States.
30. In any discussion on the problem of agricultural incomes, it is necessary also to take account of the evolution of incomes in other sectors, where, as we have seen, the situation cannot be regarded as satisfactory. Furthermore, account must be taken of the rapid growth of unemployment which has hit particularly the industrial sectors.

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(1) Doc. 1-37/80/Annex I, Opinion of the Committee on Budgets - draftsman Mr Barbi.

31. As a result of these considerations, the Committee on Budgets notes with satisfaction that the overall average level of price increases proposed is compatible with the objectives of the budgetary policies that it has pursued provided that the package of measures suggested, including economies and coresponsibility, remains intact.

32. Therefore, the Committee on Budgets simply takes note of the different levels of price increases for the different sectors.

#### B. The principle of coresponsibility

33. The distinctive feature of this package of proposals from the Commission is the extension of the coresponsibility principle to the sectors outlined above. It is worth pointing out, however, that the application of this fourth principle of coresponsibility would vary from sector to sector.

34. For the milk sector, the Commission proposes to maintain the ordinary coresponsibility levy at 2% and recognises that the conditions laid down for triggering off the supplementary levy (1.5% increase in production) have now been achieved. The supplementary levy would be applied to dairies at the rate of 8.8 ECUs per 100 kilogrammes for quantities exceeding 1979/80 and 1980/81 levels. For 1982/83 the supplementary levy mechanism would only be triggered if 1981 quantities exceed those for 1979 by 3%.

35. For the cereals sector a degree of coresponsibility would be achieved by progressive reductions in the intervention price (up to 5%) for quantities in excess of last year's harvest.

36. For the beef sector, coresponsibility would be arrived at by limiting intervention to bulls and for certain parts of the year.

37. For the olive oil sector, coresponsibility would lead to reducing aids to production beyond certain quantities (700,000 tonnes).

38. For sugar, the Commission maintains its proposals contained in its original document on the new organisation of the sugar market<sup>(1)</sup> which set a levy of 2.5% for A and B sugar and a maximum levy of 37.5% for B sugar.

39. In the tobacco sector the Commission proposes that coresponsibility takes the form of a reduction in the intervention price in relation to the objective price from 90% to 85% for the 1981 harvest.

40. For processed fruit and vegetables, aids would be suspended for quantities above certain limits.

<sup>(1)</sup> COM (80) 553.

41. The operation of the policy of the coresponsibility levy in the milk sector has, however, given rise to certain justified criticisms. First, the policy does not appear to be working: milk production has continued to increase. There is a danger that the effect of the levy is simply passed on to the consumers. As it works now, the coresponsibility levy is geared exclusively to raising extra revenue rather than to curbing production. Furthermore, since the levy is subject to a large number of exemptions its effectiveness is considerably hampered.

42. One of the problems which has arisen over the application of the coresponsibility levy has been the use to which revenue raised from the levy is put. There has been a tendency for this revenue to be used to finance various schemes to stimulate milk consumption in the Community: the usefulness of some of these schemes has been called into question in various reports of the Committee on Budgets and in the reports of the Court of Auditors. It is the considered view of the Committee that revenue derived from the coresponsibility levy should be used to offset dairy spending generally, and therefore to reduce the overall volume of the budget.

43. In this context it is worth pointing out that the Commission's proposal for the super levy may not be effective because the imposing of the levy on all quantities above a certain level received by a dairy will not have the dissuasive effect on production that is desired if the levy operates merely on the global quantities received by a dairy. It is, of course, important that this levy should only apply to those products where there is a structural surplus.

44. As regards the proposals for sugar levies, your draftsman would recall the decision already taken by the Committee on Budgets in its opinion on the new market organisation. <sup>(1)</sup> Here the Committee considered that the sugar levy should only be applied to excess production or undesirable surplus production - this would underline the coresponsibility principle. Revenue from this levy should be used to finance export subsidies for the excess production. Therefore, the Committee proposed that the production levy should not be applied on the A and B quotas in order to prevent the effect of this levy being simply transferred to consumers.

