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Reflections on the common agricultural policy

Commission
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Preface

The Commission considers it opportune to publish now its reflections on the common agricultural policy, in which it examines the principles and results of the policy and presents its orientations for the overhaul of the policy which must now be undertaken. The way is thus prepared for the important proposals which will be submitted by the Commission early in 1981 for adoption by the Council.

These reflections do not pretend to be exhaustive. The adaptation of the agricultural policy is a continuing process. But the Commission believes that the presentation of this document will assist the discussion, already engaged in the Community institutions and in the Member States, on the future guidelines for the adaptation and consolidation of the common agricultural policy in order to confront the challenge of the coming years.

These reflections on the common agricultural policy will be taken into account in the broader examination which the Commission is undertaking as a result of the mandate, conferred on it by the Council of 30 May 1980,[1] concerning the development of Community policies and the question of structural changes. That mandate, which is to be fulfilled by the end of June 1981, will cover not only agriculture but the other common policies, without calling into question the common financial responsibility for them, or the basic principles of the CAP. The discussion which must take place in the Community institutions on the present document, which is limited to the agricultural sector, will contribute to the Commission's further reflections concerning the overall relation between the common policies and their budgetary aspects.

[1] Council conclusions on the UK contribution to the financing of the Community budgetn, para. 7 (OJ C 158, 27.6.1980; Bull. EC 5-1980, point 1.1.7).

General considerations

1. When one reflects on the future of the common agricultural policy it is essential to bear in mind the reasons which led to its creation and to assess the results of the policy in terms of the objectives of the Treaty. It is only against this background that the problems facing the common agricultural policy and the solutions required for them can be properly analysed.

The reasons for the CAP, its principles and its results

Reasons

2. The common agricultural policy was set up with the objective of permitting free trade in agricultural produce within the newly-created common market. While the freeing of trade in industrial products was to be based essentially on the removal of customs barriers and quantitative restrictions, for agricultural products it was necessary to put an end to the multiplicity of State aids, market organizations and income support systems which existed in all Member States.

Furthermore, the maintenance of different agricultural systems would have led to distortions of competition which would have impeded trade and produced differences in the cost of food, and hence in the cost of living and in wage costs, which would have been prejudicial to true economic integration.

For the above reasons the founding Member States considered that there should be free trade in agricultural products as well as a common market in industrial products and that therefore there should be a common policy for agriculture. Agricultural policy and free trade in industrial products thus remain indissolubly linked and together constitute the very basis of the Community.

Principles

3. The common agricultural policy has been based since its inception on three principles:

- freedom of trade and Community preference;
- the creation of market organizations based on common prices;
- the sharing of the cost of this common policy.

These three principles are interdependent and cannot be dissociated from the objective to be achieved. In order for there to be free trade, it is necessary to have a common support policy and a single price level. Once prices are decided on in common it is not only natural but essential for the financial consequences of that common agricultural policy to be borne jointly.

Single price. The experience of the last ten years since the introduction of compensatory amounts has shown how difficult it is to avoid distortions of production and distortions of trade once the concept of price unity is set aside. The introduction of the European Monetary System in 1979[1] and the close relationship between the currencies maintained since then have caused this 'sickness' of compensatory amounts to recede. It was high time, because their continuation and their increase would certainly have led to the break-up of the common agricultural policy.

Cost-sharing. Once there is a Community decision on the fixing of prices, and hence indirectly on the development of budgetary expenditure, it is only natural for the consequences to be borne by the budget of the Community.

Without a common system of financing there can be no certainty about the fixing of single prices. We need only consider the following examples, which are not exhaustive but will serve as illustrations for readers who are acquainted with the nature of discussions in the Council of Agriculture Ministers: Would Ireland accept high prices for beef and veal if it had to bear the consequences from its own budget? Would France have agreed to high prices for cereals and

[1] Bull. EC 2-1979, preliminary chapter; Bull. EC 3-1979, point 2.1.1.

sugar for fifteen years if it had to meet the expenditure itself? Would Italy have subsidized olive oil or processed fruit and vegetables to the same extent if the Italian Parliament had had to vote the necessary appropriations each year?

The answer is clearly no.

4. If we look closely at the internal structure of the common agricultural policy it is evident that these three principles, or pillars erected by the architects of the policy, are not merely decorative features. They are essential foundations for the insertion of any common agricultural policy into a common market based on freedom of trade. Calling these principles into question would affect the balance between the agricultural policy and the free circulation of industrial products and could thus lead to a change or a weakening in the rules applicable to the latter.

The common agricultural policy may be characterized as a system of support of farmers' incomes mainly through support of market prices with certain elements of direct aid to incomes. For political, financial and administrative reasons, one could not envisage a radically different model for the Community's agricultural policy than the support of market prices. But this does not mean that, in future, problems of a special regional nature or concerning particular commodities cannot be solved by Community measures involving direct income support, as indeed has already been done in certain specific cases.

Results

5. If we are to judge the results of the common agricultural policy after fifteen years of existence, we should look to see, objectively and on the basis of statistics, whether the objectives set have been attained.

6. Since the creation of the common market the consumption of foodstuffs has improved in both quantity and quality to an extent never before known. This development, to the advantage of consumers, was helped by the spectacular development of agriculture and of intra-Community trade in agricultural produce.

7. Similarly, if we look at agricultural production, which has increased by 2.5% a year over the last twenty years, the growth in productivity and the optimum use made of production factors, we can see that the common agricultural policy has encouraged the modernization of European agriculture.

The growth in productivity revealed by the figures shows the extent to which agriculture, supported by the common policy, contributed in the 1960s and 1970s to the remarkable boom in the industrial and tertiary sectors by providing them with the necessary labour: between 1958 and 1979 more than 10 million members of the working population left agriculture, i.e. at the rate of one a minute.

In 1980 the agricultural policy enables 8 million persons to be directly employed in agriculture. If we add the employment 'upstream' (fertilizers, equipment) and 'downstream' (foodstuffs processing), agriculture and agri-business form one of the major branches of economic activity in the Community.

8. The common policy has enabled agricultural income to keep on growing and at the same time it has protected the sector from the recessions which have affected the economy since 1974. Since 1968 real income in agriculture has on average increased by 2.8% a year, a rate equal to the increase in the other branches of the economy over the period 1968-76.

9. As regards security of supply, Europe has not only been shielded from any physical shortage of foodstuffs but it has also been protected from the speculative movements which sometimes affect the world markets in raw materials. We need only think of the dependence of Europe as regards energy and of the vulnerability of supplies from overseas in order to understand that an entity such as Europe, with a population of 260 and perhaps soon more than 300 million, cannot afford to rely on others for its food supplies and has the duty to exploit the richness of its soil.

10. On the subject of exports, it should not be forgotten that the CAP has facilitated the export of agricultural products both within the Community and to non-member countries and has thus had important consequences for the trade balance of the Member States. Neither should we forget the contribution of European agriculture to satisfying world demand for food, including the demand from those parts of the world unable to pay for it. If the FAO's forecasts are correct, the world will need all its available resources in order to meet its future food requirements.

Any change in the CAP which substantially disturbed these trade flows would seriously upset the balance which has existed within the common market since its inception. One cannot expect to have a common market for the sale of one's industrial goods, or to take advantage of the free movement of capital and services, and at the same time refuse to provide the instrument which is essential to the free movement of agricultural produce.

Difficulties encountered by the CAP: possible solutions

Criticisms

11. The main difficulty encountered by the common agricultural policy, after fifteen years of operation, is the lack of sufficiently effective regulatory mechanisms whereby the development of production is geared to the needs of the internal and external markets. As the common agricultural policy is based essentially on mechanisms which support farmers' incomes by means of guaranteed prices or direct product subsidies, the continual increase in production engenders an uncontrollable rise in expenditure.

