

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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**MEDITERRANEAN
AGRICULTURAL
PROBLEMS**

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In July 1976 the Council of Ministers of the European Communities requested the Commission to draw up a situation report on the Mediterranean policy as soon as possible, and at the same time to submit whatever proposals appeared necessary to deal with the issues involved.

The Commission for its part had already engaged in 1975 on a detailed study of the Mediterranean problems.

It thought it well to inform the Council now of the gist of its findings, to outline the measures it considers should be taken and to list those already proposed.

The findings and proposed measures relate primarily, at this stage, to agriculture. It is apparent, however, that the problems facing these regions are not solely agricultural, but are also bound up with the level of general economic development there.

The action to be undertaken will therefore have to be on a major scale and to mobilize the whole national and Community armoury, and indeed possibly involve additions to that armoury. The purpose must be to promote a proper balance between Community production lines and between them and the production lines of the non-Community Mediterranean countries.

Accordingly it is from this angle that the initial agricultural measures herein set out should be viewed.

COMMISSION OF THE EUROPEAN COMMUNITIES

MEDITERRANEAN AGRICULTURAL PROBLEMS

(Communication from the Commission to the Council)

Brussels, 1st April 1977.

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MEDITERRANEAN AGRICULTURE

1. The situation in brief

Analysis of the state, trends and outlook of the agriculture and economy of the Mediterranean regions shows:

- that agriculture there is more depressed and of lower growth than in the rest of the Community;
- that a number of regions where incomes are exceptionally low are facing problems not solely agricultural but bound up with the level of general economic development.

Consequently the troubles of the markets in Mediterranean products, which are hitting all these regions particularly hard because those products account, and will for some time to come account, for a substantial and often preponderant part of their agricultural production, come on top, in an area comprising the Italian Mezzogiorno (including the islands) and the French province of Languedoc, of the troubles arising from particular vulnerability as regards general economic, and especially agricultural, structures.

The socio-structural state of agriculture in these latter regions is bad. A very large proportion of the working population is in agriculture, productivity is low, and consequently incomes are very low indeed and there is much agricultural under-employment. The production structures are hardly changing at all, and the marketing and processing structures leave much to be desired. Utilization of natural resources is unsatisfactory, and the slow general economic growth affords no stimulus to the modernization of agriculture. For all these reasons the lag of agriculture there behind agriculture elsewhere in the Community has been widening.

Attention must be drawn in this connection to the tardy start made on a Community regional policy and to the fact that the European Regional Development Fund was only set up in 1975.

The Council's adoption of the three socio-structural Directives in 1972 marked the beginning of a more structured common policy on agriculture, but the fact remains that the two Member States with Mediterranean regions have only been implementing the Directives for a matter of months. This was bound to aggravate the structural lag already apparent there.

As to the price and market policy, it has proved inadequate to cope with these problems, and in some cases has made the development disparities between region and region even worse. The share of the value of the agricultural end production of the Mediterranean regions overall in the end production of the Community as originally constituted¹ worked out between 1960 and 1973 roughly the same in quantity (with a rise up to 1972 and a distinct falling-off since) and declined in value (18.5% in 1964 and 17.6% in 1973). The increase in internal demand has been mainly met, in the case of some products, by a decrease in exports and even an increase in imports (processed tomatoes), in that of others (tangerines, clementines) by an increase in net imports, notwithstanding increased production.

There are many reasons for this. The market organizations for durum wheat, rice, olive oil and tobacco are fairly well structured, but those for, inter alia, wine, oranges, tangerines, lemons, dessert grapes, pears, peaches and tomatoes are not, and for other fruit and vegetables, fresh and processed,² they consist merely in at-frontier protection (application of the CCT). This is due partly to the nature of some of these products, and in particular the difficulty of storing them, but the diversity undoubtedly very appreciably affects both the level and the security of incomes. In addition the poverty of the marketing and processing structures has made it harder for Mediterranean products to sell in the other regions of the Community. The Community's contractual external commercial policy has initially, while not actually making things worse for these regions, nevertheless shown up some shortcomings and even hiatuses, in the functioning of the markets in some Mediterranean products; later on, particularly under the overall Mediterranean approach, given its scope, extension and future implications, that policy could well exacerbate the difficulties already there.

¹This share is 18%, but ranges from 53% to 76% of the total production of the regions concerned, reaching 76% in the case of the Mezzogiorno.

