

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

1973-1974

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12 February 1974

DOCUMENT 366/73\*

## Report

drawn up on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 338/73) for regulations concerning ~~the~~ fixing of prices for certain agricultural products and certain measures specified in the memorandum on the improvement of the common agricultural policy and on the motion for a resolution (Doc. 326/73) tabled by Mr Aigner and others on the increase in the guide price for beef and veal

General Rapporteur: Mr SCOTT-HOPKINS

Specialised Rapporteurs: for animal production: Mr GIBBONS

Specialised Rapporteurs: for plant production: MR de KONING

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\* This final edition contains, in addition to the motion for a resolution, the explanatory statement and the opinion of the Committee on Budgets



By letter of 22 January 1974, the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the Treaty establishing the EEC, to deliver an opinion on the proposals from the Commission of the European Communities to the Council concerning the fixing of prices for certain agricultural products and certain measures specified in the memorandum on the improvement of the Common Agricultural Policy.

On 7 February 1974 the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 17 January 1974, in the plenary session the President of the European Parliament referred a motion for a resolution tabled by Mr AIGNER and others, concerning the increase in the guide price for beef and veal, to the Committee on Agriculture, where it was considered together with the Commission's price proposals.

At its meeting of 17 January 1974 the Committee on Agriculture appointed Mr SCOTT-HOPKINS general rapporteur, and Mr GIBBONS and Mr VETRONE (the latter subsequently replaced by Mr De KONING) as specialized rapporteurs.

At its meetings of 24 and 25 January 1974, 4 February 1974, and 7 and 8 February 1974, the Committee on Agriculture considered the proposals and, on 7 and 8 February 1974 adopted the following motion for a resolution by 10 votes in favour and 5 against, with 3 abstentions.

The following were present: Mr Laban, vice-chairman and acting chairman; Mr Vetrone, vice-chairman; Mr Scott-Hopkins, general rapporteur; Mr Gibbons and Mr De Koning, specialized rapporteurs; Mr Baas, Mr Frehsee, Mr Früh, Mr Héger, Mr John Hill, Mr Kavanagh, Mr Ligios, Mr Liogier, Miss Lulling, Mr Martens, Mr Thornley (deputizing for Mrs Orth), Mr Vals and Mr Vernaschi (deputizing for Mr Brugger).

The opinion of the Committee on Budgets is attached.

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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 to the Council for regulations concerning the fixing of prices for certain agricultural products and certain measures specified in the memorandum on the improvement of the common agricultural policy, and on a motion for a resolution tabled by Mr Aigner and others on the increase in the guide price for beef and veal

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(74) 30 final),
- having been consulted by the Council pursuant to Article 43 of the Treaty establishing the EEC (Doc. 338/73),
- having regard to a motion for a resolution tabled by Mr Aigner and others on the increase in the guide price for beef and veal (Doc. 326/73),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 366/73),
- considering that pursuant to Article 39 of the Treaty of Rome and paragraph 30 of the Commission communication, the price proposals should be made compatible with the general anti-inflationary policy of the Community, as stated by the Council on 4 December 1973 and the objective of the comparability of incomes on modern farms, but recognizing that restraints against inflation should be applied to all prices and not to agricultural prices alone,
- bearing in mind the Commission's Communication to the Council on the improvements of the Common Agricultural Policy (Doc. 251/73),
- bearing in mind the Interim Report of the Committee on Agriculture on the Commission's Communication to the Council on the improvement of the Common Agricultural Policy (Doc. 337/73),
- bearing in mind the Commission's determination to base price policy on objective criteria,
- given the increase in production costs and particularly the sharp increases in the prices of animal feedstuffs, fertilizers and fuel,
- bearing in mind the existing imbalances between the meat and dairy sectors of agricultural production, and within the dairy sector itself,