Of the EAGGF chapters which have shown rapid increases over the last three years, it is evident that those for milk, beef and processed fruit and vegetables represent rises in expenditure which can no longer be kept under control as the rules stand at present. For wine, although the development of expenditure from year to year is strongly influenced by the ups and downs of the harvest, the trend is for output to rise while consumption continues to fall. Similarly for cereals and sugar, despite annual variations, the trend has been for Community production to increase rather faster than consumption. The difficulty with regard to the milk surpluses stems from the fact that there is no internal market or external market that can pay where disposal is possible at a reasonable cost, and that the scope for increasing food aid is limited. To get rid of stocks it has proved necessary to grant even higher export refunds or subsidies for internal disposal, sometimes equivalent to 80% of the product's value.

Similarly, the aid for processed fruit and vegetables may exceed the price received by agricultural producers, since the aid is in fact a deficiency payment to cover the difference between the production cost of the European industry and the world market price.

This being the case, it is clear that, unless prices are drastically readjusted, any guarantee arrangements applicable to unlimited quantities are bound to result in further increases in production. This is only common sense: without physical or economic control, no system can function properly in the long term.

12. The second criticism which may be directed at the common agricultural policy concerns the way in which the common market organizations, based as they are on price guarantees or product subsidies, work to the advantage of the largest producers, who already have the most favourable production structures.

It is not really surprising that, in a market economy, farms should tend to become larger and larger. In the long term, there is no valid reason why agricultural production should not follow industry in the trend towards larger and more rational economic units with better allocation of resources and economies of scale.

Criticism centres round those situations where prices (i.e. incomes, to a great extent) receive direct support from public funds. In other words, in a Europe facing, because of the energy crisis, a long slowdown in its economic growth, voices are being raised in protest against public money being used, for the most part, to support the incomes of the richest farmers.

13. The view that this system whereby incomes are supported by prices is a source of social inequality, under the cloak of economic equality, is akin to a third criticism, namely that the common agricultural policy has been of greater assistance to the regions which were already rich than it has been to the least-favoured areas of the Community.

This criticism is clearly connected with the differences in natural resources and the structural disparities which already existed when the Community was set up. However, it must be recognized that there are large differences in income and productivity between the Community agricultural regions, and, worse still, in spite of some closing of the gap in some regions in Ireland and north-eastern Italy, these differences have increased during the 1970s. There are two basic reasons why the price and markets policies are connected with this growth in regional disparities. Firstly, the richer Community regions, on account of the type of their production (cereals, milk and sugar), receive more substantial support than the less-favoured regions, which are largely in the Mediterranean area and mainly produce fruit and vegetables and wine. Secondly, it should be borne in mind that the common market organizations tend to favour the more well-to-do producers, who are mainly concentrated in the richer regions. Only in recent years has more sustained attention been given to the Mediterranean production sector or, more generally speaking, to areas with economic or natural handicaps. Special consideration must be given to this aspect now that the Community is to take in three Mediterranean countries whose agricultural structures are very disparate and, in most cases, extremely weak and now that consideration is being given to recasting the CAP.

It is true that the prices fixed at the outset by the Community are generally higher than world prices, but they are not necessarily higher than the prices on other major markets, such as the USA or Japan. The price of milk, for instance, is at present higher in the USA than in the Community. Also, everybody knows that world prices relate only to limited, often marginal quantities and that it would be wrong to think that European consumers could be supplied for long at low and stable world prices. But on the other side it is the world market price on which exports have to be based as far as the financial aspects are concerned.

The common price level reflects Europe's stage of industrial and social development. However, more important than price levels is the trend of agricultural prices. This trend has been particularly prudent in recent years and European agriculture has thus made a highly effective contribution to the fight against inflation. Common agricultural prices have been falling by about 4% per annum in real terms.

If since 1972 agricultural price support in national currencies (common prices translated into national currencies via green rates) has increased in the Community slightly faster than the general price index, it is because until 1976/77 prices increased in real terms. Since then they have decreased owing to the prudent price policy. This prudent price policy is one of the reasons why – after a satisfactory evolution for a number of years – real farm incomes decreased in 1980 for the second successive year.

14. The fourth and last criticism, which is of a financial and budgetary nature, has given rise to differences over the budget not only between the Member States but also between the European institutions, particularly where Parliament was concerned.

This criticism falls under four distinct headings:

15. Some take the view that the overall burden which agriculture imposes on public funds is too high in absolute terms.

This argument does not stand up to examination. In 1979, net expenditure by the EAGGF Guarantee Section represented only 0.47% of the Community's gross domestic product. It may also be mentioned that net expenditure by the EAGGF Guarantee Section represents only 2.8% of all Community household expenditure on food. However, the percentage of EAGGF expenditure in relation to Community gross domestic product has tended to increase, passing from 0.35% in 1976 to 0.47% in 1979. This is because agricultural expenditure grew at an annual rate of 23%, considerably faster than inflation, between 1975 and 1979. But it is important to remember that in 1980 this rate fell to 10% and a similar figure is forecast for 1981. If agricultural expenditure grew rapidly between 1975 and 1979, it was because of the need to absorb at the same time the effects of a continuous rise in production and those of the enlargement of the Community by three new Member States, to begin new common market organizations and solve some problems facing Mediterranean agriculture.

It should also be pointed out that the recession has made more than 7 million workers unemployed, at a direct budgetary cost for the Member States of 30 000 million units of account. In a period of economic recession, the common agricultural policy has continued to protect the jobs and the incomes of 8 million farmers and farmworkers.

Lastly, those who criticize the scale of agricultural expenditure under the Community budget are forgetting that in highly industrialized countries such as the USA, government expenditure on agriculture is of the same order of magnitude as in the Community. Such expenditure represents between 1 and 1.5% of GDP in the Community and the USA, and in Japan the figure is almost 5%.

16. Others consider that agriculture's share of the Community budget is disproportionately large and retarding the development of other common policies.

Admittedly, agriculture does absorb more than 70% of appropriations, but this is simply because the CAP is almost the only policy which is really common with financial solidarity. If the common agricultural policy occupies such an eminent place in the budget, this is merely because the Community has lacked the courage to introduce other common policies. Neither the share taken by agriculture nor the lack of own resources has ever been the true reason for holding back other policies; this applies in particular to the 1980 budget, which will use about 85% of the Community's own resources. However, it is well known that the Community's expenditure is now approaching the limit of own resources in their present form and the common agricultural policy must take account of this fact.

On the other hand, we should also remember that, if new common policies are to be introduced, common expenditure will replace national expenditure in most cases and that any transfer of burdens should be accompanied by a transfer of resources.

17. Another reason for criticism relating to the budget has been the way in which the financial burden is shared among the Member States. Some are net contributors because of the structure, type and volume of their agricultural production, while others are substantial net beneficiaries.

This criticism cannot be rebutted, but it should be said that this disparity results from the very structure of the Community and its external trade and from the different degrees to which its common policies have been developed. It does not, by itself, justify a reconsideration of the single common policy – agriculture. If the principle of equal burdens and equal benefits, i.e. the principle of a fair return, is to be introduced, how shall we assess what is a fair economic return from the common market in industrial products?

Let this be quite clear: the principle of a fair return is incompatible with the notions of financial solidarity and common policy, whether on agriculture or on anything else. No State, unitary or federal, has been able to achieve unity or integration by applying it. The same will hold true for the Community.