²The products in the two latter categories, i.e. with less structured organization of the market or mere application of the CCT, account for some 60% of the agricultural end production of the French Mediterranean regions, 43% of Northern Italy's and 56% of the Mezzogiorno's.

To prevent a slowdown in the Mediterranean external policy and to ensure smooth development of the Community as a whole, therefore, it is necessary to launch a large-scale drive for the Community's Mediterranean regions, bringing the range of Community financial instruments convergently to bear. This is even more important in the context of the Community's prospective enlargement.

The Commission here submits the measures it considers should be taken with respect to agriculture.

2. Outline for a policy

The Community's problem over the Mediterranean regions is primarily a problem of structure, including effective soil conservation, but it is also a problem of market organization, particularly as regards certain products (see also Annex I).

Socio-structural measures

The situation necessitates a coherent policy for the Mezzogiorno and Languedoc with respect to the main structural factors not only in the agricultural but in the industrial and tertiary sectors (above all tourism and transport). Structural policy on the agricultural side calls for coherence between action by the regions, by the Government concerned and by the Community.

Thus where the expenditure involved by joint action in the problem regions would impose a heavy financial burden on the Member States concerned, consideration should be given to increasing the rate of Community refunds in respect of such action.

Also, the action should be differentiated according to the different situations in the worst-off parts of the Community's Mediterranean region, the Mezzogiorno posing the most difficulties.

The Mezzogiorno

In the mountain and hill areas, a soil conservation drive is needed to further the ecological stabilization of the countryside and in particular to help prevent repeated flooding. The main means to this end are maintenance of farming, forestry development and water control.

The Community is helping the maintenance of farming by Directive 268, a blanket measure concerning farming in hill and other disadvantage areas which is generally applicable in these regions.

The Commission has submitted a proposal to the Council for joint action to aid afforestation of marginal farmland, of general application in the Community but of particular relevance to the southern regions in question.

Another major contribution could be to help speed up the installation of water catchments and piping to enable the water to be used to irrigate farmland and for other purposes, including industry. The Regional Fund could play a notable part in this connection.

In the intensively-producing coastal belts and plains, which are already partly irrigated, action should be aimed firstly at qualitative improvement of production and at developing the sales potential of such products as possess one, and secondly at improving the marketing and processing of agricultural products.

Production constraints to be borne in mind are the extremely limited scope for the creation of non-agricultural employment and the difficulty of finding sales outlets for increasing production of some Mediterranean agricultural products. Clearly the stepping-up of efforts to enable larger areas of farmland to be irrigated (proposal to be submitted) would be a useful Community contribution, but the production would need to be so planned that the larger amounts produced could be sold, and due account taken at the same time of the desirability of complementation between Community produce and the produce of the Mediterranean third countries. Along with such action would have to go more active application of the Community socio-structural measures in line with the needs of the regions concerned, and the establishment of agricultural instructions and promotion services, also Community-aided where appropriate.

Improvement of the marketing and processing arrangements, particularly in the case of processed fruit and vegetables, is also important, if anything even more important, both for agricultural production and for job creation. Establishment of producer groups eligible for start-up assistance from the Community (this would concern Italy overall: proposal to be submitted) could help to get production more geared to the market and to ensure marketing

discipline enabling the supply to be concentrated in face of the industrial trade and the foodstuffs industry. The new generally applicable Regulation No 355/77, on joint action to improve processing and marketing of agricultural products, will allow of specific programmes both for improvement of marketing sectors and for development of processing activities which at present are to a great extent lacking in the Mezzogiorno. Regional Fund assistance could usefully be deployed to supplement these measures on the industrial side, and also to provide the transport structures necessary to sell the products on the Community market.

Languedoc

The unsatisfactory socio-structural state of Languedoc is further worsened by the problems of its wine-growing sector, on which it so much relies as to be practically a one-crop economy.

Community action would be aimed at modernization of agricultural production, in particular production of quality wine, and would include agricultural restructuring of certain areas to make agricultural incomes less exclusively dependent on wine-growing, for instance by encouraging the growing of maize on irrigated land. In addition the new Regulation No 355/77 just referred to would be put to particularly vigorous use to improve processing and marketing especially in the wine-growing sector.

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The corpus of structural measures envisaged, both in the Mezzogiorno and in Languedoc, would also help to create jobs in the foodstuffs industry and outside agriculture: the operations would extend over a number of years, and some of them, particularly in connection with infrastructure, would require ongoing maintenance.

