

COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTION-GENERAL FOR AGRICULTURE

# **Public expenditure on Agriculture**

## **Community Report**

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WORKING DOCUMENT

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## Foreword

This study was undertaken in the framework of the study programme of the Directorate-General for Agriculture of the European Communities.

The study was carried out by a group of experts working for Institutes in several Member States, and the work was geographically shared as follows :

<u>SEMA-METRA</u>	: France and Italy
<u>IFO-Institut für Wirtschaftsforschung</u>	: German Federal Republic and Netherlands
<u>PRICE WATERHOUSE</u>	: United Kingdom and Ireland
<u>J.M. DIDIER and Associates</u>	: Belgium, Luxembourg and Denmark

The present comparative analysis has been prepared by J.M. DIDIER and Associates on the basis of the national reports.

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The Division "Reports, studies, statistical information, documentation", "Economic affairs and general problems" and "Matters common to several products and conditions of competition" of the Directorate-General for Agriculture took part in the work.

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The present study does not necessarily reflect the opinion of the Commission of the European Communities and does in no way prejudice its future standpoint on this subject.

Original : FR

**J.M. DIDIER & ASSOCIATES**

**PUBLIC EXPENDITURE ON AGRICULTURE**

**Community Report**

**Volume I**

**Study of role, importance and economic effects of  
public expenditure in favour of agriculture  
in the Member States of the European Community**

**Report drafted by J.L. Chomel**

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**GENERAL INTRODUCTION**



## GENERAL INTRODUCTION

### 1. Title and subject of study

Role, importance and economic effects of public expenditure in favour of agriculture in the Member States of the European Community.

### 2. Reasons for study

The Commission gave the reasons for the study as follows:

"a) It has been estimated that expenditure for agriculture at Community and national level totalled about 27.000 million ECU in 1980, not including tax reliefs. The share of this accounted for by national expenditure as a whole was about 55%, that is, more than EAGGF expenditure.

National expenditure on agriculture rose from 6.600 million ECU in 1973 to about 14.900 million ECU in 1980, an increase at current value of about 125% (1).

- b) There are wide differences as between the Member States in the volume of national aids and the distribution of the aids among the various sectors. Various factors combine to account for this: differing scope for obtaining finance, the differing scale of agriculture in the various countries, the diversity of agricultural production sectors, and, at least in part, differing objectives pursued in the different Member States. Also, although there is a fairly general tendency to grant aids under general schemes, some Member States still have a policy of operating specific aid schemes.
- c) The present diversity does not facilitate harmonization of the impact of aids to agriculture in the Community. However, this impact can be of great importance. Thus, State aids may introduce distortions of competition, affect farm incomes, widen regional disparities, encourage production of products of which there are already surpluses, and even run counter to CAP measures.

For this reason, a detailed study of State aids to agriculture was requested in the course of discussions of the report of the Community on the 30 May Mandate. To be complete, such a study should also take account of national taxation systems and social security systems established in the various Member States."

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(1) These estimates are to be verified by the experts.



### 3. Limits of the study

After discussion with the Commission's staff, the experts decided to examine public expenditure concerning agricultural products covered by Annex II of the Treaty of Rome. However, it was agreed that:

- fisheries did not come within the scope of the study;
- tropical products are not to be considered (the special case of the French Overseas Departments and Territories will be examined in a special chapter in the French report);
- forestry products would be examined in a special chapter to be prepared for each country.

The experts decided that public expenditure did not cover in general staff and operational expenditure except in respect of "intellectual" investment, quality control expenditure, and expenditure on plant and animal health inspection. Public expenditure included is actual disbursements and not budget forecasts or expenditure commitments. Moreover, the experts agreed to study national public expenditure without taking account of Community expenditure on agriculture.

The experts agreed to take as reference period the years 1975 to 1980, years for which inventories are available. 1974 was excluded because, for certain countries, this year raised difficulties, particularly in connection with the analysis of budgets. 1974 was the first year for which Inventories were made, and it became evident that in certain Member States the Inventory was not complete or had a "temporary" form which prevented homogeneous use with subsequent years.

The exchange rates referred to are those used by the EAGGF in its annual reports (see below).

AVERAGE RATES OF CONVERSION OF THE ECU USED FOR 1974 - 1980

Exchange rates

Exchange rate: in ECU 1 ECU =	Belgium : BFR	Denmark : DKR	Germany : DM	France : FF	Ireland : IR£	Italy : LIT	Luxembourg : LFR	Netherlands : HFL	United Kingdom : UK£
1980	40,4335	7,76066	2,51225	5,84970	0,673477	1177,71	40,4548	2,75439	0,605540
1979	40,0176	7,09957	2,51437	5,81885	0,670052	1133,32	40,1514	2,74109	0,649236
1978	40,1936	7,03856	2,55735	5,72523	0,662169	1072,49	40,10176	2,76651	0,663759
1977	40,8827	6,85568	2,64832	5,60608	0,653701	1006,79	40,8827	2,80011	0,65370
1976	43,1654	6,76176	2,81545	5,34486	0,612578	930,15	43,1654	2,95515	0,621578
1975	45,5690	7,12266	3,04939	5,31700	0,56026	809,545	45,5690	3,13490	0,56026
1974	46,3994	7,25927	3,08352	5,73386	0,509803	775,743	46,3994	3,20224	0,50980

#### 4. Structure of the study

The study has two separate parts. The first gives facts and figures and attempts to summarize as objectively as possible the information which the experts in the working group have mustered. Any comparison, unless carried out with the greatest care, could well lead to particularly regrettable mistakes of interpretation. In the introduction to Part I, we provide some material facilitating its use. In Part II, we attempt to mobilize the data along comparative lines to provide tentative replies to the five questions the EC Commission asked:

- What effects may national aids be considered to have on agricultural production?
- What impact may they be considered to have on farm incomes?
- What repercussions are they thought to have on intra-Community trade?
- How far may they be considered to encroach on Community financial solidarity?
- What relationship may they be considered to have with CAP measures?

In Part I, the coordinator has endeavoured to reflect exactly the information provided by the experts, though with additional material in the taxation Chapter, but in the second part he has assumed greater freedom from the working group, and, while drawing on the experts's conclusions, he has not felt obliged to reflect the diversity of the assessments on a subject which, within the group, has been highly controversial, and which will be even more controversial in the eye of public opinion.

This is one of the reasons why the reader will have every interest in referring frequently to the country reports, to obtain an exact picture of the views of the various experts on the conclusions that may be drawn from this study for each of the Community's Member States.

#### 5. Sources

The Community report was drafted on the basis of the various country reports submitted by the experts from four institutes (the relevant country is given in brackets):

- I.F.O. - Institut für Wirtschaftsforschung (Economic Research Institute) (Germany and the Netherlands)
- Price Waterhouse (United Kingdom and Ireland)
- Sema-Metra (France) and Recta (Italy)
- J.M. Didier and Associates (Belgium, Luxembourg, Denmark, coordination of the study and Community report).

