

EUROPEAN PARLIAMENT

# Working Documents

1981 - 1982

19 March 1981

DOCUMENT 1-50/81

REPORT

drawn up 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 for certain agricultural  
products and on certain related measures (1981/82)

Rapporteur: Mr G. LIGIOS

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By letter of 26 February 1981 the Council of the European Communities consulted the European Parliament, pursuant to Article 43 of the Treaty establishing the EEC, on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures for the 1981/1982 marketing year.

The President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets, the Committee on External Economic Relations, the Committee on Regional Policy and Regional Planning, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Development and Cooperation for an opinion.

At its meeting of 16 and 17 February 1981 the Committee on Agriculture appointed Mr Ligios rapporteur.

The Committee on Agriculture considered these proposals at its meetings of 19 and 26/27 February 1981, 9 and 11 March 1981 and 16 to 18 March 1981.

At the latter meeting it adopted the motion for a resolution by 15 votes to 10 with 7 abstentions.

Present: Sir Henry Plumb, chairman; Mr Früh, Mr Colleselli and Mr Delatte, vice-chairmen; Mr Ligios, rapporteur; Mr Abens (deputizing for Mr Sutra), Miss Barbarella, Mr Battersby, Mr Bocklet, Mr Caillavet, Mr Clinton, Mr Curry, Mr Dalsass, Mr Diana, Mr Gautier, Mr Fanton, Mr Helms, Mrs Herklotz, Mr Hord, Mr Josselin, Mr Jürgens, Mr Kirk, Mr Maher, Mr B. Nielsen, Mr d'Ormesson, Mr Pranchère, Mr Provan, Miss Quin, Mr Tolman, Mr Vernimmen, Mr Wettig and Mr Woltjer.

The opinions of the Committee on Budgets, the Committee on the External Economic Relations, the Committee on Regional Policy and Regional Planning, the Committee on the Environment, Public Health and Consumer Protection and the Committee on Development and Cooperation will be published separately.



The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures (1981/1982)

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures (COM(81) 50 final),
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-959/80),
- having regard to the report by the Committee on Agriculture and the opinions of the Committee on Budgets, the Committee on Regional Policy and Regional Planning, the Committee on External Economic Relations, the Committee on Development and Cooperation and the Committee on the Environment, Public Health and Consumer Protection (Doc. 1-50/81' );
- having regard to Article 39 of the EEC Treaty;
- considering the need to protect the principles of the CAP: single market, Community preference, financial solidarity;
- considering that in recent years there has been a constant, general and significant fall in real incomes of farmers,
- considering that this situation has been made worse, in certain countries, by rates of inflation which are much higher than the Community average,
- considering that monetary compensatory amounts have led to significant distortions of competition,
- considering the role which an adequate price increase plays in producers' incomes and in the management of agricultural production,
- whereas the increase in agricultural production prices has had only limited repercussions on the household budget,
- considering also the need arising from the price increase for accompanying measures to reduce the increase in production costs in countries with high inflation rates,
- considering on the other hand the present budget limits and the need to control agricultural expenditure,
- considering that in the interest of transparency of expenditure on agriculture, the resolution adopted by Parliament in 1980 reclassifying certain items in the agricultural budget should be implemented without further delay,

## I - GENERAL CONSIDERATIONS

### Farm prices

1. Calls upon the Council to fix prices and accompanying measures for the 1981-82 marketing year by 1 April 1981 at an adequate level based on the results of the objective method, taking account of the need:
  - (a) to recover as far as possible the losses suffered as a result of the increase in the costs of the factors of production, calculated on the basis of family farms of average efficiency;
  - (b) to ensure greater balance between farmers' incomes and those of other production sectors and a reduction in existing regional imbalances;
  - (c) to ensure that inadequate price increases at Community level do not lead to an increase in national aids and so erode the CAP;
2. Requests an average increase of prices of 12%, adjusted for individual products so as to direct production in such a way as to encourage those products which are in deficit and reduce the production of structural surpluses;
3. Calls upon the Council to adopt additional special Community measures of a technical, financial or monetary nature designed to compensate farmers in countries where the rate of inflation is above the Community average for their inability to obtain a sufficient recovery in their incomes through farm price increases;