Market measures

As concerns the agricultural markets, adjustments are needed to improve the implementation of the Community rules on fresh fruit and vegetables.

Also, as an initial measure, additional incentives should be provided for the fruit and vegetable producers to form more into groups so as to be able to sell their products at least at the withdrawal price, and above all to be better organized for marketing purposes.

In the case of processed fruit and vegetables, or anyhow the more sensitive of them, there should be appropriate measures to deal with the difficulties caused by the fact that the price of the raw material is usually higher in the Community than in the competing third countries, and the at-frontier protection on processed products does not make up for this.

In the wine-growing sector the focus should be more and more on quality production, with disincentives for wine-growing in the plains where other crops can be grown even though less profitably, and incentives for it in other areas which can only be turned to best account in this way.

Supporting measures, in particular for the rationalization of wine-growing by grouped schemes, should also be planned.

As concerns the olive-oil sector, the big problem is to prevent a further decline in consumption by appropriate action coupled with additional measures for, above all, more rational use of aid and measures to promote grouped rationalizations of olive-oil growing (concentration on production of dessert olives, inter alia).

In addition to these crops so all-important for the Mediterranean regions, the irrigation of new farmland should be accompanied by action to encourage production of, in particular, fodder and protein crops.

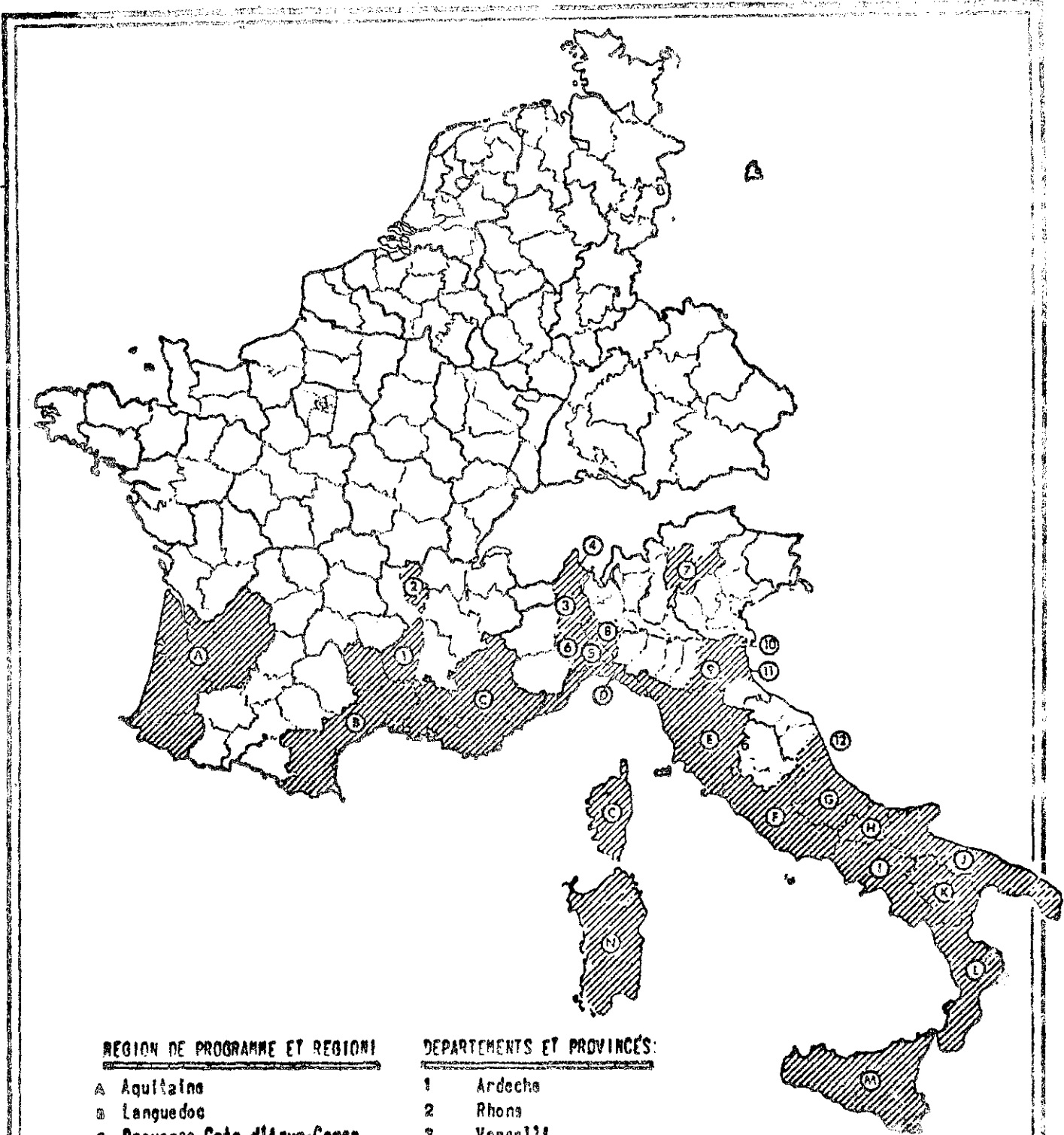
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As concerns the measures to be proposed or considered, particular attention should be paid to the implications of Community enlargement of the Community's supply situation.

