APPENDIX

to the opinion of the Economic and Social Committee

Rejected amendment

The following amendment, based on the Section opinion and tabled according to the Rules of Procedure was rejected during discussions:

Paragraph 5

Reword as follows:

'5. The Committee is, however, totally opposed on health grounds to the proposed amendment of Regulation (EEC) No 1411/71 which is intended to raise the fat content of standard whole milk and of semi-skimmed milk and hopes that if the revised Regulation has in fact come into force on 1 January 1984, it will be immediately rescinded. Many consumers are now persuaded by the overwhelming medical evidence that excessive animal fat consumption places them substantially at risk of a heart attack and do not wish to see their choice of low fat milk restricted.'

Voting:

For: 24, against: 45, abstentions: 15.

Opinion on the Commission proposals on the fixing of prices for agricultural products and related measures (1984/85)

(84/C 103/10)

The text referred to the Committee has not yet been published in the *Official Journal of the European Communities.*

A. LEGAL BASIS FOR THE OPINION

On 26 January 1984 the Council referred the abovementioned proposal to the Economic and Social Committee in accordance with Article 43 of the Treaty establishing the European Economic Community.

B. OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee prepared its opinion on the above matter at its 215th plenary session held in Brussels on 29 February and 1 March 1984.

The full text of the opinion is as follows:

THE ECONOMIC AND SOCIAL COMMITTEE,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 43 thereof,

Having regard to the decision taken by the Council on 26 January 1984 to consult it on the Commission proposals on the fixing of prices for agricultural products and related measures (1984/85),

Having regard to Article 18 of its Rules of Procedure,

Having regard to the oral report made by the Rapporteur-General, Mr Schnieders,

Having regard to the discussions at its 215th plenary session, held on 29 February and 1 March 1984 (meeting of 1 March 1984),

HAS ADOPTED THE FOLLOWING OPINION

by 70 votes to 21 with 19 abstentions (vote recorded):

1. General comments

1.1. The Committee is aware of the difficult situation in which the European Community finds itself at the present time because, among other things, the financial resources available to the Community for its commitments are insufficient. In 1984 the Community's total own resources of 24 600 million ECU will be used up. Unless measures to control the markets and agricultural expenditure are introduced in the near future, the Community's overall financial ceiling will be exceeded this year. The Committee approves the Commission's request that the Council take the relevant decisions by 31 March. This is not only because the new farm prices must come into force on 1 April, but also because the decisions required for the relaunching of the Community and the reform of CAP must likewise be taken by that date, the decisions on the reform of the CAP having to be in keeping with Article 39 of the Treaty of Rome.

1.2. The farm price decisions have to be taken at a time of great economic difficulties. The Community itself continues to suffer from the effects of the recession. Some 12 million people in the Community (10,7 % of the working population) are unemployed. Although there are signs of incipient economic recovery, no significant improvement in the labour market situation is to be expected. This also has repercussions in the agricultural sector. Considerably fewer people have been able to switch farming to other employment.

1.3. The reduced world demand for agricultural products has also had an impact on the European Community, especially in the case of milk. The Community supplies 70 % of the volume of milk products traded on the world market. The unfavourable economic situation and heavy indebtedness of many countries of the world has also led to a fall in demand for cereals, sugar and beef and as a result, stocks have risen. In addition, for various reasons (management of the markets, international agreements, political commitments, etc.) the Community has in recent years exercised restraint and had limited opportunities with regard to exports of certain products (cereals and milk products, for instance). The large stocks, of milk products in particular, are very costly. Because of the stocks on the world market, virtually no additional outlets are available at the moment.

1.4. On the basis of the net value added index, which provides some pointers to the probable income trend, farm incomes do not seem to have improved on average in recent years in the Community, although the present statistical scatter around the mean is very large according to year, Member State and sector. Further signs of this are to be found in a situation of stagnating demand for agricultural products and a decline in exports; the price increases decided by the Council of Ministers have not therefore improved farm incomes, as would have been desirable. This does much to explain why farmers, in a bid to maintain a certain level of income, have had to increase output in order to offset higher production costs and pressures on farm prices.