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(1) Proposal Doc. 1-471/80. Opinion of the Committee on Budgets  
Doc. 1-839/80: draftsman Mr Arndt.

45. In its opinion the Committee on Budgets estimated that it should be possible to re-establish a balance in the market over a five-year period and thus to reduce progressively export subsidies.

46. The Committee on Budgets reiterates these proposals which it considers to be more appropriate than the Commission's proposals which propose a general levy of 2.5% for both A and B sugar and if necessary a maximum levy of 37.5% for B sugar.

C. Monetary compensatory amounts

47. Your draftsman welcomes the Commission's initiatives to reduce the impact of the monetary compensatory amount system - (reduction in positive monetary compensatory amounts by 5 points for the pound sterling and for the deutschmark, abolition of positive monetary compensatory amounts for Benelux countries).

48. It has been the consistent view of the Committee on Budgets and of Parliament that monetary compensatory amounts represent a major breach in the principle of common market organisation and Community solidarity. Furthermore, the existence of the MCA mechanism makes budgetary forecasts practically impossible because of sudden movements in currency rates. This has been the case, for example, with the pound sterling both through its period of relative weakness and now of relative strength.

49. The Committee on Budgets proposes the following guidelines be adopted:

- (i) all MCAs should be abolished when the 1982/83 price review is underway: it will be recalled that the Committee has always argued that these amounts should be phased out when the economic conditions would make that possible (see past opinions of the Committee on the agricultural price reviews from 1976 onwards) - in the Committee's view those conditions now exist;



- (ii) a progressive reduction in the positive MCAs for the United Kingdom and for the Federal Republic should be sought during 1981, so that their final abolition could be achieved without any disruptive economic effects and to coincide with the second stage of price increases, indicated already in the Commission's proposal;

D. Specific comments on the financing of the Commission's proposals

50. The Committee on Budgets notes with satisfaction that the Commission has devised a package of proposals which would not require, were they to be adopted in their entirety, a supplementary budget for 1981. This corresponds to Parliament's wishes.
51. In this context it should be underlined that the price element of the present proposals is of limited significance for the budget: structural policy and monetary policy decisions have at least an equal effect.
52. Your rapporteur believes that the approach of the Commission and of the budgetary authority over the past two years has enabled some progress to be achieved in the containment of agricultural spending. To form an exact assessment of the Guarantee section of the EAGGF (Titles 6 and 7), social measures within the agricultural field and food aid appropriations and import costs arising for political reasons, should not be included under these Titles. Whilst there is clearly a link between these two policy areas and Community agricultural policy in general, Titles 6 and 7 should be reserved exclusively for the direct costs of common market organisation and support.
53. Your draftsman wishes to reiterate the concern expressed by his predecessor, Mr Barbi, concerning the Commission's forecasting mechanisms.<sup>(1)</sup> Here, at paragraph 11 of his conclusions,<sup>(2)</sup> it was stated that the Committee on Budgets
- "regrets, however, the vagueness of the financial estimates contained in the documents forwarded by the Commission which are no more than a summary of the much more thorough calculations which the Commission has itself carried out. Expressly requests therefore that in future the European Parliament be provided with much more detailed background information."

<sup>(1)</sup> Doc. 1-37/80/Annex I

<sup>(2)</sup> Page 12

54. There has been no qualitative improvement in the Commission's document on the financial consequences for the 1981/82 review (see part C of the Commission's proposals). Therefore, the Committee on Budgets is being asked to take the estimates on trust. It is difficult to accept this approach given the lack of exactness of previous forecasts from the Commission. In future, the Committee on Budgets, or at least its draftsman, should be provided with all the appropriate working documents which would explain how the Commission had arrived at its estimates. At the moment, however, the Commission bears full responsibility for its claim that a supplementary budget will not be required if its proposals, in their entirety, are adopted. If, however, Council departs significantly from the Commission's proposals then such a commitment would no longer hold.