Mention should also be made of the measures concerning various products (listed in Annex II) already submitted to the Council but not yet adopted, the implementation of which could make a useful even if only partial contribution to the tackling of the Mediterranean problems.

WIDE MEDITERRANEAN REGION¹



REGION DE PROGRAMME ET REGIONI

- A Aquitaine
- B Languedoc
- C Provence-Cote d'Azur-Corse
- D Liguria
- E Toscana
- F Lazio
- G Abruzzi
- H Molise
- I Campania
- J Puglia
- K Basilicata
- L Calabria
- M Sicilia
- N Sardegna

DEPARTMENTS ET PROVINCES:

- 1 Ardeche
- 2 Rhone
- 3 Vercelli
- 4 Novara
- 5 Alessandria
- 6 Asti
- 7 Trento
- 8 Pavia
- 9 Bologna
- 10 Ferrara
- 11 Ravenna
- 12 Ascoli Piceno

¹The Mediterranean-type regions (see map) are defined as such in consideration of their climate and of the share of Mediterranean products in their total agricultural production.

These products are: durum wheat, vegetables, flowers, tobacco, wine, olive oil, fruit (except apples), citrus fruits, mutton and lamb.

Consideration of climatic characteristics, based on a map of growth periods for the whole EEC, has given an area consisting of most of Italy and south-eastern France. Within that area, the regions treated as "Mediterranean" are those where the share of Mediterranean products in their total agricultural production is at least 40%. Together the regions so defined cover a useful acreage of 15.6 million hectares and support 1.8 million holdings (17% and 30% of the EEC totals respectively).

There are about 2.6 million persons working in agriculture (approximately 30% of the total EEC agriculture workforce).

NEW MEASURES TO BE PROPOSED OR CONSIDERED (in agriculture)

1. Structural measures

- (a) Mezzogiorno: irrigation. The Commission is thinking in terms of a joint drive to get rid of the obstacles posed by hydrological imbalance to the proper use of land in the Mezzogiorno. The idea is that the new irrigated areas should be encouraged to engage in fodder production and other forms of production to be decided on, and that upland areas too should share in the benefits of irrigation. It is intended to submit the proposal by July 1977.
- (b) Producer groups. On 15 February 1977 the Council resolved to take a decision by 30 June 1977 on a proposal to be made by the Commission by 30 April on start-up aids for producer groups. The proposal is to deal particularly with the needs of regions with defective farm-product marketing structures.
- (c) Languedoc. In this depressed wine-growing area, restructuring of some vineyard land is vital if the planned measures to correct the balance of the Community wine market are to be effective. Proposal by July 1977.
- (d) Consideration (now proceeding) of the possibility of proposing a joint scheme for setting up agricultural advisory services in the Mediterranean regions lacking them, particularly in most parts of Italy and all over the Mezzogiorno.
- (e) Consideration of the possibility of stepping up the extent to which the EAGGF refunds the costs of the various socio-structural schemes making assistance more effective.

2. Market measures

As was indicated in the Commission's earlier communication to the Council, there will need to be some adjustments and changes to the market organizations.

Olive oil. Thus in its proposals concerning the prices of certain agricultural products and certain related standards for the marketing year 1977/78 (COM(77) 100, of 11 February 1977), the Commission drew attention in the case of olive oil to the problems of a further decline in consumption which could endanger the normal disposal of Community production, and to the need to institute arrangements in this sector to preserve a balanced situation and given the producer groups more responsibility within the common organization of the market.

