

March 5, 1981

AGRICULTURAL PRICE DECISIONS A TEST OF WILL

Mr Tugendhat on the farm price proposals

The agricultural price proposals for 1981-82 will test the will of member states to reduce the growth of agricultural spending in the European Community, said Mr Christopher Tugendhat, Commission member responsible for budget affairs, in London today.

Speaking at a meeting of the European Union of Women, Mr Tugendhat said that 'the Community simply cannot go on increasing agricultural expenditure at the rates of recent years if it is to be able to continue other policies at their present levels, and even less so if it is to change the balance of the budget so that a larger proportion is devoted to non-agricultural policies'.

The prices package was a major step towards rebalancing the Community budget which would give greater weight to non-agricultural policies and reduce the growth of agricultural expenditure.

'The heads of government of all member states of the European Community, meeting in the European Council in Venice last June published their "commitment to implement structural changes which (would ensure) a more balanced development of common policies". This prices package provides a test of their will to ensure that ministers follow the path thus clearly marked out, and operate within a wider framework than that of agricultural policy alone.

'An agricultural prices package involves three major considerations, any of which may carry greater weight in one year than another - the effect on consumers, on farmers, and on taxpayers... The Commission's price proposals represent a balanced package which seeks to take all these factors into account, giving appropriate weight to each of them. Naturally we have not satisfied everyone - it would be surprising if we had, given the harsh realities which need to be faced.

The financial constraints

'The first, and perhaps the most compelling, of these harsh realities is that the Community simply cannot go on increasing agricultural expenditure at the rates of recent years if it is to be able to continue other policies at their present levels, and even less so if it is to change the balance of the budget so that a larger proportion is devoted to non-agricultural policies.

'In 1974 agricultural expenditure took up 73 per cent of the Community budget, but it was widely acknowledged that as the Community developed other policies, this proportion would decrease. But although we have developed other policies, such as regional policy, the proportion of the budget taken up by agriculture has not decreased. Last year it still represented over 70 per cent of all expenditure. Between 1975 and 1979 agricultural expenditure increased by an average of over 23 per cent a year. Last year it slowed down, increasing by some 12 per cent. But expenditure on products surplus to Community market requirements still represented virtually half of all agricultural expenditure or some 30 per cent of the entire Community budget.

'The Commission proposals this year represent an opportunity to make real progress towards improving this situation. The "own resources" (the revenue) of the Community are expected to increase at a rate of around 14 per cent this year, and 11 per cent next year. This year the Community budget is expected to use up 94 per cent of all its available own resources. If we are to improve the balance of the budget within the existing financial limits, agricultural expenditure must increase at a slower rate than that of own resources. This is what the Commission prices package, if agreed by agriculture ministers, would achieve.