

# COMMISSION OF THE EUROPEAN COMMUNITIES

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GUIDELINES FOR RURAL DEVELOPMENT ACTIONS

LINKED TO THE FUNCTIONING OF AGRICULTURAL MARKETS

(Communication of the Commission to the Council  
and the European Parliament)

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1. In its communication of July 1988 on "The Future of Rural Society" [COM (88) 501 final] the Commission emphasized the need for concerted action to encourage the development of rural society both through directly targeted measures and by giving more emphasis in the Community's general policies and programmes to their impact on rural society. With a view to encouraging rural development, which necessarily goes much wider than agriculture, the Community's policies should aim to improve the conditions of life (economic, social, environmental) of all people living in rural areas. As far as agriculture is concerned the aim is to support the incomes of farm families not only through the traditional instrument of price and market support but also through non-market measures; the latter should aim to modernise the farm enterprise, diversify its agricultural activities and encourage non-agricultural enterprise on, or linked to the farm (tourism, handicrafts, first-stage processing of food, farm shops etc.). Measures outside agriculture should support the process of sustaining and diversifying employment opportunities through training and re-training, stimulating small and medium-sized enterprises, improving infrastructure (roads, electricity, water and telephones) and services where necessary and offsetting the handicaps of remoteness and low density of population.
2. The Commission has already taken major steps in this direction through the implementation of the reform of the Structural Funds : rural development features prominently in the Community Support Frameworks for Objective 1 (less developed areas of the Community) which are about to be finalised; the Commission intends to respect the timetable set down for the Community Support Frameworks for Objective 5b (rural areas) once all the plans are received from the Member States concerned; and the proposal for the adaptation of horizontal measures to support agricultural structures [Objective 5a, COM (89) 91] made by the Commission in May 1989 will enable a more effective contribution to be made to rural development throughout the Community. Other measures have been taken on the market side, for example, the removal of the milk co-responsibility levy from the beginning of the 1989/90 marketing year in the case of less favoured areas.
3. Rural development will continue to be a major theme of the Commission's programme over the coming months. There is, however, an immediate issue which needs to be tackled, which is the subject of the present communication. In the report on "The Future of Rural Society" the Commission stated its intention to provide for certain measures related to the operation of agricultural markets. Consequently, in the Preliminary Draft Budget for 1990, the Commission proposed the introduction of a new budget heading in the EAGGF Guarantee Section

(article 295) called "Rural Development Actions linked to the functioning of the Markets". In the absence of concrete proposals at the time, it was proposed to enter a "p.m." on the budget line and a sum of 200 MECU in the reserve (Chapter 100) for transfer later in the financial year.

4. At the Budget Council on 27 July 1989, while most Member States were in favour of the Commission's proposal, the necessary qualified majority was not forthcoming; the provision does not therefore appear in the draft budget sent to the European Parliament. The absence of an indication of the detailed measures for making use of the 200 MECU was given as the reason for refusal of the proposal. The Commission is therefore now providing a description of the measures which should be financed under this provision.
5. As far as agriculture is concerned, the reform of the CAP and in particular the introduction of stabilisers means that the development of rural society can no longer be seen in terms of "quantitative" improvements in agriculture. A number of measures need to be taken alongside the action of the Structural Funds to ensure that agriculture develops in the right way and that farmers adapt to the realities of the market. It is necessary therefore to introduce measures whose long-term aim is to make better use of the resources, especially human resources, available in rural society while maintaining the policy of keeping surpluses and costs under control.
6. The reasons why the measures are to be funded from a single line in the Guarantee Section are as follows :
  - they form part of the general strategy of CAP market policy;
  - to enable the Community to demonstrate that the ideas in the report on rural society are being implemented through a specific and consistent set of measures and that action is being taken to give special consideration to producers who are suffering most from developments in the CAP;
  - to enable the Community to identify and, if necessary, to provide for any special category of producer requiring assistance in the context of any general tightening of agricultural market measures in future.
7. These proposals concern only the actions to be funded under the 200 MECU, where the budgetary procedure imposes particular urgency. It is intended to propose three types of action :

(i) Differentiation of Agricultural Market Mechanisms

Increased differentiation (or "modulation") of measures of general application in the market organizations was suggested in the report on the Future of Rural Society as a means better to adjust the CAP to the diversity of European agriculture. A certain number of "differentiated" measures already exist in several market organizations. The reason for this differentiation is usually to be found in the poor socio-economic situation of beneficiaries, as evidenced by one of several indicators, such as farm or herd size, amount of production, location of the farm in specially deserving areas. Other rural development considerations (conversion towards

alternative crops or crops particularly suited to certain areas, lack of alternatives ...) may also warrant differentiation regardless of the socio-economic situation of beneficiaries. Following the introduction of stabilizers, a review of existing forms of differentiation and the introduction of further measures are desirable in order to mitigate the effects of reduction of support on certain categories of producer.

For the reasons set out above, the annual cost of any new measures of differentiation would be funded under the new budget line. Other existing measures of modulation would continue to be financed from elsewhere in the budget, but for presentational reasons the commentary on the new budget line would contain a reference to them.

Measures to help particular categories of farmer could of course range widely, and the Commission will keep the situation under review; for the present the Commission considers that the following measures could appropriately be financed from the 200 MECU :

#### Main Arable Crops

The current aid scheme for small producers of cereals (nationally defined) would be maintained for the time being. A new regime would be introduced to apply to all the main arable crops, with the exception of sugar beet, according to a process of definition of small producers which would be carried out at the Community level. The regime would consist of an aid payable per hectare regardless of the quantity produced and limited to farmers with a utilised agricultural area (UAA) to be defined. Arrangements would be made to ensure an appropriate transition between the existing scheme for small cereals producers and the new general scheme.

