

# European BACKGROUND INFORMATION Community

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BACKGROUND NOTE

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## 1978-79 AGRICULTURAL PROGRAM APPROVED FOR EUROPEAN COMMUNITY

Agriculture Commissioner Finn Olav Gundelach called it "a historic event." Indeed, the European Community agricultural ministers' recent acceptance of the 1978-79 agricultural program is an important step toward a reform of the Common Agricultural Policy (CAP) and the enlargement of the Community to the south.

After long debate and spirited discussion, the ministers agreed:

- \* to increase farm prices by an average 2.25 per cent,
- \* to put through a Mediterranean package designed to harmonize agricultural production in the north and south,
- \* and to reduce moderately the monetary compensatory amounts.

Greece, Spain and Portugal -- all Mediterranean countries -- have applied for membership in the nine-nation Community. To facilitate their entry, to which the European Council is committed, dramatic changes will have to be made in the CAP, one of the pillars of Community policy. Historically, the CAP has favored temperate-region products, supporting their prices to offer farmers a reasonable income and consumers a stable and secure food supply. Now reforms have begun on two mechanisms in particular -- the price support programs, which are felt to be partially to blame for surpluses of milk, sugar and beef, and monetary compensatory amounts, which compensate for the difference between the artificial "green rate" values put on European currencies for agricultural pricing and real rates of exchange of European currencies on international money markets.

The 1978-79 agricultural program indicates that the European Community now is seeking to change its direction. Community agricultural experts are eager to stimulate increased efficiency among farmers in the north and south, so that attention can be paid to harmonizing Community-wide agricultural production when Greece, Portugal and Spain accede to the Community. Northern farmers will be urged to reduce their production of surpluses at the same time that southern farmers are given additional funds to improve their farm and marketing efficiency.

"To have worked up political support for redistribution of funds in a time of economic depression and falling farm incomes in the North is no mean feat," said Gundelach at the close of the agricultural ministers' session.

The 1978-79 agricultural program also indicates that the Community's agricultural sector is making its contribution to the fight against inflation and rising prices. The 2.25 per cent price increase is considerably below inflation rates in the Community.

### Mediterranean Package

The Mediterranean package is a five-year program of structural and marketing measures for which the member states will pay up to 50 per cent of the cost and the Community the remainder. The total cost is expected to be about 1.52 billion European units of account, or about \$1.85 billion. (EUA = \$1.22 on May 20, 1978)

The structural measures include:

\*Irrigation of a maximum of 200,000 hectares in the Mezzogiorno in Italy,

\*Conversion of the Languedoc-Roussillon wine-growing area in France to encourage better quality in the areas remaining under vines and convert areas not suited to wine-growing to other crops. The conversion project involves 33,000 hectares, of which 22,000 are in Languedoc-Roussillon,

\*Developing infrastructure in rural zones of southern French and Italian regions through electrification and improving the drinking water supply system and the farm road network,

\*Reforestation and dissemination of agricultural information. The costs for this program, on which the Council postponed a decision until September 30, include 79 million EUA for setting up agricultural bureaus similar to U.S. farm bureaus (over 13 years) and reforestation of the dry Mediterranean regions at 230 million EUA,

\*Anti-flooding measures for lower Herault (10 million EUA) and irrigation projects for Corsica (15 million EUA) to involve about 15,000 hectares in each region.

The marketing measures involve:

\*Wine-growing, in which the Council agreed that an "apparent link" exists between structural improvement and the need to introduce a more efficient market system. Market disciplines should be strengthened to discourage "wine lake" surpluses. France, fearful that its wine growers might suffer from imports of less expensive Italian wine, insisted on establishing a floor price for table wine that could be invoked if other intervention tactics failed. Additional proposals on structural measures in wine-growing are to be made by August 1. Methods for increasing outlets for wine outside the Community are also to be studied,

\*Fresh fruits and vegetables, in which marketing premiums for lemons and processed products and sales aids for "blood" oranges withdrawn from the market were continued,

\*Aids toward formation and operation expenses of producer groups for Mediterranean products and certain products in Belgium,

\*A processing aid for peeled tomatoes, tomato paste, tomato juice, peaches and prunes, to cover the difference between production prices in third countries and the Community,

\*Olive oil, an aid scheme for producers and consumers to improve market management.

#### Agrimonetary Adjustments

The 2.25 per cent average price increase is the lowest since the price freezes of the late 1960s, and means lower incomes in terms of purchasing power for many farmers in Germany, Denmark, Belgium, Luxembourg and the Netherlands.

The price settlement, according to Gundelach, continues the prudent policy begun last year and permits the assurance of a better equilibrium between offers and demands on the agricultural market.