1.5. In this situation it is difficult to find a solution to the complex problems confronting us. The Commission's proposals would impose considerable sacrifices on Community farmers, who could suffer a substantial drop in income as a result of the entire package of measures (reform and price proposals). Such a fall in income would inevitably have an effect on sectors upstream and downstream of agriculture, on employment and on the whole economy of the Community's rural regions.

1.6. The Committee thinks that any changes in farm policy measures must be carried out cautiously and in a balanced manner. Any social hardships which might arise must be mitigated. Only a cohesive, long-term approach can be defended in discussions with the interested parties and have the desired effect. The Commission refers to the reductions in income that are being demanded from farmers but fails to give figures.

Farming can be expected to bear such large reductions in income only if there is a definite prospect of overcoming the major difficulties in the foreseeable future.

1.7. With a view to limiting the drop in farmers' incomes and ensuring — despite the difficult financial, market and employment situations — the continued existence of an efficient Community farming industry which (both in farming itself and in the upstream and downstream sectors) provides the maximum number of people with employment and a reasonable income and contributes to the conservation of the environment and nature, the Committee proposes the following approach, which also takes account of the interests of consumers and taxpayers in the Community:

— there should be a limited rise in prices, varying from product to product, such as to ensure balanced development in all Community regions,

— Community intervention should be based on production targets valid for several years, and encourage product quality,

— price increases should vary in such a way as to be an incentive for products of which there is a shortage and a disincentive for those in surplus,

— direct support measures should be provided for small farmers in the poorest regions in the Community, which are hardest hit by inflation and where weak production structures do not produce adequate incomes.

1.7.1. A programme should be developed for the utilization of agricultural land for, among other things, producing self-renewing raw materials and bio-energy. The Commission should examine whether it would be appropriate for the EAGGF to grant subsidies to offset the cost disadvantage *vis-à-vis* the raw materials currently used, given the long-term necessity to utilize resources to the full.

1.7.2. The Committee notes that forestry, if there was an appropriate Community plan, could be a major help in many cases, both in maintaining a certain measure of agricultural activity or protecting the soil and the environment, and in steering production towards those products not in surplus.

1.7.3. The Committee further requests that an examination be made of the possibility of giving direct income aids on a temporary basis to small producers particularly hard hit by measures designed to bring structural surpluses under control.

1.8. If all the Commission's proposals — including non-agricultural measures — were implemented it would at all events be necessary to increase the Community's own resources. The Committee would refer to its opinion of 26 October 1983 on the future financing of the Community [1]. The Community's own resources should be used to a greater extent to facilitate adjustment in the various regions and in farms and areas that are particularly affected.

1.9. A common economic and monetary policy must be implemented at the same time, with a view to eliminating the constant currency fluctuations and improving the employment situation in the Community.

2. Comments on specific products

The Committee has commented on a series of proposals submitted by the Commission on the basis of Doc. COM(83) 500 final, covering a number of farm products. The Committee's opinions on these proposals should be borne in mind. The following comments are therefore confined to the proposals contained in Doc. COM(84) 20 final.

2.1. *Cereals*

In order to stabilize the market in bread-making cereals, a carry-over payment (at a level appropriate to costs) should be paid for wheat and bread-making rye, and there should continue to be intervention for bread-making wheat at the beginning of the new farm year.

2.2. *Rice*

The Commission links the raising of the intervention price with a significant reduction in the threshold price and with reclassification.

This Commission approach is going to benefit third-country exporters, who will continue to develop dominant positions on much of the Community market.

The Committee therefore asks that:

(a) Community preference be genuinely applied;

(b) the guaranteed price be geared more to production costs;

(c) procedures for fixing import levies and for refunds be made more transparent.

[1] OJ No C 358, 31. 12. 1983, p. 35.