This also involves more efficient use of Community aid and a drive to promote rationalization of olive-growing, including conversion of olive groves from oil to eating olives.

Wine. Also in the case of wine, in its report on vineyard planting and replanting (COM(77) 22 final, of 15 February 1977), the Commission advocated measures making for optimum siting of vineyards from the point of view of quantity, quality, regional and socio-structural objectives (disincentives to wine-growing in the plains where other crops can be grown, even though less profitably, and incentives in other areas which can only be turned to best account by wine-growing).

In addition it stated that, in accordance with Article 5 of Regulation (EEC) No 1162/76, it would be submitting proposals on wine-growing potential, which would involve related rationalization measures currently under consideration.

Protein-rich products
and mutton and lamb.

In the discussions on the prices for 1977/78, the Commission further undertook to report to the Council by 1 July 1977 (R/570/1/77, of 24 March 1977) as to the desirability of encouraging the growing of castor-oil benas, which is excellently suited to the ecology of certain regions, and to submit proposals if appropriate.

To complete the list of measures the Commission has already recommended or said it would be recommending as necessary in the Mediterranean context, it should be recalled that in its Memorandum on the Review of the Common Agricultural Policy (COM(73) 1850, of 31 October 1973) it urged measures to stimulate increased production of protein-rich products such as, in particular, horse beans, which can be grown in the south of the Community and could help the development of production of meat for local consumption. In the same Memorandum it pointed out to the Council that common organization of the mutton and lamb market was economically essential in the enlarged Community.

Fresh and processed As concerns the organization of other markets in
fruit and vegetables Mediterranean products (particularly fresh and processed
fruit and vegetables), use could be made of the existing
rules for fresh products to fix reference prices where necessary, to improve the application of the system and to encourage the formation of producer groups and the undertaking of more activity by them, as a means of securing a better-balanced market.

With regard to processed products, over and above the provision in the present rules whereby at-frontier minimum prices may be fixed for sensitive products, it would be well in the case of a very few (e.g. tomato derivatives, canned peaches and prunes) typical of the worst-off Mediterranean regions to strengthen the aid arrangements in order to make for better processing and more rational marketing of the raw material and finished product.

ANNEX II

PROPOSED MEASURES NOT YET ADOPTED

1. Fresh fruit and vegetables

- a) permanent sale to the processing industries of blood oranges for which marketing difficulties have arisen¹;
- b) extension for one year (1977/78) of the marketing premium for lemons¹,
- c) processing premium for an unlimited period for lemons to offset the difference between the price of lemons in the Community and in non-member countries¹.

2. Wine

Directive on the harmonization of excise duties on wine, alcohol and other products (proposal presented to the Council on 7 March 1972 - OJ No C 43 of 29 April 1972). No discussion of this proposal has taken place since 1974.

3. Alcohol

Amended proposal on the common organization of the market in ethyl alcohol of agricultural origin (doc. COM(76) 274 final of 3 December 1976).

4. Milk and milk products

Exclusion of mountain regions from the co-responsibility levy. Non-application of measures concerning the non-marketing of milk and the conversion of dairy herds to meat production¹.

5. New potatoes

Measures to promote the production of new potatoes, a crop produced mainly in the south of the Community (quality standards and reference price).

¹ Measures proposed in the context of the agricultural price proposals for 1977/78.

6. Durum wheat

Granting of aid for durum wheat limited to regions in the south of Italy¹.

7. Structural measures²

The common measure concerning afforestation could be an important factor in the development of inland Mediterranean regions where it is a precondition for establishing a new hydrological balance and viable agriculture.

¹ Measures proposed in the context of the agricultural price proposals for 1977/78.

² The proposal concerning the common measure which provides for aid for young farmers to modernize their holdings has run into difficulties in the Council and should be looked at again in terms of the specific needs of the Mediterranean regions.

ANNEX III

MEASURES ALREADY ADOPTED

1. Wine

- a) reinforcing control of observance of the reference price for imported wines (R. 2506/75) ; (entry into force on 1 July 1976),
- b) introduction of special distillation in the event of disturbance of the market connected with imports from the Maghreb countries (new article 33a of the basic regulation by R. 1932/75),
- c) revision of the basic regulation and, in particular, introduction of preventive and obligatory distillation which should restore the market to normal at the beginning of the marketing year (R. 1160/76),
- d) system of premiums for voluntary conversion of vineyards to other crops, valid for three marketing years from 1976/77, with a view to accelerating the conversion of marginal vineyards (R. 1163/76).