1. Notes that the Commission, in drawing up the present price proposals, employed a time period for the statistical basis which ended in November 1973, and do not take into account, therefore, the very sharp increases in costs brought about, for example, by the oil crisis, thus raising doubts as to whether the price increases proposed for the 1974/1975 marketing year will be adequate to safeguard the income of the farming population;
2. Is of the opinion, moreover, that it is wrong for the Commission to use a four year time scale to determine agriculture costs and non-agricultural comparative incomes when drawing up its price proposals. Insists, therefore, that a shorter period should be referred to so that recent cost increases, or decreases, are reflected in prices for the coming year and that there be an improvement in the immediacy of the statistical information used since it would be clearly wrong for the Commission, having decided (as stated in para 30 of its memorandum on the improvement of the Common Agricultural Policy) to base its price proposals on the current market situation, to use the four year period for the calculation of agricultural costs. And asks, furthermore, that the Commission should take into account the necessity for a certain stabilization of agricultural price levels on the one hand, and the explosive increase in production costs on the other, and requests that the general level of the proposed prices be increased substantially and the prices of products adjusted accordingly;
3. Accepts that price policy will remain a very important instrument of the Common Agricultural Policy, even while requiring complementary structural, social and regional policies;
4. Believes, with the Commission, that since price policy cannot by itself be used to solve the income problems of all farmers, the general evolution of agricultural prices should be based more and more on the modern farm;
5. Asks the Commission to keep a careful watch on the conditions of competition in the various Member States, in connection with monetary complications and temporary restrictions on the free movement of goods;
6. Shares the opinion that the prevailing situation of the market should be taken into account in fixing the prices of the different products;
7. Considers it, however, indispensable, given the present state of the international market, characterized as it is by the shortage of food-stuffs and the sharp increase in food prices and by a consequent

deterioration in the Community's trade balance and balance of payments, that incentives should be given above all to products in short supply;

Animal production:

8. Accepts the necessity in times of surplus for measures to introduce a degree of financial co-responsibility for surpluses in the dairy sector, but considers that there are considerable objections to the Commission's method of applying this principle by means of a double levy to be applied when quantities of butter bought in go beyond 300,000 tonnes: a levy of 1% of the target price of milk on all milk delivered; and another levy of 1% of the price paid by the intervention agencies on dairies which place more than 15% of their butter and skim milk powder into intervention.
9. Recommends, therefore, to the Commission that there should be a direct relationship between surpluses of butter and skim milk powder, so that when, within a twelve month reference period, quantities bought in exceed 300.000 tonnes there should be a proportional decrease in the intervention price for every additional 50.000 tonnes;
10. Recommends that the money saved by reduction in the intervention price for dairy produce as suggested above should be used for the promotion of the sales of dairy produce;
11. Considers, having regard to para 2 of this motion for a resolution, that the new price structure proposed for butter, liquid milk and skim milk/powder will help to restore an equilibrium in the dairy sector;
12. Requests, however, that the increase in the intervention price for skim milk powder be adequately compensated at the same level as direct aid given to skimmed milk to be used as animal feedstuffs;
13. Approves the temporary continuation of special measures to reduce existing butter stocks;
14. Believes that it is necessary to improve the price relationship between the meat and dairy sectors so as to favour beef production;
15. Having regard to paragraph 2 of this motion for a resolution, believes that a substantial increase in the guide price for beef, and the retention of a guide price for veal, is necessary in order to maintain the incomes of the producers and ensure adequate future supplies, in view of the exceptionally sharp increase in the costs of feedstuffs, fertilizers and fuel requirements;

16. Is of the opinion that further consideration should be given to the problem of the impact of beef imports upon producers' incomes, bearing in mind the problems caused by monetary compensation amounts within the Community, by export refunds for frozen and chilled exports and by the disruptive effect of imports into the Community of beef and beef products;
17. Requests that the Commission provide information on the impact of imports on the incomes of the Community producer and envisage the use of safeguard clauses when the situation so demands;
18. Notes the continuing absence of any reference to sheepmeat and invites the Commission to come forward with proposals as quickly as possible, in view of the necessity to establish a proper price relationship between red meats and the importance of sheepmeat to certain Community farmers;

#### Agricultural plant products

19. Believes that the price proposals for the agricultural plant product sector do not, generally speaking, take adequate account of the trend in costs and present market conditions, having regard to para 2 of this motion for a resolution;
20. Agrees with the Commission's aims as expressed in the price proposals, of creating a better relationship between the production of cereals for human consumption and fodder cereals;
21. Is, however, of the opinion that the price relationship between wheat on the one hand and fodder grain on the other must be brought more into line with the supply and demand situation within the EEC;
22. Therefore considers it necessary that the target price for soft wheat should be increased by the average of the price increases for the other cereals, but that the intervention price should be increased by a lower percentage;
23. Also believes that the export system has to be adapted in such a way as to ensure that possible wheat surpluses can be disposed of in the first instance on the international market;