2.3. *Milk and milk products*

The change in the fat/protein ratio from 55 : 45 to 50 : 50 is unlikely to produce the increase in butter sales anticipated by the Commission. The basic idea of using more protein is commendable, but the price of butter should not be reduced on a general scale and the price of the protein products should not be raised as much as the Commission proposes (in particular because a reduction in the price of butter will not lead to savings commensurate with the greater expenditure on skimmed-milk powder, let alone with the income lost by producers). The Committee would like to see the consumption aid for butter retained in certain countries and suggests that the beneficiaries could be the most deprived groups of consumers.

2.4. *Oilseeds*

Oilseed prices should be regulated uniformly under a common policy on fats and oils. Consequently the Committee advocates a uniform increase of 2,5 % in the target price for rape seed, sunflower seed, olive oil and other oilseeds. The Committee supports the attempts to improve the Community's supply of animal feed protein. This feed protein is obtained as a by-product in the processing of most oilseeds.

The Committee would once again point out that the Community is only 25 % self-sufficient in oilseed and protein crops. To date it has been possible to dispose of the rape seed and the sunflower seed produced without any difficulty, by means of aids. They are an alternative to products in surplus. The Community must state clearly which products farmers should switch to as the guarantee thresholds for cereals, milk and sugar do not offer farmers any other alternatives. Consequently, the Committee would ask the Council to examine whether it is logical to lay down guarantee thresholds for rape seed and sunflower seed.

The Commission states its intention of reducing the prices by maintaining the premium for the double-zero varieties (low glucosinolate and erucic acid content) and not paying the full intervention price for the other varieties. In the Committee's view such a measure is premature. Little of the double-zero varieties is produced as only small quantities of seed are available. In addition, farmers will already have sown the 84 crop. Suitable test methods must also be introduced to ascertain the glucosinolate content and establish general quality standards, before such reductions in the intervention price are adopted. Finally, the Committee would emphasize the importance of research to remove the problems which limit the use of rape oil and rape cake.

2.5. *Sheepmeat*

The ewe premium paid to sheep farmers in region 3 will be reduced by merging regions 2 and 3. Countries with different structures and different market conditions will thus be treated differently. As a result the premium will no longer serve its purpose, which is to compensate for loss in income.

The Committee endorses the proposals that (a) the ewe premium be granted only where producers keep a minimum of 10 ewes and (b) the procedure for applying for the premium be standardized throughout the Community. The Committee calls for the rapid payment of the premiums at the end of the marketing year. The proposed fixing of minimum premiums is welcomed, but it must be ensured that no openings are provided for circumventing this provision.

The Committee thinks that the case for restricting the variable slaughter premium in the United Kingdom to 25 % of the guide level should be reconsidered. The producers affected by this measures will suffer considerable losses in income.

2.6. *Beef and veal*

The Committee thinks that it is not advisable to abolish the variable slaughter premium in the United Kingdom and to introduce the general intervention rules in its place. If this premium is abolished, the retail price of beef and veal will increase and consumption will drop. The resultant high intervention costs will exceed the costs of the United Kingdom's present regime for beef and veal.

2.7. *Pigmeat*

The Committee is opposed to the Commission's proposal to limit the pigmeat intervention arrangement to private stocks. Purchase by intervention agencies should also remain possible.

The instruments of the pigmeat market organization have not so far enabled the basic price to be achieved on the market. This makes it all the more important to be able to cushion at least major price

collapses, and to use intervention to mitigate catastrophic situations. To allow this, it must be possible for purchasing by intervention agencies to continue.

3. Concluding remarks on all the recent Commission proposals for the agricultural sector

3.1. The Commission points out in the explanatory memorandum that the farm price proposals are closely linked to its earlier proposals on agricultural reform.

Similarly the present opinion on the farm price proposals must be read in conjunction with the Committee's opinions on the various proposals for agricultural reform.

Regarding the Mediterranean regions of the Community in particular, the Committee would stress the need to take account of the integrated Mediterranean programmes which it approved in principle in November 1983 (1) and to which it will revert in detail shortly.

The Committee considers that a general decision on all these various proposals (reform, farm prices, IMP) should be taken by the Council before 31 March 1984.