55. Your rapporteur would like to draw attention to some of the control problems posed by the Commission's proposals and to the remarks made by the Court of Auditors in that part of their 1979 annual report dealing with the EAGGF Guarantee section. The extension of the coresponsibility system, and particularly the calculations for dairy deliveries that will be required before the supplementary levy for milk is triggered, would clearly impose extra strains on the control mechanisms. The Commission does not satisfactorily explain how it would control the volume of dairy deliveries.

56. On a more general point, the Court of Auditors, in its 1979 report, drew attention to the waste (up to 200 mEUA over a two-year period) which arises from delays in adjusting measures for the disposal of skimmed milk powder on the internal markets and for export. The Commission should explain how it proposes to improve its management methods in the light of these remarks and what savings it would be possible to achieve.

57. The Court of Auditors also made a general point about the complacency displayed by the Commission departments which seemed reluctant to question critically existing methods and procedures. In fact, your draftsman now welcomes the more questioning tone of the Commission's proposals which recognise the need for far greater coordination as regards policy for the different agricultural sectors. He hopes that this approach will soon be reflected in concrete proposals.

## Conclusions

### 62. The Committee on Budgets

#### as regards the price proposals

- (i) considers that an increase in agricultural prices, of the kind proposed by the Commission, is necessary in order to maintain the incomes of those farmers who have suffered;
- (ii) notes with satisfaction that the level of price increases proposed is compatible with the objectives of the budgetary policies that it has pursued provided that the package of measures suggested, including economies and coresponsibility, remains intact;
- (iii) takes note of the different levels of price increases for the different sectors;

#### as regards the coresponsibility policy

- (iv) believes that the application of this coresponsibility policy should prevent over-production and ensure that the effects are not merely passed on to the consumers;
- (v) proposes that the coresponsibility levy in the milk sector, which was to be applied in particular to surplus products brought into intervention, should not be too hampered by too many exemptions;
- (vi) Notes that the coresponsibility levy has not had the effect of reducing the structural surplus in milk production but has functioned only as a revenue-raising instrument;
- (vii) believes that the revenue from this levy should be used exclusively to offset overall expenditure in the milk sector;
- (viii) considers that the conditions have now been met for the imposition of the supplementary levy and gives its fullest support to the Commission in seeking to implement this policy;
- (ix) asks the Court of Auditors to pay particular attention to the application of the supplementary levy for milk;
- (x) reiterates its proposals that such a levy for sugar should be applied only to excess production or undesirable surplus production and not generally to A and B sugar;

- (xi) does not consider that the coresponsibility policy is in the long run an adequate or complete solution to the problem of structural surpluses;

as regards monetary compensatory amounts

- (xii) welcomes the Commission's initiatives to reduce monetary compensatory amounts but recognizes the difficulties this will cause in certain Member States;
- (xiii) believes that a further reduction in positive MCAs for the United Kingdom and for the Federal Republic should be made during 1981;
- (xiv) believes that all MCAs must be abolished when the 1982/83 price review is examined;

as regards the other economies proposed by the Commission

- (xv) calls on the Commission to strengthen its efforts to discriminate more effectively against low quality produce;
- (xvi) calls upon the Commission to accelerate its work on achieving managerial reforms in the price and production systems;
- (xvii) welcomes the Commission's initiative to restrict Community intervention in the beef sector;
- (xviii) underlines the importance of the Commission's adjusting measures for the disposal and export of skimmed milk powder in the light of changes on the world market and in order to save money;

as regards the financing of the Commission's proposals

- (xix) welcomes the fact that the Commission's proposals would not necessitate the introduction of a supplementary budget if the package is adhered to in its entirety;
- (xx) reiterates its concern at the lack of supporting information providing means of calculation for the Commission's estimates: requests the Commission to provide it in the future with far more detailed financial information;
- (xxi) calls on the Commission to harmonize all national aids and to take action to ensure a true balance between national aid measures introduced by Member States;
- (xxii) calls on the Commission to stop the introduction of any national aid measures designed to undermine the principles of the CAP or which cause disruption of the principles of free and fair trade.