### Monetary compensatory amounts

4. Notes the proposals to reduce the MCAs; this reduction should be carried out:
  - (a) in the Benelux countries in a single stage;
  - (b) in Germany and the United Kingdom over three years, at the following rate: 50% the first year, 25% the second and third years;
5. Calls upon the Commission and the Council to seek to involve the United Kingdom in the system of economic and monetary cooperation;

### Coresponsibility

6. Expresses its serious concern at the Commission's intention to consider coresponsibility, which is simply a system for containing agricultural expenditure, as having the same importance as the general principles on which the common agricultural policy is based;

7. (a) Rejects the Commission's proposals to extend the criterion of the coresponsibility of producers to all sectors, i.e. even to sectors in which there is no surplus;
- (b) Calls on the Commission to ensure that producers participate actively in the management of the agricultural markets by redefining the role of the advisory and management committees;
- (c) Considers that these measures must permit greater transparency in the system and greater control possibilities;

Other considerations

8. Recalls that the solemn commitment of the Community to measures to restore the position of the less-favoured regions of the EEC cannot be nullified by the adoption of proposals which limit, in some cases to a significant extent, the measures which were adopted to attain these ends;
9. Believes that the available financial resources should be allocated as a matter of priority to measures to encourage products which are in deficit, including measures to convert surplus production which cannot find an economic outlet on Community or world markets;
10. Draws attention to the urgent need to establish an overall policy for fats and oils of animal and vegetable origin produced in or imported to the Community, in line with Parliament's repeated requests;
11. Calls on the Commission and the Council to introduce rapidly rules governing duty-free imports of substitute products, so as to guarantee a genuine Community preference; believes that this measure would lead to better control of surpluses in various products and to the elimination of distortions of competition between users of products imported to the Community at world prices, which are significantly lower, and users of Community products;
12. Draws attention to the fact that there is a **danger** that the present difficulties of the CAP may lead to its re-nationalization through the extension and intensification of national aids; calls upon the Council and the Commission to take energetic measures to combat this tendency, to draw up a list of existing national aids and to lay down criteria for standardized rules governing these aids and systematically abolish them;
13. Calls upon the Commission to present immediately specific proposals to increase EEC exports and thus make the best use of the Community's agricultural potential, in particular by concluding long-term agreements, creating a specialized export agency, establishing an appropriate credit policy and making better use of refunds;
14. Calls on the Council to adopt the set of structural measures as soon as possible, taking account of the modifications and additions suggested by the European Parliament at its March 1980 part-session;

15. Hopes that aid from all the structural funds for the least-favoured rural areas and territories will be increased, particularly through integrated development programmes for mountain and other less-favoured areas;
16. Is of the opinion that the containment of agricultural expenditure will not however make it possible significantly to increase Community action in other sectors; therefore reasserts its conviction that in order to overcome the present financial situation the 1% VAT limit must be increased and new financing sources found;
17. Calls on the Commission to put forward concrete proposals for a forestry policy;

## II - PRODUCTION SECTORS

### Cereals

18. Approves the Commission's proposals for these products, which introduce stricter quality standards for common wheat of medium bread-making quality and encourage the use of common wheat which does not comply with the minimum bread-making quality standards in animal feedingstuffs, making it more competitive against imported substitute products;
19. Believes that the current methods used for testing the suitability of wheat for breadmaking need urgent revision;
20. Believes that the increase in the target price for durum wheat, of which the Community has a deficit, should be the same as that proposed for common wheat;
21. Rejects the proposed system for coresponsibility in the cereals sector;

### Potatoes and starches

22. Calls on the Commission to make concrete proposals for a potato policy and to propose measures for the starch and potato starch sector, respecting the basic principles of the common agricultural policy;