3.2. The Committee notes that the situation of farming and its economic and monetary environment have changed since the Treaty of Rome Articles dealing with agriculture were drafted and since the Stresa Conference: firstly, the Community has moved from a deficit situation (six Member States) to 100 % or 100 %-plus self-sufficiency in the principal basic farm products; secondly, the CAP has suffered from the failure to align economc and monetary policies as envisaged in the Treaty.

3.3. The current debate on the reform of the CAP must not obscure the basic reasons for the introduction of the agricultural-market regimes: wide variations in production levels and seasonal pattern of production; considerable fluctuations in price; large number of decision-makers (farmers, storage, processing, marketing organizations and firms, etc.); wide variety of production conditions in the world; disorganized world markets, etc. Nor should it be forgotten that all countries throughout the world find themselves obliged, in one way or another, to support their agriculture to much the same extent as the Community.

3.4. The introduction and operation of the common market organizations has gradually led to a modernization of farming methods, same measure of farm specialization and a clear orientation in agro-industrial investments and strategies; these factors have had an impact on the employment and economic situation in the regions of the Community.

3.5. It is necessary to try and match supply and demand. There are various ways of restoring equilibrium to the agricultural-products markets currently out of balance; it is possible to change supply-side conditions, to encourage demand (marketing, research and advice, expansion of export markets), to lower prices, to impose some form of co-responsibility levy on farmers, to promote production of alternative farm products currently in deficit. The Committee has comments and suggestions to make on each of these questions. But whatever decision is taken finally, it must not be forgotten that there is a limit to the sacrifice which can be asked of the Community's farmers; the sacrifice must be tolerable.

3.6. The common market regimes must take close account of current and potential outlets. This objective merits discussion: for example, a production sector without outlets today may offer, given an active commercial strategy and instruments, good prospects for the future; the expansion of production of a particular product cannot be definitively halted if the marketing difficulties are caused mainly by a temporary recession and temporary monetary difficulties or by political hold-ups in the decision-making procedure.

3.7. The CAP must help to adapt the range and quality of Community products to market trends and to the needs of industry, commerce and the consumer.

3.8. The Commission's proposals and the Committee's opinion relate to certain specific sectors (cereals, milk products, etc.). In the Committee's view the Community and the CAP must not, however, neglect the development of sectors (horticul-

(1) OJ No C 23, 30. 1. 1984, p. 52.

tural plants, honey, nut oil etc.) which, though relatively minor in volume terms, are nevertheless a significant economic asset and help to keep people on the land and to conserve the countryside.

3.9. The internal debate on a reform of the CAP must not result in a weakening of the capacity and competitive position of the Community on the world markets for agricultural and food products.

3.10. The existence of growing surpluses in certain major products, combined with the exhaustion of the Community's own resources, makes necessary changes in the CAP; these changes must be made in a flexible and gradual manner to enable those concerned to adjust and to avoid social and economic upheavals.

3.11. The Community's budgetary plight imposes constraints on everyone. Under these circumstances the Commission is looking for economies to keep CAP expenditure within current financial limits. However, it would be paradoxical if such measures, geared to the financial circumstances of the moment, were to take the place of general political arguments for a fundamental reform of the CAP, in disregard of the imperative considerations the Committee has sought to expound.

Done at Brussels, 1 March 1984.

The Chairman
of the Economic and Social Committee
François CEYRAC

APPENDICES

to the opinion of the Economic and Social Committee

APPENDIX 1

Voting

A roll-call vote was taken on the opinion as a whole. The following members, present or represented, voted for the opinion:

Messrs Amato, Beretta, Berns, Binnenbruck, Bornard, Briganti, de Caffarelli, Campbell, Cavazzuti, Colle, Cremer, Dassis, De Bruyn, d'Elia, Della Croce, De Tavernier, Drago, Emo Capodilista, Mrs Engelen-Kefer, Messrs Etty, Flum, Fortuyn, Fuller, Glesener, Mrs Gredal, Messrs van Greunsven, Hadjivassiliou, Kamizolas, Kirschen, Kitsios, Laur, Law, Lojewski, Löw, Marvier, Masucci, Meraviglia, Mols Sørensen, Morselli, Mourgues, Muhr, Nielsen B., Nielsen P., Nierhaus, de Normann, Ognibene, Pfeiffer, Poeton, Mrs Quigley, Messrs Raftopoulos, Ramaekers, Mrs Rangoni-Machiavelli, Messrs van Rens, Rouzier, Schnieders, Schoepges, Schwarz, Sir George Sharp, Messrs Spachos, Storie-Pugh, Strauss, Swift, Tamlin, Vasseur, Ventejol, Vercellino, Wick, Mrs Williams, Messrs Yverneau, Zinkin.