TABLE 1

Total effect of the Commission's proposals on 1981 budget

mEUA

Net increase in expenditure: + 248	Price effect = + 409	* (milk + 206, cereals - 22)
	Monetary effect = - 54	
	Other measures = - 82	(coresponsibility - 145, beef - 62)
Net increase in own resources: + 70	Price effect = + 97	(levies + 83, sugar levy + 14)
	Monetary effect = - 27	(on the levy rate - 26)
Net effect of the Commission's proposals:	+ 178	**

\* Includes figures for other milk products and butter.

\*\* Chapter 79: provisional EAGGF reserve: 254.5

TABLE 2

Total effect of Commission's proposals on a twelve month period

		mEUA
Net increase in expenditure	+ 804	Price effect = + 1,243 (milk + 413, sugar + 196, beef + 130)
		Monetary effect = - 164
		Other measures = - 275 <sup>*</sup> (coresponsibility milk - 261, fruit and vegetables - 166)
Net increase in own resources	+ 357	Price effect = + 471 (agricultural levies + 327, sugar levies + 144)
		Monetary effect = - 104
Net effect of the Commission's proposals	+ 447	

\*The figures for cereals depend entirely on the harvest: a difference of as much as 100 mEUA could arise depending on the size of the harvest.

TABLE 3

Effect on certain major agricultural sectors of Commission proposals  
(1981 appropriations above 500m)

(i) Cereals (Chapter 60)

mEUA

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total	
1,565.6	1,646.4	2,205.0	-22	+14	-15	-23	2,182.0	
12 month effect of 1981 proposals			Own resources					
Price	Monetary	Other	1981		12 months			
+85	-	-77	+59		+235			

(ii) Milk (Chapter 62)

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total	
4,521.4	4,929.6	4,447.96	+194	-	-145	+49	4,496.96	
12 month effect of 1981 proposals								
Price	Monetary	Other	1981		12 months			
+392	-	-30	+362					

(iii) Olive oil (Chapter 63)

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total	
388.6	367.0	571.34	-	-	-	-	571.34	
12 month effect of 1981 proposals								
Price	Monetary	Other	1981		12 months			
+96	-	-	+96					

(iv) Sugar (Chapter 64)

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total	
939.8	596.5	739,9	+52	-	-	+52	791.9	
12 month effect of 1981 proposals			Own resources					
Price	Monetary	Other	1981		12 months			
+196	-	-	+16		+151			

(v) Beef (Chapter 65)

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total
				Monetary	Other		
747.8	1,378.0	1,353.38	+71	-	-62	+9	1,362.38
12 month effect of 1981 proposals							
Price	Monetary	Other	Sub Total				
+130	-	-7	+123				

(vi) Fruit and vegetables (Chapter 68)

1979 Exp.	1980 Approps.	1981 Approps.	Price	1981 proposals		Sub Total	New 1981 total
				Monetary	Other		
441.5	699.0	730.10	+4	-	token entry	+4	734.10
12 month effect of 1981 proposals							
Price	Monetary	Other	Sub Total				
+ 16	-	-166	-150				



OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH  
AND CONSUMER PROTECTION

Draftsman: Miss Gloria HOOPER

On 19 February 1981, the Committee on Environment, Public Health and Consumer Protection appointed Miss HOOPER draftsman.

At its meeting on 25 and 26 February 1981, the committee examined the Commission proposals and at its meeting of 18 March 1981 adopted the draft opinion with 18 votes in favour, 4 against and 2 abstentions.