The experts worked on the basis of the national inventories of national aid schemes submitted to the EC Commission by the Member States. The data in the inventories have been verified and amplified wherever necessary. For the special Chapter on social security, the experts drew on work carried out by a group of national experts working for the Commission's DG V, and, in the main, they have updated this work.

P A R T I

DESCRIPTION OF PUBLIC EXPENDITURE ON AGRICULTURE  
IN THE MEMBER STATES OF THE EUROPEAN COMMUNITY



**CHAPTER I : INTRODUCTION AND METHODS**



## 1. Establishment of a standard classification

The experts began by making a census of all national expenditure on agriculture in the various Member States. But in order to achieve comparability and consistency in their work, they needed a standard classification fitting all of the Member States. Here, there were 3 objectives:

- (i) In each Member State, there must be a place in the common classification for all types of public expenditure on agriculture, and, if possible, without ambiguity between various headings;
- (ii) The amounts of public expenditure must be comparable from one Member State to another, and this required a classification including schemes of identical content in each Member State;
- (iii) It had to be possible to analyse the impact of the public expenditure for each Member State taken individually and the structure of the classification had to facilitate comparison of the impacts of the public expenditure between the Member States.

Efforts to establish a classification covering all three requirements led to inconsistencies and disagreement deriving from the variety of the objectives set and of the schemes operated in the Member States: either a single scheme has several objectives (e.g. investment aids to various types of farms and to various regions), or several schemes have a single objective, or again, in certain Member States, a group of schemes has several objectives (this is true for the "Flurbereinigung" in the Republic of Germany, the "Landinrichting" in the Netherlands, the "Western Package" in Ireland and the "Casa per il Mezzogiorno" in Italy).

However, the experts did complete a classification by programmes and objectives which enabled all the types of national expenditure to be grouped in each of the Member States.

## 2. Description of the classification by programmes and objectives

The common classification (Chapter II) enabled public expenditure to be classified in 11 main chapters:

Chapter 1 (code 1000 in the common classification) itemizes expenditure on improving the structure of production. It includes expenditure on:

- modernization of farms (codes 1100 and 1800),
- land mobility (code 1200),
- improvement in production potential (codes 1400 and 1500),
- reduction of production costs (code 1700);

Chapter 2 (code 2000) comprises public expenditure to offset natural disasters;

Chapter 3 (code 3000) describes public expenditure on the improvement of rural infrastructures;



Chapter 4 (code 4000) includes all public expenditure on processing (code 4200) and marketing of agricultural products (codes 4300 to 4500);

Chapter 5 (code 5000) covers public expenditure on consumption;

Chapter 6 (code 6000) indicates public expenditure in the form of capital guarantees;

Chapter 7 (code 7000) concerns aids to income in the strict sense (i.e. excluding, for example, aids to incomes following natural disasters, compensating payments in less favoured regions, etc.);

Chapter 8 (code 8000) covers "intellectual" investment, i.e. expenditure on agricultural research, training and dissemination of information;

Chapter 9 (code 9000) itemizes social security benefits (expenditure) for farmers;

Chapter 10 (code 10000) is an attempt to estimate the scale of tax rebates for the farming community;

Chapter 11 (code 11000) is for expenditure not elsewhere classified. This has been used mainly for two countries - Germany, to cover aids to political refugees, and Denmark to cover expenditure from funds drawing on "parafiscal" charges.

### 3. Limits of this classification

The classification, necessarily involving a good deal of compromise, has yielded a census in each of the Member States of all public expenditure on agriculture upon which information was available to the experts. However, the common classification does not allow perfect comparison of the amounts spent as between Member States and even less of any common interpretation of the impacts of this expenditure. Thus, a number of classification codes do not cover comparable amounts, as the following examples show:

- At code 1100 (investments in farms), investments in farms located in less favoured regions (code 1800) should have been excluded, but no such distinction could be made for most of the Member States.
- At code 1270 (reparcelling), the amounts cannot be compared from one Member State to another as the term "reparcelling" (or "land redistribution" or "land consolidation") has differing definitions and in some Member States reparcelling is only part of comprehensive schemes for the development of rural areas (code 3100).
- The experts for Belgium, Luxembourg and Denmark took the view that quality controls of seed should come under improvement in production potential (code 1510) and not under quality controls in connection with marketing (code 4400).

- Code 1730 covers essentially tax rebates for petroleum products used in farming; it was not possible to calculate these abatements on the same basis in the various Member States.
- Under code 3200, the schemes for improving infrastructure refer to differing circumstances from one Member State to another (e.g. as between France and the Federal Republic of Germany).
- At code 4220, concerning investment in firms processing and marketing agricultural products, depending on the Member States, it was not always possible to distinguish products covered by Annex II of the Treaty of Rome from the others, so that the amounts of expenditure do not refer to the same basis.
- At code 5100, expenditure has been included for Germany which derives, admittedly, from Community measures, but which is more a matter of the diverging monetary policies of the Member States than of the Common Agricultural Policy itself.
- At code 8000, expenditure in the Netherlands and in Germany does not cover or does not cover all of staff and operating expenditure in connection with expenditure for "intellectual" investment.
- The "parafiscal" charges had been treated separately in Denmark, whilst they have been distributed according to the common classification in the other Member States (notably in the Netherlands, France and the Federal Republic of Germany).

#### 4. Specific treatment of certain types of expenditure

To meet specific requests from the Commission, three specific chapters were added to the analysis of public expenditure on agriculture:

- a chapter covering public expenditure on research in agriculture;
- a chapter analysing social security expenditure for farmers;
- a chapter reviewing the present state of information on taxation in agriculture.

A special chapter on public expenditure on forestry has been added.

##### Research in agriculture

Although the Commission's staff requested that expenditure on research in agriculture be directly attached to the various types of national expenditure, it was not always possible to comply with this at Community level since the figures for certain Member States (mainly Germany and the Netherlands) do not cover all the period studied.

Accordingly, expenditure on research in agriculture is covered by a separate chapter. Wherever possible, the figures concerning this type of expenditure have been incorporated into the other types of expenditure, but always shown separately.

### Social security in agriculture

This chapter is a response to a specific request from the Commission's staff, who asked for an updating of the work carried out by a group of government experts working for the Commission's DG V. Some experts of the working group on public expenditure on agriculture felt that the social security figures should not be included, as these can be misleading and are by no means completely reliable. Nonetheless, at the request of the Commission's staff, it has been decided to include this chapter, using the methods followed by DG V's group of experts.

The figures in this chapter have never been incorporated into the summary tables of public expenditure on agriculture as the expression "public expenditure" in this field is very controversial: does the Member States' share in the financing of social security rank as expenditure? If so, for certain member States only estimates are available and for others (Ireland, the United Kingdom and Denmark) the data are far from complete as social security is very largely covered by general taxation. Or should all social security expenditure for farmers be treated as public expenditure?

