

sooner to achieve the objective set in the 1992 directive. Similarly, it is concerned about a further postponement. With initiatives underway in the Member States to prevent the further spread of zoonoses, the Commission must lose no time in surveying the current state of play and submitting appropriate proposals with a view to bringing the situation

under control as soon as possible. Otherwise there is a risk of major problems in the functioning of the internal market. Available statistics should also be published and a scientific conference organised as soon as possible. Early clarification of the EU's policy in this area is also crucially important for its relations with the wider world.

Brussels, 28 April 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

### **Opinion of the Economic and Social Committee on the 'Commission proposal on the prices for agricultural products (1999/2000)' <sup>(1)</sup>**

(1999/C 169/09)

On 23 March 1999 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 April 1999. The rapporteur was Mr Strasser.

At its 363rd plenary session (meeting of 28 April) the Economic and Social Committee adopted the following opinion by 90 votes to two, with four abstentions.

#### **1. Gist of the Commission proposal**

##### *1.1. The agricultural economy in 1998*

1.1.1. 1998 was marked by a sharp deterioration in some agricultural markets. In addition, the economic and financial crisis in various non-member countries affected first and foremost the pigmeat and beef sectors.

1.1.2. Following two record crops in succession, world cereal market prices fell to their lowest level for five years and growth in demand on world markets slowed down. Cereal intervention stocks, particularly of barley and rye, climbed to 16 million tonnes towards the end of 1998 and likewise dragged down market prices in the sector.

1.1.3. Whilst the prices of most products fell in 1998, the only sectors where producer prices were up on the previous year were fruit (with the exception of citrus fruit), wine, potatoes and beef/veal.

##### *1.2. Trends in agricultural production*

1.2.1. With a harvest of around 208 million tonnes (2.1 % up on 1997), 1998 set a new record for cereal production as a result of higher yields (up 4.2 %). Oilseed production also went up, rising by 6.5 % to reach 15.5 million tonnes, of which 14.2 million tonnes were used as food.

1.2.2. 1998, however, saw steep falls in the production of sugarbeet (7.5 % reduction in areas sown and 5 % reduction in yields) and olive oil (down 500 000 tonnes).

1.2.3. It is estimated that milk production will turn out to have dropped slightly (to 120 million tonnes) in 1998, whilst beef/veal production is likely to have fallen by 4.2% to 7.5 million tonnes.

1.2.4. Pigmeat production on the other hand is estimated to have risen by 6.5 %, poultrymeat by 2.1 %, and sheepmeat/goatmeat by 2.9 %.

(<sup>1</sup>) OJ C 59, 1.3.1999, p.1-27.

### 1.3. *Farm incomes*

1.3.1. According to initial Eurostat estimates, in 1998 agricultural incomes in the EU, measured as average income per person engaged in agriculture, fell in real terms by 3.9 %. The Commission attributes this to the following factors:

- a substantial fall in meat prices (particularly pigmeat which is down by 26.1 %)
- a decline in the level of agricultural subsidies (down by 6.2 %)
- a marked slowdown in the contraction of the agricultural labour force.

1.3.2. Subsidies account on average for 29 % of agricultural income in the European Union. This reflects a partial shift from market price support to direct income payments.

### 1.4. *Budget situation*

1.4.1. The Commission estimates that the requirements of the EAGGF Guarantee Section for 1999 amount to 40,953 million EUR, which is well within the agricultural guideline of 45,188 million EUR.

### 1.5. *The Commission's price proposals*

1.5.1. The Commission points out that now reforms have been carried through, only a few market management parameters still need to be fixed annually. It also refers to discussions on the proposed reforms contained in Agenda 2000. The Commission therefore proposes, with one or two exceptions, that where a decision is still necessary, amounts should remain the same whether in respect of institutional prices, subsidies or monthly increments for cereals and rice.

1.5.2. In the cereals sector, the Commission proposes only one amendment to existing regulations, namely a change in the 'irrigated area' provision, whereby compensatory payments should, in line with Agenda 2000, be reduced proportionately (on a one to one basis) in the event of an overshooting of 'irrigated area ceilings' in 1999/2000, and not be reduced by one and a half times the rate of the overrun, as provided for in Regulation (EEC) No. 1765/92.

1.5.3. In the sugar sector the Commission proposes that the monthly reimbursement of storage costs be reduced from 0.38 EUR to 0.33 EUR per 100 kg to reflect lower interest rates. The Commission also recommends that no (higher) derived intervention price for white sugar be proposed in the case of Italy, which is not a deficit area.