A discussion paper on the common agricultural policy is not the place for an 'assessment' of the mechanisms of the Financial Regulation. It should be pointed out, however, that from the strictly agricultural point of view any reform of these mechanisms should maintain effective solidarity and ensure that the agricultural levies and customs duties are used for their proper purpose in a customs union, i.e. as own resources.

18. Lastly, the criticism on budgetary and financial counts is also directed against the way in which the agricultural appropriations are spent for ever-larger structural surpluses without reducing the income disparities in the agricultural sector and with the criticism that agricultural expenditure has an anti-social facet.

In plain terms, then, what is being criticized is not so much the total expenditure of 1000 million units of account against the EAGGF Guarantee

Section as the expenditure of 4 500 million units of account on milk products for which the market outlook is unlikely to improve in the near future, or the fact that, the richer you are, the larger your share of this bounty.

A very close correlation can be discerned between the regional agricultural income level and of the level of support expenditure per unit. Expressed on the basis of an average index for the Community of 100, agricultural expenditure per labour unit exceeds 150 in most regions in the Paris basin, Belgium, northern Germany, the Netherlands and Denmark, but is generally below 50 in one out of three regions in Italy and lower than 80 in most other Italian regions and in the mountain regions and in south-west France. The regions with the highest agricultural incomes are those which incur the most expenditure.

It is this fourth aspect of the financial criticism which we see as most pertinent and which calls for certain amendments to the common agricultural policy. The Commision believes that it is wrong to assess the common agricultural policy solely in terms of budgetary implications, although a rigorous approach to the growth of agricultural expenditure, as for other items, is of course indispensable. The common policy has assumed responsibility, by substitution, for expenditure formerly borne by the governments, and there is in fact no evidence that this has led to an increase – if anything, there has been a decrease in Member States' total transfers of public funds to agriculture. It should also be remembered that the Community's agricultural budget includes expenditure which could just as well be assigned to other policies (social, regional, external policy).

Thus the solutions which must be found to the problems of the common agricultural policy must attempt to reconcile various constraints, while safeguarding the beneficial aspects of this policy. Desirable as the improvement of the common agricultural policy may be (due account being taken of the said constraints), a decrease in agricultural expenditure is unlikely to solve what is generally known as the Community's budget restructuring problem. This having been said, strict control should of course be exercised over agricultural expenditure, in the same way as over other expenditure, and in particular over the rate of growth of such expenditure. It is to be recalled that these reflections must be seen not only in the context of the discussion on agricultural policy, already begun in the Community institutions, but must be taken into account also in the broader context of the Commission's examination of the overall development of Community policies.[1]

Solutions

19. The adjustments to be made to the common agricultural policy must therefore reconcile four main objectives:

- to maintain the positive aspects of what the Community has achieved, particularly as regards the consumer's security of supply at stable prices, the incomes of farmers, the freeing of trade, the advances made in agricultural techniques and the contribution of the agricultural sector to external trade;
- to set up mechanisms whereby the budgetary consequences of production surpluses may be held in check and, consequently, public funds may be better used;
- to ensure better regional distribution of the benefits derived by farmers from the common agricultural policy (markets and structures);
- to organize the financing of the common agricultural policy on sound foundations which will not cause disputes in future between Member States.

A solution to be rejected

20. Before suggesting the way forward to a solution, which will of necessity be based on a combination of measures, we must consider an alternative solution which may be called 'two-tier financing' or the 'price cocktail'. Community responsibility would be confined to bearing the financial consequences of a common price whose development would be carefully controlled so as to maintain the present budget situation, i.e. to keep within the limit of 1 % of VAT allocated to the Community's own resources.

[1] Point 1.

21. Two variations are theoretically possible. In the first, prices and aids would continue to be fixed at Community level, i.e. in accordance with the single-price principle, but the portion of price and aid adjustments which could not be financed under the own resources system would be covered by the national budget of each Member State.

Let us take the following example. If economic conditions justified a 10% increase in prices or aids, but the Community budget allowed only a 5% rise, each Member State would make up the other 5% from its own budget. This is what is meant by 'two-tier financing'.

22. The second variation would go one step further: each Member State would be free to provide for supplementary support over and above the 'common minimum price'. After a few years the real support prices or the level of aid would become a 'price cocktail' within the Community. It is easy to see the objections to the 'price cocktail' solution:

- It would herald the end of the free movement of agricultural products, because the differences in the level of support from one Member State to another would soon give rise to corrective measures at the frontiers. Everyone knows that monetary compensatory amounts created distortions which almost destroyed the CAP. MCAs could be tolerated because they were temporary measures, and an improvement in the monetary situation has in fact permitted the maximum margins of fluctuation to be reduced by 75%. If multiple prices were introduced the margins would widen year after year.

- Any price differentiation between Member States would soon change the competitive situation at producer level and hence at the processing and marketing stages. If, for instance, price relativities between crop products and livestock products varied greatly from one Member State to another, marketing conditions would be so altered that no system of compensatory amounts could restore the balance.

- Similarly, any difference in internal prices would give rise to differences in the rates of levy on imports from non-member countries. Whereas assimilation of monetary compensatory amounts was possible because they were temporary measures and decisions were taken jointly, a 'price cocktail' determined by the Member States would make it impossible to continue to treat these levies as own resources.

- The juxtaposition of a common price and national price supplements is in itself a major obstacle to the operation of a sound agricultural policy. How, for instance, could production be geared to outlets if, anarchically, each Member State was free to act against the common interest by fixing price supplements at national level?

- Last but not least, this 'pseudo' solution would do nothing to remedy the production imbalances because, let us repeat, the major problem of the common agricultural policy is not so much costs or their distribution among the Member States as the absence of any corrective mechanism for adapting supply to demand in accordance with a basic principle of economic rationality.

23. We have dwelt somewhat on the negative aspects of the 'price cocktail' idea, for the first variation – 'two-tier financing' – would inevitably lead to the same difficulties. As soon as Community financial solidarity was broken and the Member States had to bear an increasing portion of the costs from their own budget, it would rapidly become impossible to fix a common price.

Can one imagine Ireland accepting high prices for beef if it had to bear the consequences, or France backing high prices for cereals or sugar, or the United Kingdom high prices for butter? Many more examples could be cited: any impairment of financial solidarity would soon breach price unity, and we thus come back to the 'price cocktail' situation.

It is thus clear that a lasting Community solution to the present problems cannot be found in breaking the chain: free trade – the harmonization of support systems – price unity – financial solidarity.

24. We can also put among the illusory solutions those which would entail only an adjustment to the distribution of financial burdens among Member States. Such amendments could, it is true, put a stop to one of the subjects of criticism – the unfair distribution of burdens and benefits – but they leave unanswered the other problems of the CAP.

Possible solutions

25. The overhaul of the common agricultural policy must proceed along three interrelated lines:

- adjustment of the market organizations by the introduction of a new basic principle: co-responsibility or producer participation;
- a new approach to the Community's external agricultural trade policy, taking greater account of the world food strategy;
- readjustment of structural policy.

This overhaul must naturally also be aimed at reducing regional disparities. The general economic climate, and in particular the existence or otherwise of alternative employment, is of course the principal cause of such disparities, but the market organization mechanisms have not reduced them. A readjusted structural policy must form a means for reducing these disparities. The regional aspect must also be borne in mind when the adjustments to be made to the common market organizations are being considered.

(a) *Adjustments to the common agricultural market organizations*

Qualification of the unlimited guarantee

26. The adjustments to be made to the market organizations must be based on the principle that in the present state of agricultural technology it is neither economically sound nor financially feasible to guarantee price or aid levels for unlimited quantities. Two further factors justify this principle:

- When the Community was created the level of self-supply was more than 100% only for certain vegetables and for butter but it is now more than 100% for major crops except maize, rice, oilseeds and sheepmeat.
- The increase in food consumption in the Community is now practically nil, owing to demographic stagnation (the population increase was nearly 1% per annum at the beginning of the 1960s and is now 0.2%) and the high level of consumption already attained. Consumption may even fall, for economic or dietetic reasons or reasons connected with the population structure.