The experts working on this study felt they could not take a decision on this, and the study coordinator takes the view that the best comparison could be made on the basis of total social security expenditure for farmers. However, in view of the reservations expressed with regard to the figures given, no Community comparison has been made in connection with the study, although the figures have been set out in the summary tables at Community level.

### Taxation

Although the Commission's request concerned a description of the reduced tax accruals, it has not in fact been possible to meet this request in this study: there are far too many gaps in present knowledge of taxation of farming in all the Member States. Also, the complexity of taxation systems in agriculture makes comparison at Community level inconsistent.

The coordinator decided to present in this chapter a review of present knowledge of taxation of agriculture. No attempt is therefore made to quantify the revenue reductions arising from tax abatements in agriculture but the aim is to show the main features of agricultural taxation in each of the Member States and to show that the complexity of these tax systems and the lack of knowledge of them at Community level prevents any satisfactory comparison.

## 5. Presentation of results

We have summarized in various tables at chapter 2 of this Part I the amounts of expenditure included in codes 1000 to 8000 and in code 11000.

The tables show:

1. public expenditure on agriculture in 1980, expressed in '000 ECU at 1980 exchange rates; (1)
2. public expenditure on agriculture in 1975, expressed in '000 ECU at 1975 exchange rates;
3. public expenditure on agriculture in 1980, expressed in '000 ECU at 1975 exchange rates;
4. the breakdown of public expenditure on agriculture in 1975 and in 1980 as percentages of total expenditure; (1)
5. changes in public expenditure, showing for 1980 the index of changes in expenditure in current national currency on the basis of 100 in 1975; (1)
6. changes in public expenditure indicating for 1980 the index of change and expenditure in national currency deflated by the GDP deflator on the basis 100 in 1975. (1)

We have introduced Table 5, showing changes in expenditure in current national currency in order to allow of comparisons with other Community studies and to allow, if that should prove necessary, use of a deflator other than the one we have used in Table 6. It should be added that our analysis of changes in public expenditure on agriculture between 1975 and 1980 is mainly based on value at constant prices.

The tables breaking down public expenditure as percentages of the total include research, except for the Netherlands and Germany for 1975.

## 6. Conclusions

It must again be stressed that it would be very dangerous to draw rigid conclusions from the summary tables given in Part I or on the basis of the texts which use the public expenditure data in the tables.

Any attempt to make comparisons must allow for the qualifications given for each type of scheme in each of the national reports.

The coordinator regrets that with little time available and a large number of questions from the Commission to deal with, it has not been possible to refine the comparability of the figures in the following chapters. He suggests that in future this work should be carried out on a systematic basis, using, for example, the working methods of the Statistical Office of the European Communities.

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(1) Except for Luxembourg, where figures were not available for 1980.



CHAPTER II:  
PUBLIC EXPENDITURE  
ON AGRICULTURE IN  
THE MEMBER STATES OF THE EUROPEAN COMMUNITY









1. Codes of the Common Classification of public expenditure on agriculture in the Member States of the European Community.

Coding

- 1000 I IMPROVEMENT OF THE STRUCTURE OF PRODUCTION
- 1100 1. Modernisation of farms (outside less favoured areas) - farm buildings, houses, livestock, equipment, soil improvements ...
  - 1110 1.1 National aids linked to a Community payment (Directive 72/159)
  - 1120 1.2 National aids not linked to a Community payment (Directive 72/159)
  - 1130 1.3 National measures not linked to Directive 72/159
  - 1140 1.4 Expenditure linked to national measures in force before the implementation of Directive 72/159
- 1200 2. Measures (or programmes) to improve mobility of land and prevention of splitting of farms
  - 1210 2.1 Retirement scheme (Directive 72/160/EEC) or similar national predecessor
  - 1220 2.2 Leasing of land
  - 1230 2.3 Land transfers
  - 1240 2.4 Land pool
  - 1250 2.5 Support of young farmers
  - 1260 2.6 Settlement
  - 1270 2.7 Reparcelling
- 1300 3. Land improvement (which is not a component of farm modernisation schemes (No. I.1.) and not component of another programme (No. III.1. and 2.)) - artificial drainage, soil improvement etc.
  - 1310 3.1 Drainage and soil improvement
  - 1320 3.2 Irrigation
- 1400 4. Reduction and change of production (as far as not component of I.1. or I.8.)
  - 1410 4.1 Crops
  - 1420 4.2 Animals
- 1500 5. Improvement of production potential (to be distinguished from VIII.1) - includes schemes to encourage better production practices
  - 1510 5.1 Crops
    - 1511 - Seeds
    - 1512 - Plant health protection
    - 1513 - Pest control
    - 1514 - Administration (Plant Royalty Bureau)
  - 1520 5.2 Animals
    - 1521 - Breeding
    - 1522 - Health control and vaccines
    - 1523 - Compulsory slaughter
  - 1530 5.3 Energy
  - 1540 5.4 Management
  - 1550 5.5 Health protection, environment and pollution
  - 1560 5.6 Production techniques

- 1600 6. Cooperation between farmers (not in marketing, see IV.I.)
- 1700 7. Reduction of production costs (as far as not included under I.8 or other items) - includes general subsidies allocated to farms and fiscal abatments
  - 1710 7.1 Seeds
  - 1720 7.2 Fertilizers
  - 1730 7.3 Carburants
  - 1740 7.4 Insurances
  - 1750 7.5 Labour
  - 1760 7.6 Services
  - 1770 7.7 Feed
- 1800 8. Special measures for development of less favoured areas
  - 1810 8.1 Investments linked to EEC payments (Directive 72/268)
  - 1820 8.2 Investments not linked to EEC payments (Directive 75/268)
  - 1830 8.3 Investments in special farm groups
  - 1840 8.4 Compensatory allowance
  - 1850 8.5 Other aids not linked to Directive 75/268
  - 1860 8.6 Special reductions of production costs (e.g. Ireland and United Kingdom) - includes general subsidies allocated to farms
- 2000 II COMPENSATION FOR NATURAL DISASTERS (farmers)
  - 2100 1. Drought
  - 2200 2. Frost
  - 2300 3. Hail (except insurance)
  - 2400 4. Floods
  - 2500 5. Wind
- 3000 III DEVELOPMENT OF RURAL AREAS
  - 3100 1. Programmes (general and specified to regions) with exclusively or at least primarily agricultural objectives (sub-divisions according to contents of the programmes)
    - 3110 1.1 "Western Package"
    - 3120 1.2 "Landinrichting"
    - 3130 1.3 "Flurbereinigung"
    - 3140 1.4 "Rénovation rurale"
    - 3150 1.5 Special programmes for Northern Ireland
    - 3160 1.6 Special measures for the development of the agriculture of less-favoured areas
      - 3161 6.1 Investment aids
      - 3162 6.2 Income aids or reductions of production costs depending on existing programmes, their contents and their objectives