24. Considers that the abolition of the denaturing premium as a system should only be carried out gradually;
25. Requests the Commission to draw up a quality regulation for soft wheat containing strictly defined quality criteria - and relevant rules for control - in respect of the use of soft wheat for bread;
26. Notes that the alignment of the prices of wheat and maize, for which a period of five years was allocated in the Memorandum, is now being largely effected during the first year and draws attention to the fact that the three new Member States in particular, none of which grow maize to any significant extent, will be faced with a not inconsiderable rise in prices of animal fodders;
27. Believes, having regard to para 2 of this motion for a resolution, that the proposed increase in the price of sugar is insufficient in view of increased production and processing costs, the small price increases allowed in past years and, finally, the increase in world market prices;
28. Invites the Commission to re-examine the guide prices for the various types of wine following the slump in market prices and the stock-piling measures that have already proved necessary;
29. Asks the Commission and Council to consider the vulnerable position of vegetable and fruit producers and believes that they could be offered better protection by a stricter implementation of the system of reference prices and the existing safeguard measures;
30. Expresses its support for the proposed amendment in respect of the olive oil sector, whereby the amount of aid would be determined a posteriori on the basis of the difference between the production target price and the actual market price obtained;
31. Can agree to the measures proposed for encouraging the cultivation of soya; believes, however, that no measures should be taken in respect of soya that are more favourable than those in respect of comparable crops such as rape-seed and sunflower seed; is convinced that there will continue to be a great need for imported soya and therefore believes that, in consultation with the US and other third countries, guarantees

must be obtained for the supply of an adequate quantity of this product at a reasonable price in the framework of a long-term agreement;

32. For reasons of clarity, declares its agreement with the proposals not explicitly examined above;
33. Asks the European Commission to modify their proposals to the Council according to Article 149(2) of the EEC Treaty in the manner indicated above;
34. Instructs its President to forward this resolution and the accompanying report to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

## I

General Principles

General Rapporteur: Mr J. SCOTT-HOPKINS

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1. The present agricultural price proposals come at a time when increasing monetary instability is creating additional problems for the Common Agricultural Policy. The difficulties may require a further review of certain aspects of the Common Agricultural Policy. The Committee on Agriculture remains confident, however, that the Community will be able to develop particular arrangements to overcome difficulties created by a situation which has grown out of special conditions created by the oil crisis and is therefore essentially of a temporary nature. The Committee on Agriculture remains convinced that there is no viable alternative to the present organization of the Common Agricultural Policy and wishes here to express its confidence in the ability of that policy to continue to fulfil the needs for which it was established.
  
2. The present Commission price proposals follow the general lines set out in the Commission's memorandum for the improvement of the Common Agricultural Policy (while omitting a number of particular measures which received special criticism in the Committee on Agriculture and elsewhere). These price proposals are based therefore on the following principles :
  - that price policy remains the principal instrument of the Common Agricultural Policy;
  - that such an instrument needs to be complemented by structural, social and regional policy;
  - that price policy cannot solve the income problems of all farmers, and that, therefore, prices should be based on the modern farm;
  - that a better price hierarchy between the meat and the dairy sector, and within the dairy and cereal sectors should be sought;
  - and that a certain degree of financial co-responsibility on the part of the agricultural producer should be introduced.
  
3. The Committee on Agriculture, in its interim report on the Commission's memorandum on the improvement of the Common Agricultural Policy<sup>1</sup>, has already given its general approval to these principles. There remain, however, certain reservations to be expressed as to the way in which the general level of price proposals has been arrived at, and as to the effect of particular

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<sup>1</sup>

Interim report drawn up by J. SCOTT-HOPKINS, Doc. 337/73  
6 February 1974.

price proposals, bearing in mind the interrelationships between prices in one agriculture sector and costs in another.