Contrast for example with this fact the increase in the yield of common wheat per hectare from an average of 2 500 kg at the beginning of the 1960s to 4 000 kg now and the increase in average milk yield from dairy cows from 3 000 kg to 4 000 kg.

A new principle : producer co-responsibility

27. It is necessary, then, without questioning the objectives defined above, in particular protection of farmer's incomes and the agricultural sector's contribution to the trade balance, to adopt the principle that any production above a certain volume to be fixed, taking into account the internal consumption of the Community and its external trade, must be charged fully or partially to the producers.

This would maintain all the present features of the CAP, with one addition – producer co-responsibility above a certain level of production, i.e. there would be two stages of financial responsibility, a first stage in which Community responsibility would be total and a second in which it would be shared in proportions to be defined between the Community and producers.

This new principle must be introduced into the common agricultural policy as a permanent feature and not just for a given marketing year. In present circumstances the application of this principle will also enable the Community to adjust better to existing budgetary constraints.

The system could be varied according to product, but it would have to be generally applied, whether the market organization was based on price systems in the strict sense or on aid systems.

For sugar, producer co-responsibility in the form of levies has been an integral part of the common organization of the markets since the beginning. More recently, a co-responsibility levy has been introduced for milk and the decision has been taken to apply a supplementary levy in the milk sector from the beginning of the next marketing year in order that all the cost of disposing of extra production be supported by the producers themselves; the Commission insists on the implementation of this decision since milk deliveries to dairies in 1980 have been more than 2.5% higher than in 1979.

These two examples show that the co-responsibility levy can be used without prejudice to the coherence of the common agricultural policy. The levy is, however, only one way of introducing co-responsibility. It would also be possible to reduce direct aid (subsidies calculated on areas or quantities) or even intervention prices, the payment or the amount of aid being made to depend on the volume of production envisaged or achieved. In certain cases the Community's financial responsibility might even be limited to a predetermined maximum volume (quantum), as long as this system does not become one of production quotas either by farm or by processor.

The supplementary levy, which is to be applied on additional production beyond a certain reference level in order to cover its disposal cost, is of cardinal importance. So far as the modalities of the application of this additional levy are concerned, various alternatives are open, especially the possibility of taking into account the advantages afforded by the use of cheap imported feedingstuffs. Furthermore, the question has been raised whether such a levy could take into account the regional impact.

It has been argued that co-responsibility should not fall directly on farmers but on the Member States, which would be free to pass it on as they wished.

The Commission considers that the burden of co-responsibility should be specific for each product, i.e. it should not be possible for one sector to be made to pay for another, and that it should be borne by farmers without any distortion for one category with respect to another and not charged to national budgets. For the coherence of the CAP – especially maintenance of equality of competition and the guiding of production into desirable channels – depends on compliance with these two conditions.

Although the Commission has not yet decided on its technical options, examples can be given to show the various ways in which the principle of co-responsibility might be applied to the major products. The choice of methods must take all the factors into account, in particular the Community's self-supply rate and the effectiveness of Community preference in each of the fields concerned.

As we have seen, levies are already charged on milk and sugar.

In the case of cereals which are subject to sharp increases in production, such as barley and wheat, either a levy could be imposed or their price could be reduced in relation to other products. The latter method would have numerous advantages, particularly for livestock production and with a view to the eventual alignment of Community prices on world prices. It would amount to making producers share in the cost of exports, while at the same time it would benefit consumers in the Community.

For products such as processed fruit and vegetables, co-responsibility could take the form of a ceiling on the quantities eligible for aid. That could also be the solution for olive oil without prejudicing the proposal already made by the Commission for this sector.

For beef, co-responsibility could first of all mean an easing of the present intervention mechanisms, which is essential if consumption is to be maintained in the long term.

For tobacco, co-responsibility could take the form of a limit on the quantities eligible for premiums in the case of varieties for which outlets are likely to remain restricted.

For other products, production restraints could be regarded as a form of producer participation. This could be the case in the wine sector, where planting restrictions already apply. Incidentally, the high excise duties levied on wine in certain countries can be seen as detrimental to consumption and therefore in the last analysis as detrimental to winegrowers and the Community budget.

These examples are neither definitive nor exhaustive but are merely given for the purposes of illustration.

More flexible CAP systems

28. Furthermore, the prices policy ought to take more account of a principle often overlooked, that of product specialization within the Community. Greater weight ought to be given to certain economic criteria when guaranteed price levels are fixed.

29. The introduction of co-responsibility does not remove the need for other possible specific measures, in particular to lessen the rigidity introduced by the intervention systems and to give more impetus to market forces. The following points spring to mind: quality criteria for the admission of products to intervention, periods when intervention is allowed or prohibited during the year, and minimum qualifying standards for the 'full' intervention price, i.e. the question of reductions for poor quality.

30. Finally, the Commission stresses that adoption of this package of measures would allow the principles of the common agricultural policy to be preserved and will permit the price adjustments that are indispensable to the long-term safeguarding of farmers' incomes. In matters of price adjustment proper attention will also of course have to be paid to market balance (as long as it has not been restored) and the existence of positive monetary compensatory amounts, i.e. internal prices higher than the Community level, the maintenance of which over a long period is one of the reasons for the explosion of agricultural production. The adjustment will also have to take account of consumer interests.

31. The Commission recalls that the above measures depend essentially on action by the Council and that it has exhausted the means of restoring balance that are within its own power. In the absence of Council decisions and in view of the immediate budgetary pressures, the Commission could only take short-term measures (e.g. stopping refunds) which would mean catastrophic stock increases in the very near future.

(b) *Reflections on external policy*

32. Action to improve the market organizations must cover also the external aspects, both imports and exports. The Commission considers that alongside the efforts that farmers will be asked to make there should be corresponding action concerning agricultural trade.

The Community is still the world's largest importer of agricultural products and has done its part in importing from countries heavily dependent on their agricultural exports, even in the case of products where there have been difficulties on the Community's own market. The Community will continue to honour its obligations, including those contracted in international organizations and in multilateral agreements for the stabilization of world agricultural markets.

But at a time when new restraints must be imposed, particularly on the volume of certain kinds of livestock production, there must be more vigilance over the import of certain feedingstuffs or similar products. The means of implementing this must be geared to the situation of the markets concerned and to the situation of the supplying countries.

It must also be recalled that the action which is envisaged in the context of the market organizations for cereals and livestock products will make it less worth while to use cereal substitutes and extra concentrates. In parallel with the agreements which the Commission is proposing with the supplying countries, these measures would help to arrest the excessive rise in imports of these substitutes.

It is unjustifiable to criticize the operation of the CAP while leaving the door completely open to competing products for political or other reasons.

33. As mentioned earlier, exports play a dynamic role in the trade balance and in the Community's external policy. The Community cannot afford to neglect its agricultural potential, and indeed its exports have increased rapidly in recent years. It is necessary to pursue this success by providing the CAP with instruments similar to those enjoyed by the major agricultural exporting countries (USA, Canada, Australia, New Zealand), in particular the ability to conclude long-term agreements. Such agreements should take into account not only the economic interests of the Community in its relations with its trading

partners but also the aspects of food security, particularly in respect of the developing countries, so that the Community can meet its commitments while safeguarding its internal supplies.

This new approach would be particularly justified if producers were participating in the cost of exports, thus permitting the Community's budgetary constraints to be respected.