Present: Mr Collins, chairman; Mr Alber, vice-chairman; Mr Johnson, vice-chairman; Mrs Weber, vice-chairman; Miss Hooper, draftsman; Mr Adam (deputizing for Mr O'Connell), Mr Combe, Mr Forth (deputizing for Sir Peter Vanneck), Mr Ghergo, Mrs Krouwel-Vlam, Mrs Lentz-Cornette, Mr Lynge, Mr Muntingh, Mr Peters (deputizing for Mrs Seibel-Emmerling), Mr Peponis (deputizing for Mrs Roudy), Mrs Pruvot, Mr Remilly, Mrs Schleicher, Mrs Scrivener, Mr Sherlock, Mrs Spaak, Mrs Squarcialupi, Mr Verroken, Mr Visas

The Committee,

- recognising that farmers' incomes have dropped in real terms in the course of 1980;
- considering, at the same time, that the amount of this fall, according to the Commission's own figures, varies greatly from Member State to Member State and region to region;
- considering that an excessive increase in agricultural prices is likely to have the effect of stimulating supply and reducing demand;
- considering that the Commission's proposals represent a substantially higher increase in agricultural prices than in the previous year, even if they do not compensate for the fall in farmers' incomes;
- recalling the views expressed by this Committee in its Opinion for the Committee on Agriculture on possible improvements to the CAP (PE 71.622);
- believing that the CAP should be seen in the wider context of a Community food policy in which the interests of consumers, food processors and farmers receive equal consideration;
- recalling that the interests of consumers in the supply of agricultural products at reasonable prices are an integral part of the CAP and that Article 39(e) Treaty of Rome requires that account be taken of these interests;

The Committee: -

1. Greatly regrets that yet again the Commission has given insufficient consideration, in drawing up its proposals, to the interests of European consumers.

2. Regrets the lack of transparency in the Commission's estimate of a 2.5% overall increase in the price of food, bearing in mind that the increase in agricultural prices when expressed in national currencies will have a different effect on each product in each Member State and that the final effect of this increase must take into account the inevitable corresponding increases which will be added by processors and distributors.
3. Recognises in particular that lower income consumers and large families, as always, are hardest hit by agricultural price rises because food costs account for a relatively higher proportion of their income.
4. Aware that agricultural prices cannot in themselves resolve the problem of farmers' incomes because holdings vary so widely in terms of production and geographical location, yet considers it essential to grant specific aids to less-favoured and hill-farming areas.
5. Recognises that the reduction in m.c.a.'s and the wider use of co-responsibility levies are measures designed to remove incentives to over-production. Whilst welcoming measures designed to reduce agricultural surpluses the Committee expresses doubts as to the value of co-responsibility because:
  - a) it is a tax on the producer which does not provide more competitive prices for the consumer and may on the contrary lead eventually to overall cost increases;
  - b) co-responsibility levies are not the most effective way of tackling surpluses as is illustrated by the milk sector where in 1980 despite a 2% co-responsibility levy production increased by 2.6%.

The Committee therefore:

6. Does not regard the proposals under consideration as satisfactory in that they are not an adequate means of providing farmers with a decent level of income or promoting a policy of quality products and that in the long term they will not benefit the common agricultural policy, the agricultural producers or the consumers;
7. Totally rejects, however, Council decisions which make agricultural prices an intolerable burden for the consumer;
8. Recommends that farm support prices no longer be regarded as the only way of protecting farmers' incomes and believes that the problems of surplus production, guaranteed supplies at reasonable prices and safeguarding farmers' livelihoods can be tackled by other and ultimately more efficient means.
9. Believes that national aids, which are at present one of several factors which distort trade and render the notion of common prices fictitious, should be the subject of a thorough investigation by the Commission to ascertain their extent and effect and the possibility for some form of coordination at Community level.
10. Asks the Commission in future to produce a product by product analysis of the effect of agricultural price rises so as to enable the real cost to consumers of such increases and the real gain to farmers to be better assessed.
11. Emphasizes the importance of a process of consultation involving farmers, consumers, processing industries and the trade on all the problems of food policy and urges the Commission to ensure that consumers are consulted on matters affecting their interests at the earliest possible opportunity.