- 3200 2. Programmes to improve infrastructure not specific to the agricultural sector (rural population)
  - 3210 2.1 Improvement of villages
  - 3220 2.2 Water supply, energy supply, drainage
  - 3230 2.3 Regulation of watercourses and sea defences
  - 3240 2.4 Conservation measures
  - 3250 2.5 Roads
  - 3260 2.6 Recreation activities
  
- 3300 3. Programmes concerning industrialisation of rural areas (very difficult to separate from general economic programmes and often not assignable to special regions)
  
- 3400 4. Other programmes concerning agriculture
  
- 4000 IV PROCESSING AND MARKETING
  - 4100 1. At the producer stage
    - 4110 1.1 Development of producer co-operation schemes (e.g. Regulations 1035/72, 1360/78, 136/66)
    - 4120 1.2 Other national investments
  - 4200 2. Processing (and marketing) enterprises
    - 4210 2.1 Investments (Regulations 355/77 and 17/64 (national part of))
    - 4220 2.2 Investments (national in character)
    - 4230 2.3 Co-operation
    - 4240 2.4 Management
    - 4250 2.5 Marketing infrastructure
  - 4300 3. Product promotion (market research)
  - 4400 4. Inspection of products and quality control
  - 4500 5. Marketing services - marketing information, market transparency, statistical services, classification system
  - 4600 6. Administration of sales sector
  - 4700 7. Regional capital grants (food industry and agricultural services industry)
  - 4800 8. Activities of central bodies in agriculture
  
- 5000 V MARKET SUPPORT
  - 5100 1. Expenditures resulting from EC-Market- and Price-Policy - (national part)
  - 5200 2. National market support and stabilization (e.g. transitional arrangements in United Kingdom, Denmark and Ireland, other national support, compensation for green currency differences)

- 5300 3. Aids for consumption
  - 5310 3.1 Free distribution
  - 5320 3.2 Reduced prices for special groups of consumers
  - 5330 3.3 Reduced prices for all consumers
- 5400 4. Aids for exports
- 6000 VI FINANCIAL POLICY (only aids which are not assigned to another item)
  - 6100 1. Capital guarantees
  - 6200 2. Reserves for special agricultural credit institutes
  - 6300 3. Fees connected with land purchase
  - 6400 4. Fees connected with registration
  - 6500 5. Loan funds
  - 6600 6. Treasury aids
- 7000 VII INCOME AIDS TO FARMERS OR PROCESSORS WHICH ARE NOT ASSIGNED TO OTHER ITEMS
- 8000 VIII INTELLECTUAL INVESTMENTS
  - 8100 1. Research and development (to be distinguished from I.5)
    - 8110 1.1 Crop research
    - 8120 1.2 Animal research
    - 8130 1.3 Mixed research
  - 8200 2. Vocational training
  - 8300 3. Information, agricultural advice etc.
  - 8400 4. Accounting
  - 8500 5. Social support activities
- 9000 IX SOCIAL SECURITY
  - 9010 Social security of farmers
  - 9020 Social security of farm workers

- 9100 1. Sickness insurance
  - 9110 1.1 Farmers
  - 9120 1.2 Farm workers
  
- 9200 2. Disablement insurance
  - 9210 2.1 Farmers
  - 9220 2.2 Farm workers
  
- 9300 3. Accidents at work
  - 9310 3.1 Farmers
  - 9320 3.2 Farm workers
  
- 9400 4. Old age pensions
  - 9410 4.1 Farmers
  - 9420 4.2 Farm workers
  
- 9500 5. Family allowances
  - 9510 5.1 Farmers
  - 9520 5.2 Farm workers
  
- 9600 6. Relief labour ("Betriebshelfer")
  
- 9700 7. Unemployment
  - 9710 7.1 Farmers
  - 9720 7.2 Farm workers
  
- 10000 X TAX REBATES (exclusive "parafiscal" charges)
  - 10100 1. Income taxes
  - 10200 2. Fiscal measures to ameliorate farm structures
  - 10300 3. Capital and capital gains taxes
  - 10400 4. Land taxes
  - 10500 5. Inheritance taxes
  - 10600 6. Fiscal abatements for inputs
  - 10700 7. Tax relief (Ireland, United Kingdom)
  - 10800 8. VAT
  
- 11000 XI OTHER

**2. Amounts disbursed**





We give six expenditure tables:

- I. Public expenditure on agriculture in the Member States of the EEC in 1980 ('000 ECU)
- II. Public expenditure on agriculture in the Member States of the EEC in 1975 ('000 ECU)
- III. Public expenditure on agriculture in the Member States of the EEC in 1980 ('000 constant ECU - base 1975)
- IV. Public expenditure on agriculture in the Member States of the EEC in 1975 and in 1980 (%)
- V. Public expenditure on agriculture in the Member States of the EEC in 1980 (1975 = 100 - current prices)
- VI. Public expenditure on agriculture in the Member States of the EEC in 1980 (index deflated (GDP), 1975 = 100)

Abbreviations:

n.a. = not available

/ = no expenditure under this code in the Member State concerned

I. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1980 ('000 ECU)

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
1000	790 975	1 648 573	1 313 318	84 071	103 669	8 102	498 647	203 814	72 868
1100	209 830	219 635	574 134	23 587	25 130	48	332 191	67 629	35 556 (1)
1200	87 734	691 061	52 733	17 855	40 914	1 965	1 109	16 246	28 124
1300	23 041	52 614	300 354	/	/	50	2 168	17 935	3 409
1400	/	17 948	16 381	1 126	280	/	/	/	2
1500	109 735	185 033	147 169	38 479	28 668	321	32 173	36 748	5 397
1600	4 055	6 999	/	682	468	40	/	/	219
1700	332 389	341 149	176 166	2 343	957	3 418	3 798	1 019	157
1800	24 190	122 566	46 379	/	7 252	2 260	127 207	64 237	5
2000	1 703	147 042	74 312	/	39 807	2 596	48	/	1 778
3000	194 679	362 632	389 863	56 681	20 479	/	32 492	25 993	4 297
3100	134 564	72 427	67 278	47 136	/	/	3 809	7 552	/
3200	60 115	289 521	178 269	9 545	20 479	/	28 683	18 326	150
3300	/	/	/	/	/	/	/	53	/
3400	/	/	144 316	/	/	/	/	62	4 147
4000	123 225	144 507	897 195	78 096	22 671	7 574	65 035	23 539	15 695
4100	25 516	7 022	49 438	1 950	/	1 789	5 602	/	/
4200	7 240	113 785	354 710	25 885	17 362	5 483	16 896	20 353	1 638
4300	64 530	3 827	5 352	33 353	3 216	123	966	/	/
4400	6 512	239	3 832	16 908	2 088	179	/	/	10 482
4500	19 426	1 249	1 652	/	5	/	/	3 201	3 530
4600	/	/	927	/	/	/	/	/	/
4700	/	/	/	/	/	/	/	/	/
4800	/	18 384	475 604	/	/	/	41 571	/	/

(1) Expenditure on the modernization of farms in less-favoured areas is included in code 1100 for the harmonization of data at Community level, particularly UK and Ireland.