2. Fresh fruit and vegetables

- a) With respect to conversion from citrus fruit production, the supplementary aid for loss of earnings was made more generally available in 1975 and 1976 through an easing of the conditions which the farmers had to meet.
- b) With respect to the marketing premium for oranges, in 1975 aid was extended to all quantities consigned outside the producer Member State, and was no longer restricted to products covered by contract; provision was made for new criteria for the annual updating of the amount of the premium; the grant of the premium was also extended to clementines, and for one marketing year, since extended, to lemons.
- c) With respect to the processing premium for certain varieties of oranges, in 1975 the grant was extended to all quantities covered by contract and was no longer limited to quantities exceeding the average quantities processed by industry.
- d) With respect to the reference price, in 1975 an end was put to the practice whereby certain non-member countries succeeded in establishing entry prices on one day above and the following day below the reference price, thus avoiding the countervailing charge.
- e) With a view to adjusting the production potential of apples and pears to market absorption capacity, a grubbing premium for certain special varieties was implemented in 1976.

3. Processed fruit and vegetables

- a) Application of a minimum price for imported tomato concentrate from non-member countries (R. 1927/75) and, under this scheme, control of the quantity of foreseeable imports through a system of import licences.
- b) Introduction in 1975 of a system of import licences for certain sensitive products (peeled tomatoes, tomato juice, tinned peas and beans, tinned mushrooms,

tinned peaches in syrup, tinned pears and raspberries), so as to have foreknowledge of likely arrivals, and the surveillance of a number of other imports.

4. Durum wheat

Since the 1976/77 marketing year the basis of the aid for durum wheat has been changed and is now applied per hectare, the amount being higher for regions in southern Italy than other producer regions in the Community. For the former regions the change has on average had the effect of increasing the aid.

5. Tobacco

- a) Change since 1974 in the support measures for different varieties of tobacco in favour of varieties produced in southern Italy,
- b) Aid over a three-year period for conversion away from a variety of tobacco produced in a region in southern Italy which was difficult to sell.

6. Cattle

Calving premiums introduced in 1975 to arrest the decline in beef cattle in the south of the Community.

7. Structural measures

a) Common action of general application

Directives 159, 160 and 161 on the reform of agriculture (17 April 1972) apply to the whole of the EEC. Application did not begin in Italy and France until 1976; most regions in the Mezzogiorno still do not apply them and have therefore not reaped the major benefits as regards occupational skills, socio-economic guidance for farmers, and early cessation of farming by older farmers, which in these regions where many farm-heads are old and there is strong demographic pressure, is essential if farming is to be modernized. EAGGF refunds 65 % of the annuities for the cessation of farming for almost all of Italy and Ireland (instead of the 25 % generally provided for in Directive 160), and refunds 25 % of the aid for modernization (interest rate subsidies having been increased in the case of Italy). Directive 75/268/EEC on hill farming and farming in less favoured areas was not applied in Italy and France until 1976 and with the same delay in the Mezzogiorno. 40 % of the UAA in Italy is affected; the rural exodus from poor inland areas in the Mezzogiorno could be halted by preferential measures and annual allowances. As a rule EAGGF refunds 25 % of the allowances, and 35 % in Italy and Ireland.

b) Individual EAGGF projects (Regulation 17/64)

These projects relate to production structures (since adoption of directives solely concerned with infrastructure) and the marketing and processing of agricultural products.

From 1964 to the end of 1976, 182 million u.a. of appropriations have been committed in the Mezzogiorno (33.4 % of the appropriations allocated to Italy). For Mediterranean regions in France in the same period, appropriations amounted to 66 million u.a., 19,1 % of the total committed for France. The volume of these appropriations largely depends on the number of applications presented from the regions.

c) Processing and marketing of agricultural products (R. EEC/355/77)

This Regulation provides for investment aid for projects forming part of a specific programme concerned with processing and marketing, presented by Member States and approved by the Commission, which is processing and marketing are aspects in which the Mediterranean regions, are particularly weak.

The aid provided is substantial, since EAGGF contributes 25 % of the investment and the Member States at least 5 %. In less favoured regions EAGGF aid may amount to 30 %. This Regulation above all makes it possible to implement specific programmes relating to the organisation of marketing in regions where it is lacking.