The Council made another attempt at gradual alleviation of the monetary compensatory amounts by setting the following rate changes:

+ 0.3% for Germany	1	DM = 0.293912 UA
-3.6% for France for the marketing year 1978/79	1	FF = 0.160639 UA
-3.6% for France for the marketing year 1979/80	1	FF = 0.154856 UA
-6% for Ireland	1 ₤	IRL = 1.27079 UA
-5% for Italy	100 LIR	= 0.0866551 UA

Agricultural prices for 1978-79 are appended:

Product	Category of price or amount	Amounts fixed 1977/78 u.a./tonne	Amounts fixed 1978/79 u.a./tonne	Period of application of the proposed prices
1	2	3	4	5
Durum wheat	Target price Single intervention price Aid	224.27 203.01 60 UC/ha	224.27 203.01 63 ua/ha	1.8.78 - 31.7.79
Common wheat	Target price Common single intervention price Reference price for bread-wheat	158.08 120.06 135.59	162.39 121.57 136.96	1.8.78 - 31.7.79
Barley	Target price Common single intervention price	144.97 120.06	147.23 121.57	1.8.78 - 31.7.79
Rye	Target price Single intervention price	155.12 128.96 (2)	155.12 130.25 (1)	1.8.78 - 31.7.79
Maize	Target price Single intervention price Com. sin. intervention price	144.97 118.03 --	147.23 -- 121.57	1.8.78 - 31.7.79
Rice	Target price-husked rice Single intervention price- paddy rice	295.71 171.55	301.26 174.98	1.9.78 - 31.8.79
Sugar	Minimum price for sugarbeet Target price for white sugar Intervention price white sugar	25.43 345.60 (3) 328.30 (3)	259.4 352.5 334.90	1.7.78 - 30.6.79
Isoglucose	Production contribution (4)	50.00	50.00	1.7.78 - 30.6.79
Olive oil	Production target price Market target price Intervention price Production aid	1,877.80 1,419.10 1,346.20	1,915.4 -- 1,411.4 43.14ua/100kg	1.11.78 - 31.10.79

Product	Category of price or amount	Amounts fixed 1977/1978 u.a./tonne	Amounts fixed 1978/1979 u.a./tonne	Period of application the proposed prices
1	2	3	4	5
Oilseeds	Target price			
	-Colza and rape seed	285.30	296.710	1.7.78-30.6.79
	-Sunflower seed	307.80	323.2	1.9.78-31.8.79
	Basic intervention price			
	-Colza and rape seed	277.10	288.20	1.7.78-30.6.79
	-Sunflower seed	298.90	313.8	1.9.78-31.8.79
	Guide price			
	-Soya seed	306.40	321.7	1.11.78-31.10.79
	-Flax seed	311.80		1.8.78-31.7.79
-Castor seed	--	420.00	1.10.78-30.9.79	
Fixed rate aid (per ha)				
-Cotton seed	104.52	108.7 ua/ha	1.8.78-31.7.79	
Dried fodder	Fixed rate aid	9.55		1.4.78-31.3.79
	Guide price	-	103.00	
Peas and beans	Activating price	-	285.00	1.7.78-30.6.79
	Minimum price	-	175.00	
Flax and hemp	Fixed rate aid (per ha)			
	-Fiber flax	194.76	202.55/ha	1.8.78-31.7.79
	-Hemp	176.88	183.96/ha	
Seeds	Aid (per 100 kg)			
	-Monoecious hemp	9.00		1.7.78-30.6.79
	-Fiber flax	13.00		
	-Seed flax	10.00		
	-Grasses	10 to 13		
	-Legumes	4 to 25		
Table Type R1 wine: Type RII Type RIII Type AI Type AII Type AIII	Guide price	2.03		
	(per degree/hl or per hl according to type)	2.03		
		31.65		
		1.90		
		42.18		
		43.16		

Product	Category of price or amount	Amounts fixed 1977/78 u.a./tonne	Amounts fixed 1978/79 u.a./tonne	Period of application of the proposed prices
1	2	3	4	5
Raw Tobacco	Guide price Intervention price	(5)		1.1.78-31.12.78
Fruit and Vegetable	Basic price Buying-in price	(6)		1978-1979
Milk	Target price for milk Intervention price -for butter -for skimmed-milk powder -for cheese *Grana padano 30-60 days *Grana padano 6 months *Parmigiano-Reggiano 6 months	173.50  309.50 940.90  2,237.20 2,693.40 2,925.70	177.00  2357.2 957.8  2311.3 2804.8 3060.3	1.4.78-31.3.79
Beef and Veal	Guide price for adult bovines (live weight) Intervention price for adult bovines (live weight)	1,229.00  1,106.10	1259.70  1133.70	4.4.78-3.4.79
Pigmeat	Basic price (slaughter weight)	1,202.00	1226.04	1.11.78-31.10.79
Silkworms	Aid per box of silk seed Aid to recognized producer groups (per box)	40.20 14.07  (3)	55 ua/box	1.4.78-31.3.79