(VIP2-21)

I.a	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
5000	113 916	66 525	14 470	3 624	1 862	218	160 617	74 844	92 583
5100	95 532	1 114	7 142	/	/	6	91 903	13 268	/
5200	/	60 798	7 195	2 729	/	/	68 714	4 361	/
5300	18 384	4 155	133	895	1 862	212	/	56 531	92 588
5400	/	/	/	/	/	/	/	685	/
6000	161	/	108 535	105	570	/	182	496	31
7000	20 166	17 095	1 236	/	/	/	18	/	/
8000	14 554	187 973	23 511	/	2 631	32	147 797	14 514	19 884
8200	5 363	72 473	3 511	/	953	6	17 272	2 835	30
8300	6 929	111 379	11 617	/	457	26	126 523	11 551	19 517
8400	2 262	4 121	8 312	/	1 221	/	/	128	337
11000	105 408	/	/	/	/	/	/	/	( 20 789 )
Total									
(except 8100)	1 364 788	2 574 347	2 821 204	222 577	191 689	18 522	900 836	353 200	223 994 (1)
8100	164 394	157 258	60 972	107 379	38 024	28	174 675	17 705	244 783 (2)
Total									
(including 8100)	1 529 182	2 731 605	2 882 176	329 956	229 713	18 550	1 075 511	370 905	253 107 (1)
8100									273 896 (2)

Note: Social security expenditure and tax rebates are shown in the special chapters on these points.

(1) Total without "parafiscal" charges in Denmark.

(2) Total Denmark including "parafiscal" charges.

II. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1975 ('000 ECU)

	D	F	I	NL	B	LUX	UK	IRL	DK
1000	595 245	1 081 002	1 121 772	76 533	55 337	11 049	253 054	109 383	33 611
1100	186 192	129 279	729 861	10 221	9 144	4 642	133 119	22 957	10 782
1200	49 820	508 782	5 707	35 907	18 271	1 481	1 581	14 529	15 949
1300	22 085	51 232	96 745	/	/	46	11 659	6 663	100
1400	/	/	1 719	1 372	2	/	10 857	/	465
1500	56 772	134 268	80 339	26 643	19 518	2 618	62 508	21 810	5 282
1600	2 716	3 390	/	44	23	11	/	/	28
1700	243 620	253 231	203 159	2 346	888	1 831	2 770	3 056	1 001
1800	34 040	816	4 2423	/	7 491	418	30 559	40 369	3
2000	6 291	53 263	36 299	/	1 189	88	575	/	/
3000	148 359	277 753	269 179	28 076	10 615	/	36 710	9 733	3 677
3100	102 214	9 403	18 745	18 804	/	/	19 564	96	/
3200	46 145	267 954	206 084	9 271	10 615	/	17 146	9 483	150
3300	/	/	/	/	/	/	/	125	/
3400	/	/	44 350	/	/	/	/	29	3 527
4000	92 320	107 841	887 515	35 114	11 914	3 119	39 746	11 821	12 737
4100	24 412	6 013	34 963	181	552	1 793	3 311	/	606
4200	15 616	87 431	185 160	12 209	8 835	1 134	4 732	9 230	1 199
4300	34 361	222	4 902	20 837	1 954	93	498	/	421
4400	4 655	3 009	2 474	1 887	572	99	/	/	7 751
4500	13 276	131	/	/	1	/	280	2 592	2 705
4600	/	/	/	/	/	/	/	/	/
4700	/	/	/	/	/	/	/	/	/
4800	/	11 029	660 016	/	/	/	30 925	/	/

(VIPA2-21)

1975 ('000 ECU)

II.a

	D	F	I	NL	B	LUX	UK	IRL	DK
5000	380 404	30 702	46 791	4 316	257	84	864 588	24 535	26 535
5100	380 404	1 497	12 922	/	/	/	/	5 392	/
5200	/	23 207	33 868	4 316	/	/	521 133	1 492	/
5300	/	5 527	1	/	257	/	405 906	17 156	26 535
5400	/	470	/	/	/	/	2 856	494	/
6000	492	/	202 039	332	n.d.	/	21	46	/
7000	3 936	499 247	41	/	/	/	124 544	/	/
8000	9 553	97 252	5 795	/	813	27	69 347	11 886	15 165
8200	2 294	34 519	954	/	560	4	7 971	3 261	44
8300	6 584	62 733	4 436	/	241	23	62 376	8 521	14 556
8400	675	/	340	/	12	/	/	104	565
11000	90 796	/	/	/	/	/	/	/	(20 277) (2)
Total									
(except 8100)	1 327 396	2 147 060	2 569 431	131 566	80 125	14 367	1 389 585	167 404	91 715 (1)
8100	n.a.	93 951	26 419	n.a.	21 179	19	140 116	9 258	22 047
GRAND TOTAL	n.a.	2 241 011	2 595 850	n.a.	101 304	14 386	1 493 701	176 662	113 762 (1)
									134 039 (2)

(1) Excluding expenditure connected with "parafiscal" charges.  
 (2) Including expenditure connected with "parafiscal" charges.

(VIPA2-21)

III. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1980 (constant '000 ECU - Base 1975)

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
1000	538 552	1 110 057	850 079	55 330	70 596	5 538	281 141	128 009	52 107
1100	142 867	147 890	371 623	15 523	17 113	33	187 292	42 476	25 430
1200	59 736	465 323	34 133	11 751	27 861	1 343	625	10 203	20 115
1300	15 688	35 427	194 411	/	/	34	1 223	11 265	2 429
1400	/	12 086	10 603	741	191	/	/	/	2
1500	74 715	124 591	95 258	25 325	19 521	220	18 139	23 080	3 860
1600	2 761	805	/	449	319	28	/	/	157
1700	226 314	229 711	114 029	1 542	652	2 336	2 141	640	112
1800	16 470	82 495	30 021	/	4 939	1 545	71 721	40 345	3
2000	1 160	99 010	48 101	/	27 107	1 775	27	/	/
3000	132 551	244 176	252 348	37 305	13 945	/	18 139	16 326	3 073
3100	91 621	48 769	43 548	31 022	/	/	2 147	4 743	/
3200	40 930	194 948	115 388	6 282	13 945	/	16 172	11 510	107
3300	/	/	/	/	/	/	/	34	/
3400	/	/	93 412	/	/	/	/	39	2 966
4000	83 900	97 303	577 056	51 398	15 439	5 177	36 667	14 784	11 225
4100	17 373	4 728	32 001	1 283	/	1 223	3 158	(9)	/
4200	4 929	76 617	229 594	17 036	11 823	3 748	9 526	12 783	1 171
4300	43 937	2 577	3 464	21 951	2 190	84	545	/	/
4400	4 434	161	2 480	11 128	1 422	122	/	/	7 497
4500	13 227	841	1 070	/	3	/	0	2 011	2 524
4600	/	/	600	/	/	/	/	/	/
4700	/	/	/	/	/	/	/	/	/
4800	/	12 379	307 847	/	/	/	23 438	/	/