If the Community is to remain open to the rest of the world, there must be a balance. If it is to import agricultural produce it must also have the means to conduct an export policy. It must also contribute to the world food strategy, since one of the major challenges of the years to come will be the worsening food deficit in developing countries and the need to ensure their rural development.

(c) *Readjustment of structural policy*

34. The Commission has constantly reiterated that the socio-cultural policy is an indispensable component of the common agricultural policy. It is largely by means of it that the Community can take account of the special characteristics of farming imposed by the social structure of the sector and the structural and natural disparities between the different agricultural regions.

35. The Council has recently decided to intensify structural action in mountain, hill and less-favoured areas[1] and has also taken the initial steps to implement the Commission's proposal to devote the main available resources to developing the least-favoured areas by coordinated action through all Community (EAGGF, ERDF, Social Fund, etc.) and national means. In addition to the programmes already passed, others are proposed for Northern Ireland, certain areas of northern Italy and the French overseas departments and programmes have also been proposed for the Outer Hebrides, the Lozère and south-eastern Belgium. The Commission is now studying other areas in difficulty and intends to present the Council with other proposals for integrated regional development programmes.

36. The Council is to decide soon on a series of adaptations to the socio-structural directives on the modernization of farms, the cessation of farming and the training and socio-economic guidance of farmers. The aim is to help farmers adapt their production systems in order to increase productivity and income. Efforts are all the more necessary in that the present crisis is bringing fundamental structural changes to bear on the other sectors of the economy and that restoration of market balance is imposing pressures which numerous farmers can no longer escape.

37. This structural element, whose limited financial cost is already confined within a five-year budget, is essential to the overhaul of the agricultural policy.

Forestry

38. Forestry is an aspect of the rural economy in many regions of the Community. Increased afforestation could help the agricultural policy to ensure a more rational land use. It would also make a positive contribution to the supply of raw materials to the paper industry and other wood-using industries as well as to the Community's balance of trade – since domestic production is considerably below consumption – and help improve the environment in certain areas. Efforts to improve the structural aspects of the common agricultural policy should be accompanied by initiatives in the forestry sector.[2]

Energy production and consumption

39. Agriculture consumes directly and indirectly large quantities of energy, and it has an urgent need for technologies which would allow it to reduce that consumption.

Also, if oil price rises put new constraints on agriculture, they would also open the possibility of new outlets for products of agricultural origin which could be used as raw material for energy production.

The Community would then have an interest in promoting progress in both these directions.

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[1] Fourteenth General Report, points 336 and 337.
[2] Supplement 3/79 – Bull. EC.

Conclusions

40. The common agricultural policy has broadly achieved its main goals: free trade in agricultural commodities, security of supply of basic foodstuffs at stable prices for the Community's 260 million consumers, growth in productivity and protection of the incomes of 8 million farmers, fair share of agriculture in world trade and contribution of the agricultural sector to the Community trade balance.

41. The CAP has met with serious difficulties:

(a) the open-ended guarantee system has led to serious imbalances between supply and demand in several major agricultural markets, milk being the major problem;

(b) price guarantees or product subsidies have worked out in an indiscriminate manner between producers and have been of greater assistance to the richer regions than to the least-favoured areas of the Community;

(c) although the financial impact of the CAP is not excessive in relation to the GDP of the Community, it has tended to increase too rapidly in real terms; and the way in which money is spent, for instance on milk surpluses, has been justifiably criticized.

42. The adjustments to be made to the CAP must reconcile three main objectives:

(a) to maintain all positive aspects of the CAP and in particular its three fundamental principles: unity of the market (through common prices); Community preference (mainly through variable levies); financial solidarity (through the EAGGF);

(b) to set up mechanisms whereby the financial consequences of production surpluses may be held in check;

(c) to concentrate financial resources on the least-favoured farms and regions.

43. The Commission proposes to overhaul the CAP along three lines:

(a) the adjustment of the common market organizations by the introduction of a new basic principle: co-responsibility or producer participation in the form of either levies (sugar, milk) or other mechanisms;

(b) a new approach to the Community's external agricultural trade policy both on the import and the export side;

(c) a readjustment of structural policy.

44. The time has come for the common agricultural policy to make a new start. This new start must be made on a sound basis. The Commission considers that the lines of action suggested in this document should permit a much better control over agricultural expenditure from the Community budget, and in particular over its rate of growth.

The Commission invites the Council to endorse the ideas expressed in this document. The Commission is convinced that in order for a new start to be made it is necessary to overhaul the prices and markets policy along the lines set out above to intensify the socio-structural policy.

It is time to act.

Annexes

Annex 1

Intra-Community trade in perspective

The Community of Nine

EUR 9	1973	1974	1975	1976	1977	1978	1979
All products				(000 million EUA)			
Imports	84	130	124	160	173	178	218
Exports	81	113	120	142	167	174	194
Intra trade[1]	90	116	117	151	168	186	115
Agriculture and food products				(000 million EUA)			
Imports	24	28	24	33	38	36	40
Exports	7	9	9	11	12	13	15
Intra trade[1]	15	19	21	25	28	30	34
All products				(1973 = 100)			
Imports	100	154	147	190	205	211	258
Exports	100	141	149	176	207	215	241
Intra trade[1]	100	129	130	167	187	206	250
Agriculture and food products				(1973 = 100)			
Imports	100	116	100	138	156	150	166
Exports	100	126	127	144	169	180	207
Intra trade[1]	100	121	135	163	182	199	223

[1] Intra-Community trade calculated on the basis of exports.

– Intra-Community trade within the Six increased eightfold from 1958 to 1972 (from 7000 million u.a. to 56 000 million u.a.): by 1972 it represented nearly one-tenth of the GDP of the Six. Intra-Community trade in agricultural and food products grew almost as rapidly during the same period.

– Intra-Community trade in agricultural and food now represents 2% of Community GDP, a significant increase on the 1% of twenty years ago. Household expenditure on food, tobacco and drink has increased to around 300 000 million EUA (it increases in real terms by 1-2% per annum) while intra-Community trade in agriculture and food products exceeds 30 000 million EUA. More than one-tenth of household expenditure on food and drink goes on produce from other Member States.

Annex 2

Structural changes in Community agriculture

	1950	1960	1970	1975	1978
EUR 6					
Average size of holdings over one hectare (ha UAA)	9	10	13	13.8	14.4
Number of persons with agriculture as their main activity (million)	18.3	15.2	9.5	7.6	7.0
EUR 9					
Average size of holdings over one hectare (ha UAA)	:	12	16	17	17.7
Number of persons with agriculture as their main activity (million)	:	17.1	10.8	8.8	8.1

Annex 3

Trade balances (total and agricultural) of the Member States with member and non-member countries

(1979 – 000 million EUA)

	Imports		Exports		Balance of trade	
	Total	Agriculture	Total	Agriculture	Total	Agriculture
FR of Germany	116	(16%) 19	125	(6%) 7	9	– 12
France	78	(16%) 12	72	(17%) 12	– 6	– 0
United Kingdom	75	(19%) 14	66	(8%) 5	– 9	– 9
Italy	57	(21%) 12	53	(8%) 4	– 4	– 8
Netherlands	49	(18%) 9	46	(24%) 11	– 3	2
BLEU	44	(14%) 6	41	(10%) 4	– 3	– 2
Denmark	14	(14%) 2	11	(36%) 4	– 3	2
Ireland	7	(14%) 1	5	(40%) 2	– 2	1
EUR 9	439	(17%) 74	419	(12%) 49	– 20	– 25

Annex 4

Common agricultural prices

Explanations

Starting points

The prices are fixed annually by the Council in u.a. or ECU for agricultural products under the CAP and are valid for the start of the marketing year during the period 1967/68-1980/81. The prices are converted into national currency at representative rates, valid at the start of the marketing year.