1.5.4. Although the Commission takes the view that a similar proposal might have been made to reduce monthly increments in the intervention price for rice (given the fall in the intervention price in this sector), no such proposal has been put forward because of the difficult situation on the rice market.

1.5.5. In the wine sector a package of transitional measures has been proposed, pending the entry into force on 1 August 2000 of the reformed common wine regime.

1.5.6. In view of the fact that the Commission tabled a proposal on 6 November 1998 fixing the guarantee thresholds (quotas) and the premiums for the years 1999, 2000 and 2001 in the tobacco sector, it was deemed unnecessary to include a proposal in the 1999/2000 price package.

1.5.7. In the seeds sector, a few changes to the parent regulation were proposed. In the case of rice and hemp, the aim is to bring seed legislation into line with the legislation on individual products.

## 2. **General comments**

2.1. The Economic and Social Committee has already expressed detailed views on the Commission's proposals for reforms under Agenda 2000. It therefore does not wish to use the Opinion on the 1999/2000 price package as an excuse to dwell once more on individual aspects of the CAP reform. The Committee nevertheless regrets that, with a few exceptions, the Commission has not shown much willingness to take on board the arguments and proposals put forward by the Committee and other bodies on alternative ways of reforming the CAP. A positive development however is the recognition by farm ministers and the heads of state or government that amendments will have to be made to the Commission proposals and the realisation that such amendments partly coincide with the changes deemed by the Committee to be necessary when drawing up opinions on legislative proposals for CAP reform.

2.2. The Committee views with great concern trends in farm incomes in the majority of EU Member States, with incomes falling particularly steeply in some individual countries. The sharp decline in these incomes is all the more disturbing as CAP reforms and the price trends of major agricultural products in 1999 suggest that such incomes will be subject to further downward pressure.

In this connection it has become clear that institutional prices, expressed in national currencies, have fallen as a result of the introduction of the EUR in most EU Member States. Only in a few Member States have the losses resulting from currency revaluations been marked up.

2.3. The Commission cites 'a marked slowdown in the reduction in the agricultural labour force' as one of the main reasons for the fall in farm incomes.

Rising unemployment in the EU continues to be one of our major unresolved problems. Many rural areas are particularly beset by unemployment so that in many areas it has been, and is, becoming more and more difficult for farmers to find opportunities for earning income outside agriculture. This has inevitably had an impact on structural change in agriculture. The Committee therefore believes that a solution to the problem of deteriorating incomes should not be sought by encouraging the agricultural labour force to desert farming in large numbers. In any case, the main cause of the decline in income levels over the past few years has been the drop in the price of key farm products.

The Committee would point out in this context that the ESC Opinion on the 1997/98 farm price proposals contained the suggestion that income trends in agriculture be looked at in conjunction with their impact on employment.

2.4. The Committee does not agree with the Commission that the partial shift from market price support to direct income support 'has generally contributed to the consolidation of agricultural income and the reduction in its variability'. The massive fall in incomes in some Member States does not support this thesis. Even higher direct payments are unable to make up for the loss of income resulting from market fluctuations, which is why it is essential to make systematic use of available market management instruments.

2.5. The Committee is well aware that unforeseeable events such as the financial crises in south-east Asia and the crisis in Russia have had a powerful effect on the market outlets for and hence prices of major agricultural products. These developments run counter to the assumptions made in the Commission's 'long-term prospects'-assumptions which formed, *inter alia*, some of the thinking behind CAP reforms. Events over the previous year also show that by and large Europe cannot simply abolish the instruments it uses to organise common agricultural markets. Such instruments after all are needed:

- to regulate production appropriately,
- to ensure that EU farmers are not fully exposed to the vagaries of world markets.

The Committee notes with interest that the USA has changed the new direction of its agricultural policy — which came into existence with the Fair Trading Act — in order to react to the crisis on major agricultural markets. Unlike the EU, the US administration has acted rapidly, thereby giving American agriculture a competitive advantage.

2.6. The Committee criticises the Commission for, in any case, reacting too slowly to the crises in pigmeat markets. The criticism applies both in respect of (a) the granting of subsidies for private storage and (b) the increase in export refunds.

2.6.1. The Committee expects the Commission to make timely use of the existing market organization machinery to prevent sharp price falls which would result in loss of income for a majority of farmers.