4. The Commission's overall price proposal is for a 7.2% increase. This is based on an input-output relationship<sup>1</sup> between agricultural incomes on the one hand and comparative non-agricultural incomes on the other, as follows :
- non-agricultural incomes (based on the salaried sector): an increase of 12.4%;
  - agricultural costs<sup>2</sup> (except for wages): an increase of 6.6%;
  - a percentage figure of 1.5% to be deducted as a productivity figure for biological and technical, but not managerial, increments;
5. In drawing up prices, there are two basic elements taken into account in an Annual Review: actual market forces and medium term trends and structural requirements.

One problem with the present method is that forecasts are based on non-agricultural incomes and costs for which statistics are two years old, while prices are based on existing market prices. Exceptional cost increases and unexpected events, such as the general energy crisis, would obviously not be taken into account.

While ad hoc reactions to each and every event in the interplay of costs and prices should be avoided and general trends have to be kept clearly in view, the time lag between the calculation of costs and the drawing up of prices is too long. The Commission should investigate the possibility of reducing the time scale over which costs and incomes are calculated, and refer to the previous year only.

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<sup>1</sup> The accounting network is used to establish an input-output relationship for a modern farm, in which are included all farms from 80% to 120% on either side of the average industrial income.

<sup>2</sup> All investments are included in these costs, except working capital such as cows, standing crops and seeds.

6. The Committee on Agriculture accepted the principle of a producer co-responsibility for surpluses in its interim report on the Commission Memorandum for the improvement of the Common Agricultural Policy, but expressed reservations on the implementing methods proposed. Producer responsibility should be linked to that of the processor. Both have a responsibility not to make use of the possibility of intervention when the market is available. The easiest way out has been taken far too often. One main purpose of the Common Agricultural Policy should now be to encourage greater efforts towards the commercialization of agricultural produce, and not to remove its stimulus.
7. This is all the more a pressing reality, given the fact that consumer resistance to agricultural produce is likely to develop if food prices continue to spiral upwards unabated.

Meat and Dairy Sector

Specialized Rapporteur: Mr J. GIBBONS

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8. In the meat and dairy sector, the Commission's proposals have been drawn up with three aims in mind: the necessity to bring about a better balance of production between the meat and dairy sectors, to safeguard the incomes of the livestock and dairy producers in the face of the unprecedented increases in feedstuff prices and protect the interests of the Consumer, and in particular to limit as far as possible increases in food prices within the bounds laid down by the Community's anti-inflationary policy, as defined by the Council on 4 December 1973<sup>1</sup>.

9. The principal means by which the Commission seeks to attain its aims are threefold:

- (a) by establishing a better price hierarchy:
  - between the meat, particularly beef, and the dairy sectors;
  - between butter fat solids and non-fats;
- (b) by introducing a degree of financial co-responsibility for surpluses in the dairy sector;
- (c) by developing measures to encourage the consumption of dairy products.

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Council of the European Communities, Press Release, 4 December 1973; p.6.

10. In terms of concrete proposals as regards prices, this means that the guide price for beef will be increased by 10% as against 4% for the target price in the milk sector.

Within the dairy sector, the intervention price for skim milkpowder will be increased by 15.7% as against a decrease of 6.6% for butter.

11. These price increase differentials should contribute to ensuring that beef production is maintained at levels to meet consumer demand, and to bring liquid milk production into a better equilibrium with the Communities' requirements.
12. The increase of 10% in the guide price of beef should go some way to meeting the needs of the producer whose income has been sorely hit by increases in his input costs. It must be clearly kept in mind that this increase in the guide price is not necessarily detrimental to the interests of the consumer. Unless the farmer can be assured of an adequate income from the beef sector, production will decline sharply, with a drop in supply and increased prices as the main outcome.
13. This possibility becomes evident if one examines the present situation of the producer.

The beef sector of the Community's agricultural production has shown a very marked increase, over the recent period, of input costs, be they of feedstuffs or energy, either as a result of world shortages or policies adopted by Third Countries. A reversal of these trends cannot be anticipated at present.

For animal feedstuffs, the cost increases have varied considerably, from 6% in the Six to 90% for the three new Member States. Increases in fertilizer costs have been even more marked: 300% in the case of phosphates and 200% for nitrogen. The increase in petroleum prices has resulted in cost increases for the farmer which can be estimated at between 1½% and 3%.