Base year: 1972/73 = 100.
(Enlargement from 6 to 9: price base 1.2.1973 for United Kingdom, Ireland and Denmark).

Products: 21 major products.

Weighting: Relative importance of final agricultural production. Average for the years 1974, 1975 and 1976.

The tables

1. Indices per product and for the Community, based on the values fixed in u.a. and ECU.
2. The annual rates of change in real terms have been calculated on the basis of the weighted national indices (prices expressed in national currency) adjusted for inflation (GDP price deflator).
3. Common agricultural prices over the years.

Annex 4 (contd)

Table 1 – Common agricultural prices (start of each marketing year)

(Common prices in u.a./ECU)
1967/1968 – 1980/1981

(1972-1973 = 100)

	Weighting	1967/1968	1968/1969	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981
Durum wheat	1.5	94.3	94.3	94.3	94.3	96.2	100.0	101.0	144.8	156.4	165.0	169.1	169.1	173.0	183.8
Common wheat	7.4	93.4	93.4	93.4	93.4	96.2	100.0	101.0	112.4	122.5	133.6	138.9	142.7	146.4	155.6
Barley	3.6	87.5	90.6	91.5	91.5	96.1	100.0	101.0	111.3	121.8	132.2	139.1	141.2	145.1	154.2
Rye	0.4	88.9	92.5	92.5	92.5	95.2	100.0	106.5	118.5	131.6	141.4	147.1	147.1	151.0	154.8
Maize	1.9	89.1	93.3	94.3	94.3	95.2	100.0	101.0	112.9	124.2	135.4	142.5	144.7	148.7	158.0
Rice (husked)	0.4	85.7	89.7	89.7	89.7	95.5	100.0	100.8	112.2	123.4	134.5	139.8	142.4	149.5	159.6
Beet	3.5	—	96.2	96.2	96.2	96.2	100.0	101.0	111.9	128.7	139.0	143.8	146.7	148.9	154.9
Olive oil	1.2	92.4	92.4	92.4	92.4	95.2	100.0	110.0	115.5	148.4	148.4	150.6	153.6	155.9	164.5
Colza and rape	0.4	97.1	97.1	97.1	97.1	97.1	100.0	101.0	110.3	122.4	132.2	136.8	142.3	144.4	153.5
Sunflower	0.1	96.2	96.2	96.2	96.2	96.2	100.0	101.0	112.4	125.9	136.0	146.2	153.5	155.8	167.5
Ø Table wines	4.7	—	—	93.4	93.4	93.4	100.0	101.1	118.6	128.8	137.1	141.9	144.7	147.0	155.1
Milk	25.0	—	87.5	87.5	87.5	92.6	100.0	105.5	119.6	132.5	142.4	147.4	150.4	150.5	156.5
Beef and veal	21.8	—	90.7	90.7	90.7	96.0	100.0	114.9	135.1	146.6	158.3	163.9	168.0	170.5	177.3
Pigmeat	19.6	89.1	90.9	90.9	93.6	97.0	100.0	104.2	118.4	128.5	138.8	145.7	148.6	150.8	159.1
Ø Tobacco	0.8	—	—	—	96.6	96.6	100.0	100.6	104.3	111.0	116.2	117.4	118.3	114.5	118.8
Cauliflower	0.5	97.1	97.1	129.4	97.1	97.1	100.0	135.3	148.2	133.8	144.7	151.2	154.4	154.5	156.7
Tomatoes	1.4	98.1	92.5	96.2	90.6	94.3	100.0	109.4	109.1	134.0	143.0	148.5	151.1	151.0	160.8
Ø Lemons, oranges, mand.	0.9	95.1	90.3	90.6	91.2	94.2	100.0	100.4	117.4	132.6	142.5	147.5	150.2	151.7	160.9
Table grapes	0.4	133.3	115.6	112.5	112.5	95.8	100.0	106.3	89.7	130.2	139.1	142.1	144.6	146.4	154.0
Ø Apples and pears	2.7	113.6	111.0	101.7	102.5	104.2	100.0	105.1	111.4	129.8	134.4	139.5	142.5	144.9	153.6
Peaches	1.0	90.4	93.9	87.8	97.4	100.0	100.0	104.3	113.0	130.8	141.0	147.1	150.0	150.0	160.9
Total	99.2	92.5	91.3	91.3	91.8	95.5	100.0	106.4	121.2	133.4	143.5	149.1	152.3	154.2	161.6

Annex 4 (contd)

Table 2 – Common agricultural prices in real terms (start of each marketing year), expressed in national currency [1,4]

1967/1968 – 1980/1981

(Annual % change)

	1968/69 1967/68	1969/70 1968/69	1970/71 1969/70	1971/72 1970/71	1972/73 1971/72	1973/74 1972/73	1974/75 1973/74	1975/76 1974/75	1976/77 1975/76	1977/78 1976/77	1978/79 1977/78	1979/80 1978/79	1980/81 1979/80	1980/81 1967/68	1980/81 1972/73
D	- 2.8	- 7.3	- 11.6	- 2.2	- 0.8	0.2	6.8	1.7	1.2	0.1	- 3.7	- 3.6	- 1.3	- 1.9	0.1
F	- 6.3	- 2.5	3.5	- 2.3	- 1.8	- 2.4	1.7	- 0.8	- 1.7	- 2.3	0.3	- 1.6	- 1.0	- 1.4	- 1.0
I	- 5.1	- 5.0	- 6.1	- 3.7	- 3.2	- 6.4	21.3	2.3	0.1	- 4.3	- 0.5	- 4.2	- 2.8	- 1.6	0.4
NL	- 6.3	- 5.4	- 5.7	- 3.9	- 3.6	- 3.1	- 0.4	- 0.9	- 0.8	- 1.8	- 2.5	- 3.7	- 1.7	- 3.1	- 1.9
B	- 3.4	- 4.5	- 4.4	- 1.4	- 2.0	- 1.8	1.2	- 1.3	- 0.4	- 2.0	- 1.9	- 3.5	- 0.9	- 2.0	- 1.3
L	- 7.5	- 6.6	- 6.6	3.9	- 1.3	- 4.5	3.6	3.4	- 1.9	1.1	- 3.6	- 7.2	- 0.6	- 2.2	- 1.3
UK[2]						8.1	4.9	4.3	12.3	0.2	3.4	- 4.5	- 7.6		2.5
IRL[2]						0.9	7.8	6.9	3.5	19.8	0.5	- 11.0	- 9.8		1.9
DK[2]						- 2.6	1.0	- 1.3	0.5	1.4	- 0.8	- 6.2	3.3		- 0.6
EUR 9 in nat. currency[2,3]	- 4.3	- 5.4	- 5.1	- 2.9	- 2.0	- 0.8	8.0	2.4	3.0	0.0	1.0	- 2.8	- 1.4		1.1
EUR 9 (u.a./EUA)	- 10.1	- 6.7	- 6.1	- 2.9	- 2.1	- 2.2	1.7	- 1.8	- 1.9	- 4.9	- 6.1	- 8.3	- 6.5	- 4.5	- 3.8

[1] Target or guide prices (except for pigmeat, basic price; tobacco, intervention price; fruit and vegetables, purchase price) converted into national currency by reference to the representative rates at the start of the marketing year. The average rates per Member State and for the Community have been calculated on the basis of the change in the common prices per product, weighted according to the relative importance of the products in final production (average 1974/75/76).

[2] Including the price increases resulting from accession.

[3] Weighted on the basis of the relative importance of the final agricultural production of the various Member States in the Community (average 1974/75/76).

