

Statement by Ray MacSharry on CAP reform (Strasbourg, 12 June 1992)

Caption: On 12 June 1992, the European Commissioner for Agriculture, Ray MacSharry, outlines to the European Parliament the main thrust of the new reform of the common agricultural policy (CAP) and describes the difficult discussions over the issue of agriculture during the multilateral GATT negotiations.

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Mr President

I am grateful for this opportunity to comment on the political agreement on CAP reform reached in the Council on 21 May. On the same occasion the Council reached agreement on the 1992/93 price proposals.

I will not take up the time of the house in listing the detailed measures agreed. These are by now well known to members. I will confine myself instead to an outline of the main policy implications, and will put the reform in the context of agriculture and the Uruguay Round.

But first of all I want to put on record the commission's deep appreciation of the essential role of parliament in bringing to fruition the CAP reform, and the prices proposals. From the start Parliament has proved to be a constant and powerful advocate of reform. Parliament's willingness to give its opinion within a short time scale and the constructive nature of that opinion added decisively to the momentum for an agreement and enabled decisions to be taken.

The Commission, indeed the Community generally, is indebted to you for this; in particular to the chairman of the agriculture committee Mr Borgo, to his predecessor Mr Colino-Salamanca, and to the individual rapporteurs Mr Bocklet and Mr Navarro, and to the other committees and individual members whose strenuous efforts led to the Commission's proposals being speedily, yet comprehensively examined.

In practical terms the agreement has meant:

- a) an end to uncertainty, especially for farmers
- b) better prospects for a GATT agreement
- c) being able to identify agricultural expenditure requirements for the purpose of the new financial perspectives.

The reform involves an important change of direction for the common agricultural policy. The essential change is the break in the link between price support and production, and the new emphasis on direct aids to farmers.

The agreement amounts to substantial attainment of the Commission's initial goals.

- We have a more rational price structure for arable crops, with a more competitive cereals price especially. Livestock products will be at a more competitive price level also, both in the case of pigmeat and poultry products but also in the case of beef and dairy products. These price changes will bring important benefits to consumers.
- We have an effective set aside instrument to reduce excess production of arable crops.
- We have better production controls on other products such as milk, beef, sheepmeat, and tobacco.
- We have enhanced modulation of support - through set aside, though in the case of the beef and sheep premium there is no change.
- We have the accompanying measures which open up new prospects for innovative programmes for the environment, afforestation and early retirement.

The budgetary costs of the agreement can be maintained within the parameters for agricultural guarantee expenditure. This should bring greater clarity to an important aspect of the negotiations on the new financial perspectives.

It would be foolish to pretend that the Commission has been satisfied on all points. I was disappointed at the absence of individual reference amounts in all cases where production controls were being established. But the practical operation of the new system, coupled with insistence by individual farmers to know precisely where they stand as regards obligations and rewards, will surely lead to member states seeing the wisdom of exercising the option for individual base areas for arable crops, and for individual reference numbers in the

case of livestock. I regret also that the dairy cow premium for extensive grass based systems did not find acceptance. On the other hand premiums in the beef sector were increased significantly and included an important new incentive for extensive, environmentally friendly farming. This is consistent also with our more market-oriented approach to beef where the volume and price of beef purchased into intervention will be reduced to more sustainable levels.

In the case of the price proposals the main points of note were the suppression of the cereals coresponsibility levy, and the decision to continue the supplement to the suckler cow premium introduced last year. Both these developments are in line with opinion in parliament.

I said at the beginning that CAP reform improved the prospects for a GATT agreement. The community has now in place a series of market control instruments in place that enable us to meet any reasonable commitments to be given as part of the Uruguay Round. But I must emphasise that the agreement by member states was reached after immense difficulty. Here I must pay tribute to ministers who were willing to set aside short-term considerations in favour of a longer perspective for agriculture and for the community's farmers.

An essential precondition of ministers' acceptance of the new policy was that the new compensatory aids should (i) be fully guaranteed and (ii) not be subject to the disciplines arising from any GATT settlement - in other words the aids should be in the so called "green box". The first condition is met through the legal and financial framework which guarantees the compensation. The second condition becomes an indispensable prerequisite of any GATT agreement on agriculture. Mr President the circumstances which justified CAP reform are as valid today as they were on 1 February 1991 when the Commission launched its reflections paper on the future of the CAP. There are overwhelming internal reasons for this reform irrespective of the international context.

But without the reform I do not see how the Community could deliver any substantial commitments on agriculture in the Uruguay Round. Our trading partners are fully aware of the potential contribution of CAP reform to better market balance and of the benefits that will accrue from this. They are aware also that the flexibility shown in the community's position on agriculture has only come about through the prospects opened up by the reform.

But should our trading partners insist on arrangements that call into question what the member states have so painstakingly agreed to put into place, there can be no agreement on agriculture in the round. Equally, there can be no agreement on agriculture in isolation. That is why the Commission continues to insist on progress in other key areas of the negotiations such as services.

But there can only be a successful conclusion to the Uruguay Round if the necessary political will exists on all sides.

I regret that the United States has chosen this week to initiate its procedures to unilaterally withdraw trade concessions for a whole range of EC exports, in the context of its dispute with the EC over oilseeds. Quite apart from the need to maintain the necessary spirit of cooperation in the broader context of the Uruguay Round, this initiative was all the more surprising given that the community had committed itself to come up with a concrete proposal for a solution before the next GATT council on 19 June. We have fulfilled our commitment on this through our request for negotiations under article XXVIII of the GATT.

I can only repeat once more that the Commission remains committed to a successful conclusion of the round. This week's developments will cause many to ask whether others share the same objective.