The cost increases must be considered in the context of the slowing down of the increase in the prices given for the farmer's produce: food prices have risen in the last three months by only 1.5% (and are actually stable or in decline in Germany, Belgium and Ireland), as compared with 10.5% over the last year as a whole. If one compares this with the 13.6% increase in costs in 1973 (in contrast

with the 7.2% over four years which the Commission proposes as a basis for the new agricultural prices), the dangers of an imbalance in the market and a serious reduction in production are evident.

14. These sharp cost increases have had their effect, of course, on agricultural incomes. Some beef producers, and notably the smaller scale farmer, have not felt it possible to absorb these cost increases. As a result, part of the beef herds have been slaughtered and placed on the market. This has resulted, in turn, in a drop in beef prices, a further aggravation of the cost-price relationship and even some beef entering into intervention stocks.

One must stress once more, therefore, that the present situation has grave implications for the income of the farming population, the stability of the market, as well as the interests of the consumer as adequate beef production is put in peril. The Commission ought to provide additional information as to the impact of beef imports on the incomes of the Community producer<sup>1</sup>.

15. In the dairy sector, the problem is not one of inadequate but excess supply in certain sectors. Thus, while considerations concerning farmers' incomes should be taken into account, these can best be dealt with by a greater differentiation in the price relationships proposed by the Commission, and in particular with the overall price increase of 4% including a 15.7% increase in the intervention price of skim milkpowder and a decrease of 6.6% for that of butter. This should help to ensure an improved balance between production and the prevailing market situation, and to encourage the consumption of butter and liquid milk.
16. The Commission also proposes a double levy : on milk delivered to the dairies of 1% of the target price of milk : and another levy of 1% of the price paid by the intervention agencies on dairies which place more than 15% of their butter and skim milkpowder into intervention.

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<sup>1</sup> The measures the Commission proposes to simplify the import charges on beef and veal should not result in any decrease in the ability of the levy to reflect the needs of the Community producer for increased protection as Community market prices decline, but merely a greater predictability in the amounts of levies to be paid by the importer.



These levies will enter into operation automatically when the amount of butter bought in goes beyond 300,000 tonnes over the previous 12 months (reviewed every three months).

17. According to the Commission, these levies are aimed at those producers habitually having recourse to intervention: 84% of the producers will not be affected by it.
18. According to Article 5 of the proposed regulation<sup>1</sup>, the proceeds from these levies will be used for the sales promotion for dairy products, for the improvement in their quality and to encourage their sale to certain groups.
19. The Commission believes that the administration and control of these levies will present no special difficulties given that they will be levied by dairies already responsible for administering financial contributions.
20. With the same aims in mind, the Commission wishes to temporarily maintain the special measures to reduce butter stocks (such as sales at reduced prices to certain socially needy groups) and the voluntary subsidy of 10u.a./100Kg for the consumption of butter.

### Conclusions

21. Price increases in the beef sector are necessary, in view of the increases in costs of feedstuffs, fertilizers and fuel costs, so as to help to safeguard the incomes of the farming population and ensure a balance between production and demand.
22. The changes in the price relationships between the meat and the dairy sectors, and between fat solids and non-fats, is equally necessary to maintain the necessary internal equilibrium of these markets.
23. The decision of the Commission to introduce a certain degree of financial co-responsibility for surpluses, has already received the approbation of the Committee on Agriculture in its Interim Report on the Commission's Communication to the Council on the improvement of the Common Agricultural Policy<sup>2</sup>. Reservations must still be expressed as to a number of the implementing measures proposed.

<sup>1</sup> Proposal xxix of the Commission's proposals (COM(74) 30 final).

<sup>2</sup> Doc 337/73, Interim Report drawn up by J. SCOTT-HOPKINS

Plant Sector

Specialized Rapporteur: Mr J. De KONING

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24. By way of explanation of the parts of the motion for a resolution referring to agricultural plant products the following points are added to those already contained in the official explanatory statements of the Commission, the previous section of the present report and the proposed regulations.

