'EEC Agricultural Fund has run out of money', from Corriere della Sera (11 July 1973)

Caption: On 11 July 1973, the Italian daily newspaper Corriere della Sera is concerned at the lack of liquidity in the European Agriculture Guidance and Guarantee Fund (EAGGF) which is designed to support agricultural markets and contribute to the development of the rural sector.

Source: Corriere della Sera. dir. de publ. OTTONE, Piero. 11.07.1973, nº 160; anno 98. Milano: Corriere della Sera. "Il Fondo agricole della CEE è rimasto senza soldi in cassa", auteur:Guatelli, Arturo , p. 6.

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http://www.cvce.eu/obj/eec_agricultural_fund_has_run_out_of_money_from_corriere_della_sera_11_july_1973-en-bd0ea38d-0d52-4fb8-8287-fec8baf5ef7c.html

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EAGGF ‘pays dearly’ for price support policy

EEC Agricultural Fund has run out of money

The nine Member States will be asked to contribute a further 500 000 million lire — France and Germany blamed

From our special correspondent

Brussels, 10 July.

The absurd agricultural price support policy introduced years ago by the Common Market leaders is now bearing fruit: the EAGGF (European Agriculture Guidance and Guarantee Fund) has no money left to guarantee the ‘intervention price’ to farmers or, in practice, to pay for stocks and bear the cost of storage. The EEC Commission (whose Commissioner for Agriculture is the Dutchman Pierre Lardinois) will in the next few days be forced to ask the nine Member States for a loan. And it is no paltry sum: the support is likely to amount to some 800 million units of account (one UA being equivalent to one dollar at its former value, i.e. 625 lire), a total of almost 500 000 million Italian lire.

‘The surpluses have exceeded predictions’ is the official explanation given by the authorities in Brussels to anyone expressing surprise at this sudden, and unforeseen, ‘deficit’. According to officials from the Directorate for Agriculture, ‘the Community institutions did not know what the harvests would be when they drew up the budget forecasts at the beginning of May.’ But they are careful not to draw attention to the fact that the surpluses are once more in the Common Market’s most protected products: butter, milk and, to a lesser extent, cereals and olive oil.

The countries being blamed are always the same: France for butter and milk, the Netherlands for milk and the Federal Republic of Germany for cereals. These three ‘leaders’ of Green Europe, whose agricultural structures are by far the most efficient in the Community, have always pursued a policy of high prices to protect and boost their farmers’ income. In so doing, they have triggered off an upsurge in inflation (the highest increase has in fact been for foods, many of which are agricultural products or by-products) and prevented the European Community’s ‘poor relations’ (Italy above all) from carrying out a proper reform of their structures. And this becomes evident if one looks closely at how the EAGGF’s funds are allocated: four fifths are assigned to the ‘Guarantee’ section and consequently to price support, and only one fifth to the ‘Guidance’ section and therefore to structural reform.

The main disadvantage (and one directly at the expense of European consumers), however, is the enormous butter mountain that the Community institutions are forced to stockpile, only to sell it below cost at a later date, as happened only three months ago with the Soviet Union. The EEC entered into a contract with Russia, brokered by two mysterious French companies, for the sale of 200 000 tonnes of butter. Protests fell on deaf ears. There was an angry debate in the House of Commons, with grave accusations being levelled against the Heath Government and with the anti-marketeers loudly denouncing the contradictions in Green Europe. In Strasbourg, in the European Parliament, the sale of Community butter to Russia was also at issue. A Danish representative called it a scandal. The voices of protest apparently succeeded in curbing the French, Dutch and German claims to increase the agricultural prices whose fixing, for the 1973–74 period, was being discussed in Luxembourg at that very time.

But in the Luxembourg negotiations too — marked by exhausting all-night marathons — those countries trying to reverse the trend in policy on agricultural prices were bulldozed by the weight of the Paris and Bonn Ministers, Pompidou’s heir apparent Jacques Chirac, and the uncouth Bavarian Josef Ertl. The price of milk was raised by 5.5 % and that of cereals, against the insistence of the British who wanted a ‘freeze’, by 1 %.

Italy — represented at the time by a Minister (Lorenzo Natali), whose departure has been greatly regretted in Community agricultural circles in Brussels — fought long and hard, and not without success, against the

indiscriminate increases in agricultural prices. The ‘sop’ received in return was the approval of a ‘directive’ for the reform of mountain farming structures. It was a step in the right direction, but it should have been thought of earlier. The consequences of the ‘victory’ of the French, Germans and Dutch have now been to reduce the EAGGF to penury.

Arturo Guatelli