### Beef and veal

23. Approves the Commission's proposals to make the intervention system more flexible in order to adjust it to the market situation;
24. Calls on the Commission to ensure that the increase in the basic price is reflected in the market price;
25. Believes that the granting of premiums for the birth of calves and variable premiums for the slaughter of certain adult bovine animals is as important as the granting of premiums for suckler cows and is therefore opposed to the abolition of these premiums;

26. Draws attention to the fact that the budgetary imbalances in the beef and veal sector can be attributed principally to imports of beef on preferential terms from non-member countries and requests that imports of beef and veal at preferential rates be limited;
27. Believes that it is necessary to encourage exports of fresh meat through suitable export refunds;

#### Pigmeat

28. (a) Endorses the Commission's proposal to increase the basic price for pigmeat;
- (b) Calls on the Commission to manage the market in such a way that the increase in the basic price is reflected in the market price;
29. Requests the Commission to take the necessary measures to strengthen the instruments which may be used under the market organization for dealing with imports of pigmeat from non-member countries such as a more effective implementation of additional levies;

#### Milk

30. Notes that experience in recent years of the application of the coresponsibility system has demonstrated that it is ineffective in controlling surpluses but points out that it was originally conceived with the aim of finding new markets for milk products;
31. Accepts that milk producers should assume part of the economic responsibility for production in excess of the 1979/80 level;
32. Approves the Commission's objective of promoting milk production from indigenous rather than imported resources, but believes that its specific proposal involving the concept of cows per fodder hectare is unworkable in practice, open to fraud, and inequitable in the assumptions underlying its proposed means of application;
33. Considers it appropriate to exempt the mountain areas and the areas falling within Article 1(4) of Regulation No. 1822/77 from all levies and believes it necessary to continue to devote special attention to these areas in future;
34. Believes, furthermore, that there is a need to adopt and harmonize rules on the exclusive use of butyric fats and oils and milk protein in the manufacturing of products sold as 'milk and dairy products'; provision must also be made for the exact composition of products imitating milk to be given and for quality standards for milk to be laid down;

35. Reaffirms the position it adopted last year on the use of colouring matter to denature milk powder held by intervention agencies and destined for animal consumption;
36. Maintains the position it adopted in 1980 and calls on the Commission to base the price of milk on quality criteria;
37. Calls on the Commission to introduce a major promotion campaign to popularise dairy produce consumption;
38. Believes that all existing consumer subsidies for butter must be continued, since they constitute the most acceptable means of disposal of surpluses, and provide a source of positive pro-Community publicity; asks the Commission constantly to monitor consumer response to subsidies in order to make sure that these are set at the optimum level;

#### Olive oil

39. Rejects the Commission's proposals to limit production aid to a pre-determined quantity since:
  - (a) there are at present no structural surpluses in this sector;
  - (b) there can be no significant increases in production because of the rules in force in this sector, in particular the rules prohibiting further planting;
  - (c) the priority is the introduction of a measure to establish a better price relationship between olive oil and seed oils (at present 2.5 : 1), with a view in particular to encouraging consumption of olive oil;
40. Calls on the Commission to control the amounts paid out more effectively;

#### Other oils

41. Rejects the Commission's proposals for colza since oilcakes manufactured from colza for use as animal feed represent only 4% of Community requirements;

### Wine

42. Points out that 90% of expenditure in this sector is used in practice for the destruction of the production (distillation) or for storage;
43. Believes, therefore, that it would be better for more resources to be spent on effective commercial promotion, including suitable export refunds;
44. Stresses the need for the rapid introduction of a wine register in all the producing countries;

### Tobacco

45. Rejects the proposal to reduce from 90 to 85% the ratio between intervention and norm prices for all varieties in view of the fact that there is already a limitation on guarantees to producers of oriental varieties;
46. Believes that limitation of quantities for intervention should be achieved through incentives to change varieties and not by penalizing producers;
47. Draws attention to the discriminatory treatment applied to this product, in which the Community is in deficit, compared with products with structural surpluses, where no proposal has ever been made for a change in the ratio between guide prices and intervention prices;