The Committee on Agriculture welcomes the Commission's endeavours, which correspond to a wish which the committee has repeatedly expressed in the past, to create a better relationship between the production of cereals for human consumption and fodder grains which would be more compatible with the actual market conditions (paragraph 20).<sup>1</sup>

25. Cereal production in the Community is marked by a structural surplus of soft wheat and a shortage of fodder grains. The surplus could only be disposed of in the past by the occasional grant of considerable refunds for exports outside the Community or by granting denaturing premiums within the Community for the surplus to be processed into fodder grains. The cost of both measures was borne by the EAGGF.

In the opinion of your committee a better relationship between the production of soft wheat and fodder cereals should be sought by bringing the prices of the two products nearer together, which would at the same time make it possible to reduce the denaturing premium gradually and ultimately abolish it altogether (Paragraphs 21 and 24).

26. Given present market conditions both inside and outside the Community it would nevertheless be desirable to effect a reasonable increase in the target price of wheat - partly because of the trend in production costs. Approximation of prices for wheat disposed of as animal food may be attained by increasing the intervention price for wheat by less than the target price (Paragraph 22).

27. Generally speaking, it is preferable to export soft wheat rather than processing it into animal fodder, particularly in view of present food and market conditions. The level of export refunds should be such as to make this possible; the proposed approximation of the prices of soft wheat and wheat for human consumption will however mean that export refunds

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<sup>1</sup> The paragraphs referred to are the ones in the motion for a resolution.

in general may be lower than before, or may cease to be applied, this being the present situation (Paragraph 23).

28. Your committee believes that the quality regulation referred to in the motion for a resolution should promote the cultivation of quality wheat and have a beneficial influence on its price level. It would also be more sensible and reasonable under such a regulation to accelerate the alignment of prices of lower quality wheat and fodder cereals (Paragraph 25).

29. The proposed price increases of 6% for maize (both target and intervention prices) represent a problem, as the Committee on Agriculture has to admit, for the three new Member States, all of which have to import the product in question. Insofar as these imports come from within the EEC there is also, apart from the 6%, the extra percentage for the adjustment of agricultural price levels in those countries to the levels of the original Member States. There will therefore be a not inconsiderable rise in fodder prices in those three countries (Paragraph 26).

30. In view of the fact that market conditions in particular both inside and outside the EEC should be instrumental factors, along with the trend in production costs, in the fixing of prices, your committee considers the proposed 3% increase for 1974-1975 for sugar beet to be unnecessarily and unreasonably small; the same is true of the 6% increase proposed for sugar.

One reason for this view is that since 1968 the production margin has been adjusted only twice (1972-73 and 1973-74), there having been a 4% increase in the beet price in 1972-73 and a further 1% the year after (5% in six years), and the sugar price has been increased only once (1973-74), by 1% (Paragraph 27).

31. Your committee believes that attention should be drawn to the trend in the vegetable and fruit sector, which, despite improvement in the external system, is still seen by several parties as unsatisfactory in its operation. This mainly concerns imports from Mediterranean countries (largely under trade agreements, etc.) and from a number of Balkan countries.

In any event the Committee on Agriculture wishes to express in this resolution its belief that there is further scope for the more fruitful application of the present system (Paragraph 29).

32. Referring to certain ideas contained in the Memorandum on the improvement of agricultural policy, the Commission proposes an amendment to Reg.No.136/66 which

would have the effect of converting aid to olive oil producers according to an amount fixed in advance into a genuine deficiency payment calculated after the harvest while at the same time increasing the production target price by 6%, or 8.23 u.a./100 kg. (this price had already been increased by 10% in 1972-73).

Your committee's approval of this amendment is subject to the reservation that the amendment should be accompanied by the establishment and application of clear rules covering control of the amounts produced and the actual selling prices (Paragraph 30).

33. Finally, in the present circumstances, your committee does not believe that the inclusion of soya in the market organisation for oils and fats (and consequently in the system of guaranteed prices and marketing) is good policy. It considers this to be an experiment however. As the soya yield would in any case represent only a tiny part of total consumption, your committee stresses the absolute necessity for the time being, of the maintenance - or extension - of the traditional trade in this product, although more distinction should probably be made as to the origin of imports, and the imports themselves should be guaranteed as far as possible by long-term supply contracts. (Paragraph 31)

34. For the sake of completeness your committee further gives its tacit approval to those proposals which are not discussed either explicitly or implicitly above.