(VIP A2-21)

III.a

1980/constant '000 ECU  
Base 1975

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
5000	77 562	44 795	9 365	2 385	1 268	149	90 557	47 007	66 220
5100	65 045	751	4 622	/	/	/	51 816	8 333	/
5200	12 517	40 938	4 657	1 796	/	/	38 741	2 739	/
5300	/	2 798	86	589	1 268	/	/	35 505	66 220
5400	/	/	/	/	/	/	/	430	/
6000	110	/	70 252	69	388	/	102	311	244
7000	13 730	11 510	799	/	/	/	10	/	/
8000	9 911	126 572	15 219	/	1 791	22	81 074	9 114	14 222
8200	3 652	48 800	2 273	/	649	4	9 739	1 780	21
8300	4 718	74 997	7 519	/	311	18	71 335	7 254	13 959
8400	1 541	2 775	5 381	/	831	/	/	80	241
11000	71 769	/	/	/	/	/	/	/	(73 181) (2)
Total									
(except 8100)	929 244	1 733 423	1 823 219	146 488	130 534	12 670	507 900	215 551	160 079 (1)
8100	111 931	105 889	39 467	70 671	27 736	20	98 483	11 120	20 820
Total									
(including 8100)	941 176	1 839 312	1 862 686	217 159	158 270	12 690	606 383	226 671	180 899 (1)
8100									254 070 (2)

Note: Social security expenditure and tax rebates are shown in the special chapters on these points.

(1) Total without "parafiscal" charges in Denmark.

(2) Total Denmark including "parafiscal" charges.



IV. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1975 AND 1980 (%)

	D		F		I		NL		B		LUX		UK		IRL		DK (1)	
	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980
1000	51,7	48,2	60,4	43,2	45,6	24,7	54,6	45,1	76,8	43,7	16,9	46,4	61,9	55,0	21,1	26,6		
1100	13,7	5,8	8,0	28,1	19,9	6,9	9,0	10,9	32,2	0,3	8,9	30,9	13,0	18,2	8,0	13,0		
1200	5,7	22,7	25,3	0,2	1,8	5,2	18,0	17,8	10,3	10,6	0,1	0,1	8,2	4,4	11,9	10,3		
1300	1,5	2,3	1,9	3,7	10,4	/	/	/	0,3	0,3	0,8	0,2	3,8	4,8	0,1	1,2		
1400	/	/	0,7	0,0	0,6	0,3	0,0	0,1	/	/	0,7	0,0	/	/	0,3	0,0		
1500	7,2	6,0	6,8	3,1	5,1	11,3	19,3	12,5	18,2	1,7	4,2	3,0	12,3	9,9	3,9	2,0		
1600	0,3	0,2	0,3	/	/	0,2	0,0	0,2	0,1	0,2	/	/	/	/	0,0	0,1		
1700	21,7	11,3	12,5	7,8	6,1	0,7	0,9	0,4	12,7	18,4	0,2	0,4	1,7	0,3	0,7	0,1		
1800	1,6	0,0	4,5	0,2	1,6	/	7,4	3,2	2,9	12,2	2,0	11,8	22,9	17,3	0,0	0,0		
2000	0,1	2,4	5,4	1,4	2,5	/	1,2	17,3	0,6	14,0	0,0	0,0	/	/	/	0,6		
3000	12,7	12,4	13,3	10,4	13,5	16,7	10,5	8,9	/	/	2,5	3,0	5,5	7,0	2,7	1,6		
3100	8,8	0,4	2,7	0,7	2,3	13,9	/	/	/	/	1,3	0,4	0,0	2,0	/	/		
3200	3,9	12,0	10,6	7,9	6,2	2,8	10,5	8,9	/	/	1,1	2,7	5,4	4,9	0,1	0,1		
3300	/	/	/	/	/	/	/	/	/	/	/	/	0,1	0,0	/	/		
3400	/	/	/	/	5,0	/	/	/	/	/	/	/	0,0	0,0	2,6	1,5		
4000	8,6	4,8	5,3	34,2	31,1	23,0	11,8	9,9	21,7	40,8	2,7	6,0	6,7	6,3	9,5	5,7		
4100	1,7	0,3	0,3	1,3	1,7	0,6	0,5	/	12,5	9,6	0,2	0,5	/	/	0,5	/		
4200	0,5	3,9	4,2	7,1	12,3	7,8	8,7	7,6	7,9	29,6	0,3	1,6	5,2	5,5	0,9	0,6		
4300	4,2	0,0	0,1	0,2	0,2	9,7	1,9	1,4	0,6	0,7	0,0	0,1	/	/	0,3	/		
4400	0,4	0,1	0,0	0,1	0,1	5,0	0,6	0,9	0,9	1,0	/	/	/	0,9	5,8	3,8		
4500	1,3	0,0	0,0	/	0,1	/	0,0	0,0	/	0,1	0,0	0,0	1,5	/	2,0	1,3		
4600	/	/	/	/	0,0	/	/	/	/	/	/	/	/	/	/	/		
4700	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/		
4800	/	0,5	0,7	25,4	16,5	/	/	/	/	/	2,1	3,9	/	/	/	/		



(VIPA2-21)

V. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1980 (Index 1975 = 100 - current prices)

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
1000	115	168	172	108	166	65	213	224	236
1100	101	187	114	285	244	1	270	355	359
1200	146	150	1 338	87(1)	199	117	76	134	192
1300	86	113	450	/	/	96	20	324	187 (1)
1400	/	144	1 380	72	921	/	/	/	1
1500	166	152	266	127	130	11	56	203	111
1600	123	231	/	1 351	1 844	325	/	/	854
1700	112	148	125	88	99	164	148	40	17
1800	94	186(2)	1 585	/	86	476	450	191	156
2000	22	304	297	/	2 962	2 606	9	/	/
3000	108	144	210	118(1)	171	/	96	321	110
3100	108	846	551	138(2)	/	/	21	409(4)	/
3200	107	119	134	90	171	/	181	232	/
3300	/	/	/	/	/	/	/	51	/
3400	/	/	472	/	/	/	/	263	/
4000	110	147	145	196	169	214	177	239	134
4100	85	128	206	1 000	/	88	183	(53)(2)	/
4200	38	143	278	186	174	426	386	265	/
4300	155	1 865	327	141	146	117	210	/	/
4400	115	9	224	787	324	159	/	/	147
4500	121	1 044	67	/	870	/	0	149	142
4600	/	/	208	/	/	/	/	/	/
4700	/	/	/	/	/	/	/	/	/
4800	/	183	105	/	/	/	145	/	/