### Fruit and vegetables

48. Is of the opinion that fruit and vegetables have never benefited from effective support from the Community and are not sufficiently protected against imports; accordingly asks for the reference price mechanism to be reviewed and for the list of products covered by a common market organization to be extended;
49. Asks for an upward review of the withdrawal price to enable that price to play an effective role as a market regulating mechanism;
50. Considers it desirable to draw up a calendar agreed between the Member States for horticultural products to ensure better organization of intra-Community trade;
51. Stresses the need for the Commission to ensure compliance with minimum quality standards and proposes the introduction of more stringent Community regulations to eliminate the 'bottom of the range' products;

### Processed fruit and vegetables

52. Rejects the Commission's proposal to limit aid to processing to fixed quantities;

53. Points out that this aid was introduced in the 'Mediterranean package' as one way of correcting the disparities in the treatment of Mediterranean products as regard guarantees compared with other products;
54. Calls on the Commission to control the amounts paid out more effectively;
55. Points out that the 10% cut in aid during the 1980/81 marketing year had already led to a 20% drop in production;

Dried fodder

56. Welcomes the Commission's proposals in relation to aid for dried fodder and dried potatoes and demands that a programme be submitted to promote a reduction in energy costs for drying;

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57. Calls upon the Commission, pursuant to the second subparagraph of Article 149 of the EEC Treaty, to embody in its proposal the amendments indicated in this resolution.

EXPLANATORY STATEMENT

1. Never before have the Community institutions had to face so many and so complex problems in connection with the annual fixing of agricultural prices.

In the first place, they are confronted with an unacceptable exacerbation of disparities between the agricultural sector and other sectors. Last year agricultural incomes fell by 8.9%, bringing the gap between these incomes and the economy as a whole to 13%. Farm production costs have risen more sharply than agricultural product prices, partly in consequence of the policy of agricultural price restraint practised by the Community over the last three years.

Moreover, differences in rate of inflation between countries have meant that production costs have risen less in countries with more stable economies and much more in the other countries.

1980 thus saw an overall worsening of the imbalance between agricultural incomes and those of other employment sectors which the C.A.P. should have halted and gradually eliminated.

2. Towards the end of the 1970s income differences between different agricultural regions of the Community were also gradually increasing.

Market and price policies have brought greater advantages to the more prosperous regions because their products attracted more support than those of the regions already naturally disadvantaged. And if that was not enough, within agricultural regions Community funds have benefited more the more wealthy entrepreneurs since, on the whole, it is they who already had better organized productive structures.

3. The regulatory mechanisms set up under the C.A.P. to adjust output development to the Community market demand have proved clearly inadequate.

The system of total guarantees applied without limitation to output thus incidentally led to the accumulation of surpluses which would have soon exhausted Community financial resources, obstructed the carrying out of needed structural reforms and led to most serious disparities between farmers engaged in different types of production.

It was also evident that surplus accumulation would have achieved economically intolerable proportions, particularly in such sectors as dairy products and cereals where there were, and still exist, wide possibilities of genetic improvement and rationalization of production to increase yields, though this must almost invariably be done at the cost of quality (an aspect of the problem, incidentally, which is almost totally ignored).

4. To these elements must be added the absence of any real Community policy on stock management, exports or combating world hunger.

A more systematic and more far-sighted policy in this area would have enabled the Community to play a more important role in world markets, while having to support correspondingly smaller financial burdens than those involved so far in export refunds; all this would have greatly contributed to improving the Community's trading image in the world.

The new strategy worked out by the Commission for this sector which relies on credit manipulation and, possibly, long term contracting, is very interesting and could lead to considerable saving of resources.

5. Another problem which must be faced and definitively resolved is that of the abolition of monetary compensatory amounts. It is they that are mainly responsible for distortions of competition in trade and for obstructing the reunification of the agricultural market. They have developed into a dangerous habit which led to swelling outputs of surplus produce and to the development of the agricultural sector in already prosperous economies which had no need of such an artificial stimulus.