2.7. The Committee has repeatedly asked the Commission to undertake an in-depth study of the impact of the CAP and CAP reforms (particularly when agricultural producer prices are being reduced) on consumer prices, food quality, health, the environment, employment and rural areas. The Committee continues to believe that a comprehensive analysis of this kind is necessary and so regrets that the Commission has not yet come up with anything.

2.8. The Committee would point out that in 1998, as in the past, no additional measures were introduced to hasten the development of renewable energy sources, and renewable raw materials for industrial purposes. It is regrettable that no such measures are provided for in the present price package. Conditions for the development of renewable raw materials continue, on the contrary, to change every year so that there is no such thing as stable conditions for the development of this increasingly important branch of production. There has, moreover, been a sharp decline in the non-food use of oilseeds.

2.9. The Committee hopes that, despite the collective resignation of the European Commission, the work that lies ahead will be properly carried out and there will be no legal uncertainty in areas of importance to agriculture and the foodstuffs sector.

### 3. Specific comments

#### 3.1. Cereals

3.1.1. The Committee notes that in the cereals sector the Commission does not propose any changes in institutional prices or premiums.

3.1.2. The Committee is pleased that the Commission has not reduced the monthly increments. Maintaining such increments at least at their present level would likewise be of great importance for the future.

3.1.3. The Committee agrees with the Commission proposal that penalties for the overrun of irrigated areas should be on a one-to-one basis and not disproportionate, which simplifies the system.

3.1.4. Since the downward pressure on cereal prices has continued to gain momentum and intervention stocks in the current marketing year have seen a further rise, the Committee is in favour both of keeping the set-aside rate at 10 % for the 2000 harvest and of acting to stabilise markets. The Committee would also like to see the maximum moisture content for cereal intervention set — as before — at 15 %.

#### 3.2. Rice

3.2.1. The Committee welcomes the Commission proposal not to reduce the monthly increments in order to cope with the difficult situation on the rice market.

3.2.2. In view of this difficult situation, the Committee hopes that all instruments will be fully utilised to stabilise the market pending reform of the common organisation of the rice market.

### 3.3. Sugar

3.3.1. The Committee believes that the Commission should re-examine whether the proposed reduction of the monthly storage refund is really justifiable. The stable interest rate situation referred to by the Commission is, inter alia, at odds with the fact that the introduction of the Euro on 1 January 1999 resulted in an average 1.54 % fall in beet and sugar prices in terms of national currencies. A close look also needs to be taken at whether conditions in Italy really warrant an abandonment of the derived intervention price for white sugar.

### 3.4. Fibre plants

3.4.1. The Committee welcomes the fact that the Commission has not this time proposed a reduction of premiums, as it did in previous years.

3.4.2. The Committee proposes that administrative procedures be simplified, for example by ensuring that applications for premiums do not involve filling in more than one form. The Committee further notes that current rules on coefficients for flax entail costly red tape, which puts some EU regions at a competitive disadvantage. Here too the Commission should look at the possibility of simplifying administration by doing away with the system of coefficients.

### 3.5. Wine

3.5.1. The Committee agrees with the Commission that existing regulations should remain in place until the reform comes into force. For this same reason the related measures and national derogations set out in the price package should likewise be maintained.

### 3.6. Fruit and vegetables

3.6.1. The Committee notes that the Commission proposes no changes to the common organisation of the fruit and vegetables regime following the 1997 reform.

3.6.2. Reducing budget expenditure on this important sector can be criticised for several reasons, one of which is the strong pressure in prices resulting from changes in the system of premiums for citrus fruits.

### 3.7. Seeds

3.7.1. The Committee notes the Commission's proposals for amendments to the basic Regulation on seeds. It also points out that the proposal concerning *Lolium perenne* L. entails a reduction in aid for a certain category of seed, thereby penalizing a large number of seed growers.

### 3.8. Animal products

3.8.1. The Committee notes that the Commission proposes no changes in institutional prices or premiums in the case of milk, beef/veal, and sheepmeat/goatmeat. Given the importance of the prices of animal products for farm incomes, the Committee calls upon the Commission to make full use of every available instrument to ease market situations, particularly through improvements in pigmeat markets.

3.8.2. The Committee advocates a continuation of the special measures applicable in the new German Länder with regard to the 90-animal farm threshold.

Brussels, 28 April 1999.

*The President*  
*of the Economic and Social Committee*  
Beatrice RANGONI MACHIAVELLI

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