(1) 100 = 1976  
 (2) 100 = 1977  
 (3) 100 = 1978  
 (4) 100 = 1979

(VIPA2-21)

Index 1975 = 100  
current prices

V.a

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
5000	25	239	45	74	642	220	20	367	380
5100	21	82	81	/	/	/	/	296	/
5200	/	289	31	56	/	/	14	351	/
5300	404	83	1 478(3)	128	642	220	/	396	380
5400	/	/	/	/	/	/	/	166	/
6000	27	/	78	28	/	/	917	1 284	/
7000	422	4	101(1)	/	/	/	0	/	/
8000									
8200	162	231	533	/	151	127	234	105	75
8300	87	(195)	379	/	168	98	219	163	146
8400	276	592(2)	76(1)	/	205	/	/	148	/
11000	96	/	/	/	/	/	/	/	92
Total									
(except	87	171	159	142	212	114	70	204	246
: 8100)									
8100	n.v.	184	334	n.v.	164	129	181	230	142
Total									
:(including	n.v.	172	161	n.v.	201	114	78	205	226
: 8100)									

(1) 100 = 1976  
(2) 100 = 1977  
(3) 100 = 1978  
(4) 100 = 1979

(VIPA2-21)

VI. PUBLIC EXPENDITURE ON AGRICULTURE IN THE MEMBER STATES OF THE EEC IN 1980 (index deflated (GDP), 1975 = 100)

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
1000	95	103	77	81	127	50	111	117	155
1100	84	114	51	213	187	1	141	185	236
1200	121	91	598	71 (1)	153	91	40	70	126
1300	71	69	201	/	/	74	10	169	133 (1)
1400	/	106(2)	617	54	760	/	/	/	1
1500	137	93	119	95	100	8	29	106	73
1600	102	141	/	1 012	1 415	252	/	/	577
1700	93	91	56	66	76	127	77	21	11
1800	77	137(2)	708	/	66	369	236	100	102
2000	18	186	133	/	2 273	1 894	5	/	/
3000	89	88	94	96 (1)	131	/	50	168	83
3100	90	519	246	112 (1)	/	/	11	358(4)	/
3200	89	73	60	68	131	/	94	121	72
3300	/	/	/	/	/	/	/	27	/
3400	/	/	211	/	/	/	/	137	84
4000	91	90	65	147	130	166	92	125	88
4100	70	79	92	749	/	68	95	(37)(2)	/
4200	32	88	124	140	134	331	201	139	/
4300	128	1 142	146	105	112	91	109	/	/
4400	95	5	100	590	250	123	/	/	96
4500	100	639	30	/	668	/	0	78	93
4600	/	/	93	/	/	/	/	/	/
4700	/	/	/	/	/	/	/	/	/
4800	/	112	47	/	/	/	79	/	/

(1) 100 = 1976

(2) 100 = 1977

## Index deflated (GDP), 1975 = 100

VI.a

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
5000	20	146	20	55	493	178	10	192	249
5100	17	50	36	/	/	/	/	155	/
5200	/	176	14	42	/	/	7	184	/
5300	371	51	1 167 (3)	117	493	178	/	207	249
5400	/	/	/	/	/	/	/	87	/
6000	22	3	35	21	/	/	478	671	/
7000	349	2	67 (1)	/	/	/	0	/	/
8000									
8200	134	141	238	/	116	100	122	55	48
8300	72	120	169	/	130	76	114	85	96
8400	228	434 (2)	40 (1)	/	157	/	/	78	42
11000	79	/	/	/	/	/	/	/	60
Total									
(except 8100)	72	105	71	106	163	88	37	128	161
8100	107 (2)	113	149	84	126	100	95	120	94
GRAND TOTAL	n.v.	105	72	n.v.	154	88	41	129	148
Inflation									
(GDP deflator)	121,0	163,4	223,8	133,5	130,3	128,9	191,7	191,4	152,4

(1) 100 = 1976

(2) 100 = 1977

(3) 100 = 1978

(4) 100 = 1979



**3. Comments on the amounts disbursed**





## 1. National expenditure on agriculture

In 1980, national expenditure<sup>1</sup> on agriculture totalled 9 441 million ECU for the Community as a whole, compared with about 8 400 million ECU in 1975. At current prices, the increase in ECU was 12% between the two years; however, expressed in constant ECU, public expenditure in fact declined, by 27%.<sup>2</sup>

Italy and France accounted for 60% of the total in 1980. In that year, too, the four big countries accounted for 87% of the total, the other Member States, leaving aside Luxembourg, sharing the rest fairly evenly.

In 1980, 50% of the expenditure went to the improvement of production structures (mainly modernization of farms, setting up of new farmers and cessation of farming, aids to inputs, aids to breeding and to disease prevention and support for farming in less-favoured areas). About 14.6% of total national expenditure for the Community as a whole went to the processing and marketing of agricultural products, 11.5% of the total national expenditure was assigned to the development of rural areas, about 8% to agricultural research and about 5.6% to market support and aids to consumption. The remainder is shared mainly between compensation granted to farmers for natural disasters (3%) and extension services and training in agriculture (4%).

## 2. Breakdown by main type of expenditure

The Netherlands is the Member State in which national expenditure on agriculture is shared out most evenly among the four main objectives: improvement of production structure at farm level, "intellectual" investment in agriculture, expenditure "upstream" of the farms and expenditure in connection with the development of rural areas. Denmark is exceptional in being the only country spending more on operations downstream of farming than on the holdings themselves.

For Italy and Luxembourg, the two main expenditure items are the holdings themselves and operations downstream. In addition to these two objectives, the United Kingdom has devoted large amounts to "intellectual" investment. The four other Member States spent more than 55% of these funds directly on the holdings and share out more or less evenly the rest of the expenditure between the three other objectives: "intellectual" investment, spending downstream of agriculture and development of rural areas.

<sup>1</sup>See the definition of national expenditure on agriculture in the general introduction - the limits of the study, p. 4 (Social security and tax rebates are not included in this definition).

<sup>2</sup>For comparison purposes it may be mentioned that social security expenditure on farmers rose from 10 700 million ECU in 1975 to about 17 000 million ECU in 1980, an increase at current prices of 59% and at constant prices of 3%.

EAGGF expenditure in 1980 was 11 922 million ECU (compared with 4 707 ECU in 1975).

Depending on the country, in 1980 most of the Member States allocated between 45% and 65% of public agricultural expenditure directly to farms, with Italy and the United Kingdom at the bottom of the scale and France at the top. Two Member States spent relatively little on farms: Denmark (29%, including 2% in "parafiscal" expenditure) and the Netherlands (roughly 25%).