6. The solution of all these problems will be, both for the Commission and Parliament, an extremely arduous task. The most serious difficulty derives from budget constraints due to the now imminent exhaustion of own resources (approaching VAT ceiling). Very strict control of agricultural expenditure which Parliament has been calling for and must impose, should result not only in more prudent and transparent budget management, but also in greater financial flexibility within the sector.

Particularly favourable world market conditions due to reasons which cannot be here analysed but which may be expected to continue for some time, offer the Community the opportunity for enormous savings under 'export refunds' and, more generally, in the entire sector of surplus products.

It is particularly under these headings that the financial means needed for expenditure resulting from the difference between the agricultural price increases proposed by the Commission and those put forward in the present report will have to be found.

7. Where these should prove insufficient, the producers may be called upon to bear a greater share of coresponsibility costs. 'Coresponsibility' , however, is an instrument (and certainly not a 'principle' !) which should not be used to penalize producers. Its primary function is to prevent excessive output of foodstuffs for which no outlet can be found on Community and world markets except at the cost of extremely high export refunds (up to 80% of production costs!).

The extension of the field of application of this instrument even to those products in which the Community has not surplus cannot be accepted. It was excessive price support over all these years for the production of what were structural surpluses that is the real cause of our present financial straits and of a good part of the disparities which have arisen within the agricultural sector.

At the same time, Community institutions should be warned against devising any mechanisms which might freeze outputs of surplus products at levels that would in effect consolidate the privileged position of some categories of farmers with respect to others and make all farmers the victims of a squandering of financial resources which has been going on for years - even those farmers who are not responsible for the production of surpluses and, indeed, are most hurt by it.

8. The increase in agricultural prices for 1981/82, at whatever level it is fixed, will have different effects in the Member States because of different inflation rates and because now it will no longer be possible to apply agri-monetary devices ('green' currencies) as it was before the E.M.S. came into effect. In these conditions the principle of the unity of markets loses all practical meaning.

Countries which are not self-sufficient in agricultural and food production will nevertheless be required to respect Community preference and hence are likely to suffer two further disadvantages: increases in agricultural prices which do not correspond to demand and an undermining of financial solidarity because of budget requirements.

If the negative effects of these three factors were to coincide in time, the C.A.P. would be in danger of becoming less of an inducement to integration than to secession and would fail in its role of driving force of European integration which it has fulfilled to far.

Nor is it possible to envisage a solution to this problem in the sphere of aids from the structural funds, because of the financial constraints already referred to.

We therefore must show courage and imagination in working out a technical/financial or monetary mechanism which - to whatever levels the prices are raised and the m.c.a.s reduced will make it possible, if only as a transitory and exceptional measure, to make up the remaining difference between agricultural incomes and production costs in countries with a high inflation rate and those where it is lower.

This result could be achieved either by compensating the higher production costs with subsidies or by supplementing farmers' incomes (which would be difficult to administer) or by regionalizing prices.

9. On Community preference, it should first be noted that this is a concept often mis-applied to cover widely different situations.

For some products, for example soya or manioc, there has never been any preference, because at the time when the Community and the Common Agricultural Market were being created there was no need to protect Community products for which subsequently these two products became substitutes. Today the situation has completely changed and proper Community preference must be re-established through import controls so as to eliminate a whole number of problems we rightly bemoan (excessive outputs of some products, relative surpluses, failure to use Community-produced fodders etc.). This must be done, of course, without infringing the Community's contractual obligations.

10. For other products the concept of preference, which is tied to the existence of a homogeneous economic area, cannot be interpreted in absolute terms because the Community must be able to grant negotiated concessions to its trading partners or to expand its economic area by the accession of other countries. This being so, Community intervention is necessary to prevent in particular regions or sectors imbalance between demand and supply, ensuring instead fair payment for Community products and to spread equitably amongst all the economic burden of the agreements concluded.

Hence the need for the Community to adopt appropriate measures for such restructuring as may prove necessary and to provide specific incentives to direct output to new products. This is also true for changes which may result from the accession of new countries to the Community.