#### Minor Cereals

For environmental reasons and to allow for an increase in the diversity of cereal production, an aid per hectare would be introduced for "traditional" cereals such as buckwheat, canary seed, millet, etc., which are environment-friendly, have a high nutritional value, and are in structural deficit in the Community. Such crops are especially suited to areas with poor soil or where set aside is not recommended for environmental reasons.

#### Cotton

Following the Commission's undertaking to the Council in the context of this year's agricultural price decisions, an aid for small-scale cotton producers will be proposed shortly.

#### Beef

Milk producers are currently excluded from availing of the suckler cow scheme under which the Community pays an aid of 40 ECU per cow to beef producers. With a view to providing an additional opportunity to supplement the incomes of small farmers it is intended to extend eligibility for the premium to small milk producers, that is with a milk quota of 60.000 kg or less.

## Finance

The global cost of the differentiation measures envisaged is of the order of 180 MECU. Detailed estimates will be provided in the financial statements which will accompany the specific proposals.

### (II) Information on Rural Development

There exists a real need among farmers for more sources of advice and information on agricultural markets and rural development. In the line of its communication on "The Future of Rural Society" the Commission has started setting up a system of "European Centres for information and promotion of rural development" ("carrefours"). Seven pilot "carrefours" have been set up already. The "carrefours" aim to provide information to people in rural societies about EC policies and to encourage dialogue and cooperation. There is a need to develop the existing pilot projects and to graft a specialised agricultural network into the existing administrative arrangements. This Model Scheme for Information on Rural Development Initiatives and Agricultural Markets (MIRIAM), would continue to rely on existing organisations, in rural areas, that the Commission would select in order to host individual "carrefours" or information centres. The organisations would include professional agricultural organisations, agricultural chambers, agricultural credit organisations, institutes of agricultural education or any other organisations which provide services in the rural development context. They would provide (i) information on EC policies within the framework of the CAP (ii) market intelligence and information on product quality standards and (iii) practical advice on diversifying farmers' incomes and creating other forms of enterprise on or off the farm.

In line with the existing scheme, the Community would provide documentation, access to databases, staff training and start-up aid together with a contribution towards the operation of the service. Assuming some 100 new centres the cost would be around 5 MECU.

### (III) Measures to Promote Quality.

In its 1985 Green Paper, and subsequently in the 1988 Report on Rural Society, the Commission committed itself to pursue a policy to promote the quality of agricultural products and foodstuffs. This is justified by three significant socio-economic factors:

- the need to reduce the surpluses of agricultural products by promoting quality rather than quantity;
- consumer preference for certain regional products and those produced in a traditional way;
- the need to provide higher returns from specialisation in certain products in the case of farms in less favoured areas liable to abandonment.

To achieve these aims it is necessary to distinguish quality products in order to inform the consumer fully, avoid unfair competition between producers and harmonise national provisions in this field. To this end the Commission, following the line of its quality policy as set out in the Communication on the free movement of foodstuffs within the Community [COM (89) 256] intends to submit proposals for Community legislation necessary to provide a clear legal framework

under which these objectives can be secured by affording appropriate protection to quality indications whilst assuring free circulation of foodstuffs and maintaining export markets.

In this connection, measures will be proposed relating to :

- controlled origin designations and protected geographical indications;
- quality seals.

#### Geographical indications

- a) In the Commission's view, controlled origin designations should have a highly restricted character. They should be granted only to products whose quality and characteristics are due essentially to a defined geographical environment and could not be acquired outside this zone even if the production method is copied. Furthermore production and processing must be carried out within this zone. At this stage, Community rules should be applicable only to wines and spirits (for which Community provisions already exist), cheeses and hams.
- b) Protected geographical indications, however, would have a somewhat wider significance, being geographical descriptions of a delimited geographical zone which accompany a product processed in the zone and whose quality, reputation or other characteristics may be attributed to this geographical environment, including natural and human factors. The special characteristics of these products are due to their geographical origin or to local tradition which have made their reputation.

#### Quality seals

The development in several Member States of food quality seals and their popularity with consumers seeking increasingly traditional or craft products encourages the Commission in its intention to set up a regulatory framework to ensure transparency of the market and the legal protection of such seals. A quality seal is the specific description of a quality of product additional to the usual description of the product. The product has specific characteristics determined by its constituents and conditions of production and the seal may be used by any producer who voluntarily accepts the additional constraints, which are independent of the exact place of production.

#### Regulatory procedure

The Commission considers that as simple a regulatory procedure as possible should be established to facilitate management of the system.

#### Finance

The success of such a policy will depend to a great extent on farmers, traders and consumers being adequately informed of the Community action to promote quality food products. The Community should therefore finance a number of information and promotion programmes

directed at these groups. Financing should also cover specific action to assist producers or groups with the launching costs of initiatives on quality. It is estimated that this expenditure would amount to some 20 MECU in 1990.

### Conclusions

8. With a view to enabling the new budget line to be approved in the 1990 budget, new measures will be proposed on modulation, information centres linked to agricultural markets and on quality.

The particular measures relating to quality and quality promotion, modulation for cotton and on information centres will be proposed in the near future. The necessary legal bases will thus be provided to allow expenditure from the 1990 budget in the areas indicated.