[4] Prices in nominal terms adjusted for inflation (GDP price deflator).

Annex 4 (contd)

Table 3 – Common agricultural prices (start of each marketing year)

(Common prices converted to national currency at representative rates)
1968/1969 – 1980/1981

(1972-1973 = 100)

	Weighting	1967/1968	1968/1969	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981
Durum wheat	1.5	92.6	92.6	92.6	94.3	96.2	100.0	101.0	178.7	205.1	239.8	261.7	291.9	327.2	382.2
Common wheat	7.4	89.8	89.8	89.8	93.4	96.2	100.0	101.0	118.9	133.5	151.4	162.7	179.7	197.0	222.7
Barley	3.6	84.8	88.1	89.0	91.5	96.1	100.0	101.0	112.0	125.8	140.6	152.8	164.2	177.5	198.1
Rye	0.4	95.5	99.3	99.3	92.4	95.2	100.0	106.5	118.4	129.1	135.8	140.6	141.8	145.1	149.9
Maize	1.9	82.4	86.2	87.2	94.3	95.2	100.0	101.0	121.3	137.6	156.0	170.7	189.1	209.6	239.6
Rice (husked)	0.4	85.7	89.7	89.7	89.7	95.5	100.0	101.4	118.1	138.3	153.4	163.3	174.3	188.2	202.1
Beet	3.5	—	95.2	95.2	95.8	96.3	100.0	103.7	120.6	140.9	156.5	166.7	178.0	192.3	206.6
Olive oil	1.2	92.4	92.4	92.4	92.4	95.2	100.0	114.4	153.9	203.4	228.6	248.2	283.6	319.9	368.4
Colza and rape	0.4	92.3	92.3	99.5	97.1	97.1	100.0	101.0	110.0	123.3	132.9	140.2	153.7	163.1	181.5
Sunflower	0.1	88.3	88.3	96.2	96.2	96.2	100.0	101.0	120.7	139.5	156.8	175.6	201.4	220.9	255.8
Ø Table wines	4.7	—	—	93.3	93.3	93.3	100.0	103.2	139.5	154.7	177.0	193.0	217.3	271.8	275.7
Milk	25.0	—	86.8	86.8	87.3	92.3	100.0	105.3	123.3	139.9	155.5	166.7	179.2	189.0	206.3
Beef and veal	21.8	—	89.2	89.2	90.7	96.0	100.0	114.9	140.6	156.2	174.6	188.2	204.0	218.1	238.3
Pigmeat	19.6	90.7	92.6	90.9	93.6	97.0	100.0	104.1	122.7	134.5	147.0	158.4	168.1	176.8	192.5
Ø Tobacco	0.8	—	—	—	96.6	96.6	100.0	100.6	113.7	137.3	149.9	167.5	186.3	196.3	222.1
Cauliflower	0.5	94.8	94.8	129.6	97.1	97.1	100.0	135.3	160.3	165.5	185.9	214.1	240.2	259.3	289.0
Tomatoes	1.4	95.8	90.3	96.3	95.1	94.3	100.0	109.4	118.4	164.9	183.7	210.3	235.8	255.6	296.7
Ø Lemons, oranges, mand.	0.9	94.6	89.9	90.2	90.8	93.7	100.0	99.8	133.1	180.9	205.2	241.8	276.0	306.2	358.5
Table grapes	0.4	129.9	112.7	112.5	112.5	95.8	100.0	105.9	97.6	162.0	180.0	203.6	228.7	252.0	289.0
Ø Apples and pears	2.7	112.1	108.6	103.7	102.4	104.1	100.0	104.8	115.5	147.8	157.3	174.8	192.5	209.3	237.6
Peaches	1.0	87.8	91.2	87.8	97.4	100.0	100.0	104.3	124.7	167.2	188.4	222.4	248.8	272.1	320.1
Total	99.2	90.9	90.3	90.3	91.7	95.4	100.0	106.5	127.8	145.2	161.8	175.1	190.1	204.3	225.8

Annex 5

Self-supply rate of the Communities [1]

(%)

	EUR 6		EUR 9	
	Ø 1956-60	1970/1971	Ø 1967/1968-1969/1970	Ø 1975/1976-1977/1978
All cereals	85	86	86	87
Wheat	90	98	94	100
Rye	98	94	100	99
Barley	84	91	103	103
Oats	92	88	96	95
Grain maize	64	66	45	50
Rice	83	102	:	64
Potatoes	101	101	100	98
Sugar	104	106	82	111
Fresh vegetables	104	99	98	93
Fresh fruit	94	88	80	77
Citrus fruit	47	52	:	42
Wine	89	104	97	98
Milk products				
Fats	:	:	100	100
Proteins	:	:	113	112
Butter	101	105	91	111
Meat (total)	95	94	93	96
Beef and veal	92	89	90	97
Pigmeat	100	101	100	100
Poultrymeat	93	101	101	104

[1] The statistics have undergone changes in definition which make it impossible to construct consistent series starting in the 1950s.

Annex 6

Per capita consumption[1]

(kg/head)

	EUR 6		EUR 9	
	Ø 1956-1960	Ø 1970-1974	Ø 1967/1968-1969/1970	Ø 1975/1976-1977/1978
All cereals	102	87	85	82
Wheat	89	79	76	74
Rye	9	5	5	4
Rice	3	3	:	3
Potatoes	104	80	90	73
Sugar	27	35	36	36
Fresh vegetables	92	109	99	99
Fresh fruit	52	80	65	58
Citrus fruit	13	24	:	24
Wine (litres)	70	65	51	49
Butter (fat)	5	5	6	6
Drinking milk	:	:	95	91
Meat (total)	54	76	68	79
Beef and veal	19	26	25	25
Pigmeat	23	39	28	34
Poultrymeat	4	12	9	13

[1] The statistics have undergone changes in definition which make it impossible to construct consistent series starting in the 1950s.

Annex 7

Yields of selected products

	EUR 9			
	1950	'1960'	'1968'	'1978'
All cereals (000 kg/ha)	19.4	25.6	34.1	41.9
wheat (000 kg/ha)	19.2	24.4	32.5	41.2
barley (000 kg/ha)	22.5	28.9	35.6	40.6
Potatoes (000 kg/ha)	:	189.3	245	283.7
Wine (000 l/ha)	:	:	78.7	76.7
Milk (kg/dairy cow/year)	2000 – 2500[1]	3056	3403	3950

[1] Range given because number of dairy cattle not exactly known.

Annex 8

Co-responsibility of producers in the sugar sector

A – Balance of costs storing Community sugar

(million u.a.)

Sugar marketing year	Levies (total)	Refunds (total)	Annual balance	Cumulative balance
1968/1969	53.6	52.9	0.7	0.7
1969/1970	54.0	57.8	– 3.8	– 3.1
1970/1971	57.1	53.9	3.2	0.1
1971/1972	80.4	76.7	3.7	3.8
1972/1973	75.3	75.1	0.2	4.0
1973/1974	84.2	76.6	7.6	11.6
1974/1975	86.2	81.0	5.2	16.8
1975/1976	90.5	132.8	– 42.3	– 25.5
1976/1977	166.4	153.0	13.4	– 12.1
1977/1978	192.8	190.7	2.1	– 10.0
1978/1979	205.9	197.8	8.1	– 1.9
1979/1980	200.2	209.1	– 8.9	– 10.8
1980/1981	269.6	258.8	10.8	0

B – Financial participation of sugar producers in expenditure on net exports

(million u.a.)