35. The committee recommends that Parliament should adopt the attached resolution on the basis of the above.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr Willi MÜLLER

On 12 February 1974 the Committee on Budgets appointed Mr Willi MÜLLER draftsman.

At its meeting of 12 February 1974 the Committee on Budgets considered and unanimously adopted the draft opinion.

The following were present: Mr Spenale, chairman, Mr Aigner, vice-chairman, Mr Muller, draftsman, Mr Boano, Mr Gerlach, Mr Hill (deputizing for Lord Bessborough), Mr Maigaard, Mr Memmel, Mr Pisoni and Mr Wieldraaijer.

## FORM OF THE PROPOSAL

1. The proposal provides brief indications of the probable financial implications of the fixing of new prices and of the measures outlined in the agricultural memorandum for

- (a) the budgetary balance of the 'Guarantee' section of the EAGGF;
- (b) Community revenue from the common agricultural policy.

The figures in the Commission's estimates are of too general a nature to permit the assessment of the likely financial effects of the modifications of Community prices on individual products in relation to production variables and world prices.

The table showing credits and variations in expenditure in the different sectors is too brief to be really significant. In particular, it should have given comparative data for the previous year (credits, prices and the overall balance).

Above all, the probable financial effects of the proposal on Community revenue are hardly covered. These effects depend on the unforeseeable development of a number of variables; nevertheless, it would have been useful to put forward some hypotheses, based on averages, as to the development of these variables during the 1974 financial year and to analyse their financial implications in detail.

On the whole, the financial statement attached to the proposal for the fixing of agricultural prices is insufficient for a correct analysis of the budgetary implications. It is worth noting, however, that the presentation shows an improvement on last year, particularly as regards the analytical tables of credits and expenditure for each chapter.

## CONTENT OF THE PROPOSAL

2. As regards the implications of the proposal for the expenditure of the 'Guarantee' section of the EAGGF, the Commission confirms that its proposal will result in an overall reduction of subsidies from the EAGGF. Over the twelve months of the marketing year a saving of 100-125 m u.a. will be made. This will be effected mainly in the cereals sector whilst there will be a considerable increase in expenditure for dairy products.

The time lags between the various marketing years and actual payments will mean that these savings will not become apparent before the end of the 1974 financial year - indeed, for the 1974 financial year the new prices and measures will lead to additional expenditure which the Commission estimates at 75 m u.a. This deficit, which is negligible in relation to the total guarantee funds of the EAGGF (2%) should not entail a supplementary budget in 1974 but may give rise to a few budgetary modifications within

the 'Guarantee' section of the EAGGF.

Of the proposals entailing supplementary expenditure the following should be singled out:

- skim milk (216 m u.a. over 12 months)
- beef, veal and pigmeat (20 m u.a.)
- oilseeds (11 m u.a.)

3. Effects of the proposal on Community revenue:

The current rise in world prices has led to a considerable reduction in import levies and the introduction of export levies e.g. for cereals and for sugar. The amount of Community revenue depends directly on the movement of these prices in 1974.

The Commission considers the possibility of world prices; returning to the level of the 1973 threshold prices; in that event the measures it proposes for 1974 would lead to an increase in revenue of about 150 m u.a. over a 12-month period. Should world prices remain higher than Community prices, the balance of revenue would remain unchanged. The Commission gives an estimate of 490 m u.a. for total revenue in 1974.

CONCLUSION

4. The Committee on Budgets regrets that although there has been some progress in comparison with previous years, the way the Commission's proposals have been presented does not lend itself to a really accurate assessment of budgetary implications. Whilst aware of the strictly hypothetical nature of forecasts of agricultural production and world prices, the Committee on Budgets feels that the financial statement presented by the Commission should have been fuller and more detailed so as to permit a more exact assessment of the financial implications of the measures proposed.

The Committee on Budgets welcomes the provisions for a reduction in expenditure of approximately 100-125 m u.a. and an increase in revenue of some 150 m u.a. over the 1974/75 marketing year. It regards the Commission's proposals as a real improvement to the instrument of market and agricultural price policy, and hopes that this improvement will lead to real progress in balancing the Community's agricultural budget.