The following members, present or represented, voted against the opinion:

Messrs Arena, Bagliano, Boddy, Breitenstein, Dracos, Goris, Hammond, Hilkens, Jarvis, Jaschick, Jenkins, Kelly, Kenna, Masprone, Milne, Paggi, Rainero, Regaldo, Smith A., Storm Hansen, Mrs Strobel.

The following members, present or represented, abstained:

Messrs Bonety, Bordes-Pages, Broicher, Carroll, Curlis, de Bievre, Hemmer, Laughrey, Margot, Noordwal, Pearson, Pronk, Querleux, Roseingrave, Soulat, Staratzke, van Melckenbeke, Wagner, de Wit.

APPENDIX 2

A. Rejected amendments

The following amendments, tabled in accordance with the Rules of Procedure, were rejected during the discussion:

'Point 1.7.

Add the following after the first sentence:

The Commission's proposals for adjusting farm prices and positive MCAs and for curbing production, viewed together and in conjunction with other measures already taken by the Commission to cut agricultural spending, mean that the scope for Community farmers to earn a living will be excessively curtailed.'

Last sentence of 1.7 to read as follows:

'The sacrifice demanded by the Commission is not acceptable to farmers. With a view to solving the present problems, the adjustment of the CAP should take place more gradually.'

Voting:

For: 24, against: 61, abstentions: 11.

'Point 2.1

Delete.'

Voting:

For: 35, against: 40, abstentions: 23.

'Point 2.2

Delete.'

Voting:

For: 37, against: 45, abstentions: 21.

'Point 2.3

Delete last sentence.'

Voting:

For: 38, against: 56, abstentions: 11.

B. The following passages in the Economic and Social Committee's draft opinion were withdrawn as a result of amendments adopted during the discussion

'Point 1.4 — first sentence

Farm incomes as measured by the index chosen by the Commission have not improved in recent years.'

Voting:

For: 35, against: 23, abstentions: 6.

'Point 1.6

The Economic and Social Committee thinks that in the current economic situation in the Community such a large drop in income would create serious difficulties, given the gap between farmers' incomes and the overall average income — which is particularly pronounced in some areas and regions.'

Voting:

For: 41, against: 32, abstentions: 15.

'Point 1.8

Option A (approved by the Section for Agriculture by 20 votes to 19 with 3 abstentions)

The average price increases proposed by the Commission should be accepted. Even with these proposals, and with the other reforms proposed by the Commission, expenditure on the common agricultural policy will increase over the years 1983/84/85 at nearly twice the rate of own resources, whereas it is accepted policy that this expenditure should increase at a lower rate than own resources.

Option B

The figures given by the Commission in document COM(84) 20 final, Annex 5 indicate that in 1984 and subsequent years the rise in CAP spending will be less than the planned increase in the Community's own resources.'

Voting:

For: 55, against: 35, abstentions: 7.

'2.4. Sugar

With the exception of the Lomé sugar imported for external policy reasons, the sugar market regime costs the EAGGF relatively little. Given the increase in production costs, it is thus justified to raise prices more than 1 %.'

Voting:

For: 58, against: 28, abstentions: 12.

'Point 2.5 — first paragraph

The Committee feels that it might be better to reduce the difference between the price of olive oil and that of competing seed oil by laying down a price ratio of 2 : 1. To be really effective, the ratio would have to be 1,6 : 1 and introduced immediately. The cost of the requisite monitoring — which would have to be stepped up — should be borne not by the producers' organizations, but by the EAGGF, as in the case of consumer aids.'

Voting:

For: 56, against: 42, abstentions: 4.