Sugar marketing year	Revenue (producer levies)	Net expenditure for exports	Annual balance	Cumulative balance
1973/1974	–	–	–	–
1974/1975	–	–	–	–
1975/1976	–	3.0	– 3.0	– 3.0
1976/1977	121.4	31.0	90.4	87.4
1977/1978	185.9	339.4	– 153.5	– 66.1
1978/1979	192.2	309.7	– 117.5	– 183.6
1979/1980	179.4	11.5	67.9	– 115.7

Annex 9

Table 1 – EAGGF Guarantee Section expenditure

(000 million EUA)

	EAGGF Guarantee (gross)	Milk	Beef	Cereals	Export refunds	Levies (import + production)
1973	3.93	1.58	0.02	1.05	1.44	0.54
1974	3.10	1.26	0.32	0.38	0.59	0.36
1975	4.52	1.19	0.92	0.59	0.97	0.62
1976	5.59	2.28	0.62	0.65	1.47	1.17
1977	6.83	2.92	0.47	0.63	2.29	2.00
1978	8.67	4.01	0.64	1.11	3.06	2.28
1979	10.44	4.53	0.75	1.56	4.73	2.14
1980 (provisional)	11.50	4.93	1.38	1.65	5.60	2.22
1981 (draft budget)	12.95	4.45	1.38	2.25	5.88	

Table 2 – Share of EAGGF Guarantee Section expenditure in the value of final agricultural production

(%)

	All products		Milk	Beef	Cereals
	Gross	Net[1]			
1973	6.2	5.4	15.0	0.2	15.4
1974	4.7	4.1	10.7	3.1	4.5
1975	6.2	5.3	8.7	7.7	7.7
1976	6.7	5.3	14.6	4.8	7.9
1977	7.6	5.4	16.7	3.4	6.4
1978	9.0	6.6	21.1	4.2	9.4
1979	10.0	7.9	22.2	4.6	12.9
1980	10.1	8.1	:	:	:

[1] Net = Gross less receipts from import levies and the sugar levy.

Table 3 – EAGGF Guarantee Section expenditure

	Actual amounts (000 million EUA)		Share in GDP (%)		Share in value of final agricultural production (%)	
	Gross	Net[1]	Gross	Net	Gross	Net
1973	3.93	3.39	0.45	0.39	6.2	5.4
1974	3.10	2.74	0.31	0.28	4.7	4.1
1975	4.52	3.90	0.41	0.35	6.2	5.3
1976	5.59	4.41	0.44	0.35	6.7	5.3
1977	6.83	4.69	0.48	0.33	7.6	5.4
1978	8.67	6.39	0.56	0.41	9.0	6.6
1979	10.44	8.30	0.59	0.47	10.0	7.9
1980	11.50	9.28	0.58	0.47	10.1	8.1
1981 (budget)	12.90	10.43	0.59	0.47	:	:

[1] Net = Gross less receipts from import levies and the sugar levy.

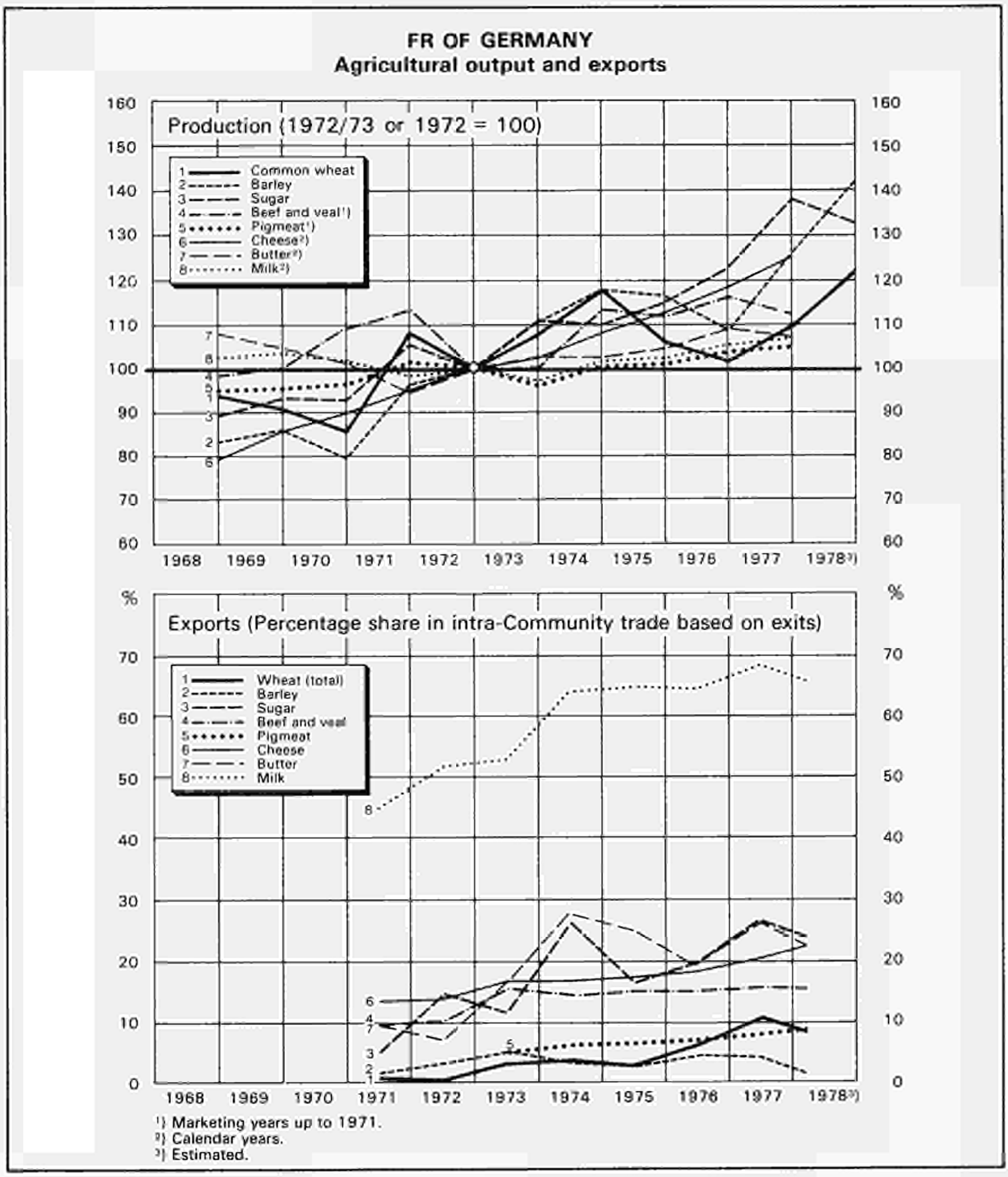
Annex 10

Share of gross value added (at factor cost) by agriculture in Community GDP

	(%)
1973	4.6
1974	4.1
1975	4.1
1976	3.9
1977	3.7
1978	3.6
1979	3.4

Annex 11

FR of Germany: agricultural output and exports subjet to MCAs



Annex 12

Imported substitutes

(million t)

	EUR 9						
	1973	1974	1975	1976	1977	1978	1979
Cassava (manioc)	1.7	2.3	2.3	3.0	3.8	6.0	5.5
Oilseed	9.3	10.9	10.1	11.7	11.1	13.4	14.7
of which: soya beans	6.7	9.1	8.1	9.2	8.8	10.8	11.7
Cake (total)	7.6	6.6	7.2	9.2	9.2	11.0	12.2
of which: soya cake	3.3	3.3	3.3	4.2	4.1	5.9	6.2
Maize gluten feed	:	0.7	0.9	1.1	1.5	1.7	2.0
Bran (by-product of milling)	:	1.2	1.5	2.3	2.2	1.9	2.0

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