11. It should also be noted that the Community has often encountered difficulties because it was trying to harmonize everything, even when such harmonization was not necessary, and was determined to provide standard solutions to market or production problems which might be very different. In consequence, the Community has been devising increasingly complex mechanisms which are unable to meet fully the various practical situations.

Parliament feels bound to voice its concern in the face of such schemes as the bid to generalize coresponsibility, which we have already referred to, or, worse still, to introduce production quotas, which would only have the effect of perpetuating the existing situation in the various sectors and of penalizing those regions which are not sufficiently developed or which lack economically sound alternative production possibilities.

12. Parliament is also aware of the growing risk that the existence of national incentives, applied in different forms or according to different criteria, is compelling the CAP to keep pace. If something is not done about this, the process of economic integration will be soon doomed to failure and the CAP undermined in its very foundations. We need, therefore, to know more about the amounts and the conditions of aids granted domestically so as to be able at a later stage to lay down conditions applicable for all the Member States.

### CONCLUSIONS

On the basis of the foregoing analysis, which makes no claim to be complete or exhaustive, if only because of the time constraint imposed upon him, your rapporteur has drawn a few clear indications which he submits for Parliament's consideration.

As regards the average level of prices, that proposed by the Commission appears altogether insufficient to meet the legitimate demands of producers who in recent years have seen their incomes falling while the common price increases decreed by the Council in no way compensated the constant drop in their purchasing power. On the other hand, to propose too high a price increase would mean to permit further growth of output of products which are already in surplus and to burst the limits of the budget. An average increase of around 12% thus seemed the most appropriate way of reconciling these two contrary requirements.

Clearly, this increase will have to be adapted to the special circumstances of each product: having regard to the hierarchy of prices proposed by the Commission, the increase suggested by Parliament should discourage the production of surpluses and must therefore be very modest for products such as dairy produce while it must encourage, on the other hand, the output of products which are in short supply in the Community or which can be easily disposed of within the Community or outside.

Concerning the dismantling of monetary compensatory amounts, the Commission's proposal for a linear reduction of 5 points in the m.c.a.'s to be applied in Germany and the United Kingdom seems illogical, given the difference in the rates of m.c.a.s paid in the two countries. It would seem more advisable to introduce a proportional reduction together with a definite

timetable for the dismantling of the m.c.a.'s, down to total abolition within 3 years, as this would take greater account of the needs of producers in the countries concerned as well as in other countries who cannot but regard the m.c.a.'s as an unjustifiable subsidy to economies which have no need of it in any case and hence see them as a distortion of competition which works to their disadvantage.

Producers' coresponsibility is elevated in the Commission's proposals to the status and dignity of a fourth principle of CAP and on a par with the others. The European Parliament vigorously protests against any such move. Coresponsibility can only be a temporary means, and a rather imperfect one at that, of reducing surpluses and controlling expenditure.

Your rapporteur therefore refuses to accept this approach and the attempt to extend coresponsibility, under various forms and by various practical means, to products which are not produced in excess and which also differ very considerably among themselves.

Besides, coresponsibility as applied in the milk sector has demonstrated all its inadequacies to the purpose of reducing output and because no more than an unnecessary instrument for penalizing some categories of producers.

We must thus give a clear 'no' to the super levy in the milk sector because it has too many disadvantages compared with the theoretical advantages that the Commission expects of it.

If a form of coresponsibility is to be applied, then it should be along the lines of the Commission's proposal for the cereals sector, i.e. by the fixing of a basic quantity, determined by reference to the average output in a reference period, and the reduction of the intervention price once the basic quantity is exceeded.

The advantages of this system are obvious:

- it leaves the farmers free to produce the quantities they want,
- it penalizes only output offered for intervention once it has exceeded a particular limit, and is thus an incentive to producers to seek out markets for their output and not to produce merely for the intervention agencies,
- it offers greater facility of administration and requires fewer controls,
- it protects incomes, particularly those of small producers,
- it is more effective in reducing surpluses since above a certain amount it will no longer be attractive to produce more.