As for relative shares devoted to "intellectual" investment, the Community countries divide naturally into two separate groups in 1980: Netherlands, United Kingdom, Denmark and Belgium on the one hand and Italy, France, Germany and Ireland on the other. In the first group, the share taken by this kind of expenditure exceeds 18% and is as much as 30% in the Netherlands, while in the second group expenditure was roughly 12%, with, for Ireland, a lowish rate of 9% and for Italy a percentage below 3%. As Luxembourg has neither universities nor research centres, it is not included in this analysis.

For most of the Member States, expenditure on rural development lies in a range between 7% and 15% of all expenditure. Denmark, in particular, allocates a very small part of national expenditure to the development of rural areas, but, as we have already noted, the Netherlands spends sums as large as those it spends on production structures at farm level or on the improvement of the development and processing of agricultural products. Luxembourg is too small to have a regional policy.

Lastly, the shares of expenditures "upstream" of agriculture exceed 20% everywhere except in Germany (16%), Belgium (11%), and France (8%). The percentage is very high in Denmark (43%) and Luxembourg (42%).

NATIONAL EXPENDITURE ON AGRICULTURE: SHARES ACCOUNTED FOR BY VARIOUS OBJECTIVES IN 1980

Codes	D	F	I	NL	B	LUX	UK	IRL	DK
Farms									
1000	51,7	60,4	45,6	24,7	45,1	43,7	46,4	55,0	26,6
2000	0,1	5,4	2,5	0,0	17,3	14,0	0,0	0,0	0,6
7000	1,3	0,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11000	6,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,9 (1)
TOTAL	60,0	66,4	48,1	24,7	62,4	57,7	46,4	55,0	29,1
"Intellectual" investment									
8000	11,8	12,7	3,0	31,6	17,7	0,4	29,6	8,7	20,1
"Upstream" of farms									
4000	8,6	5,3	31,1	23,0	9,9	40,8	6,0	6,3	9,5
5000	7,5	2,4	0,5	1,1	0,8	1,2	14,9	20,2	33,8
TOTAL	16,1	7,7	31,6	24,1	10,7	42,0	20,9	26,5	43,3
Development rural areas									
3000	12,7	13,3	13,5	23,0	10,5	0,0	3,0	7,0	1,6

(1) "Parafiscal" expenditure has been broken down as follows: 50% to Chapter 4000, 25% to Chapter 8000 and 25% "other" has been assigned to Chapter 1100, at farm level.

### 3. Concentration of public expenditure

In 1980, in each of nine Community Member States, more than 80% of public expenditure on agriculture was concentrated on fewer than 10 main codes, to which agricultural research must be added; these codes are, however, not the same from one Member State to another.

The concentration of expenditure under certain codes is revealed as very high if the criterion taken is that of the share in total expenditure accounted for by the top three codes (whichever they may be) in each of the Member States:

Netherlands:	74.8%	(codes 8100, 3100, 1500)
Luxembourg:	62.0%	(codes 4200, 1700, 2000)
United Kingdom:	59.0%	(codes 1100, 1800, 8100)
Denmark:	57.4%	(codes 5300, 1100, 8100)
Belgium:	51.7%	(codes 1200, 2000, 8100)
Ireland:	50.7%	(codes 1100, 1800, 5200)
Italy:	48.7%	(codes 1100, 4800, 4200)
Germany:	46.2%	(codes 1700, 1100, 8100)
France:	45.8%	(codes 1200, 1700, 1100)

This also shows that 6 codes cover a large share of public expenditure in most of the Member States.<sup>1</sup> They are:

- expenditure on restructuring of farms (code 1100): this code accounts for a good deal of expenditure in Member States.<sup>2</sup>
- expenditure on improving livestock potential (code 1500), in particular health control and vaccines (code 1520): this heading is of some importance in 8 Member States of the Community.<sup>2</sup>
- expenditure on research (code 8100); this code is important in 7 Member States. Only Italy seems to neglect research, and Luxembourg has no facilities.
- expenditure on land mobility and expenditure to prevent splitting or fragmentation of farmland (code 1200): this code was important for seven Member States, and particularly so for France, Belgium and Denmark. Only Italy and the United Kingdom were spending relatively little under this heading.
- public expenditure on the modernization of food processing enterprises (code 4200): this heading is of some importance in six Member States. Only Denmark, the United Kingdom and Germany spend relatively little in this area.
- expenditure on less-favoured areas (code 1800), which is relatively heavy in five Member States, particularly Ireland and the United Kingdom.

Public expenditure designed to reduce production costs in agriculture is very heavy in four Member States: Germany (21.7%), Luxembourg (18.4%), France (12.5%) and Italy (6.1%)

<sup>1</sup>The size of the amounts assigned to certain codes is not in any way a reflection of priorities within the agricultural policy of each Member States.

<sup>2</sup>Luxembourg was in a special situation in 1979 as compared with the other years.

MAIN PUBLIC EXPENDITURE GROUPED BY CODE IN 1980

	D	F	I	NL	B	LUX	UK	IRL	DK
	code	code	code	code	code	code	code	code	code
	%	%	%	%	%	%	%	%	%
1.	1700 21,7	1200 25,3	1100 19,9	3100 13,9	1200 17,8	4200 29,6	1100 30,9	1100 18,2	5300 33,8
2.	1100 13,7	1700 12,5	4800 16,5	1500 11,3	2000 17,3	1700 18,4	1800 11,8	1800 17,3	1100 13,0
3.	3100 8,8	1100 8,0	4200 12,3	4300 9,7	1500 12,5	2000 14,0	8300 11,8	5300 15,2	1200 10,0
4.	1500 7,2	1500 6,8	1300 10,4	4200 7,8	1100 10,9	1800 12,2	5100 8,5	1500 9,9	11000 7,6
5.	11000 6,9	2000 5,4	3200 6,2	1100 6,9	3200 8,9	1200 10,6	5200 6,4	4200 5,5	8300 7,2
6.	5100 6,2	1800 4,5	1700 6,1	1200 5,2	4200 7,6	4100 9,6	4800 3,9	3200 4,9	4400 3,8
7.	1200 5,7	4200 4,2	1500 5,1	4400 5,0	1800 3,2		1500 3,0	1300 4,8	
8.	4300 4,2	8300 4,0	3400 5,0	3200 2,8			3200 2,7	1200 4,4	
9.	4200 2,0	5100 2,7	6000 3,8					5100 3,6	
10.		3100 2,1	2000 2,5					8300 3,1	
11.			3100 2,3						
SUB-TOTAL	76,4	75,5	90,1	64,5	78,2	94,4	79,2	87,1	77,4
8100 10,8	8100 5,8	8100 2,1	8100 31,6	8100 16,6	8100 /	8100 16,2	8100 4,8	8100 10,6	
GRAND TOTAL	87,2	81,3	92,2	96,1	94,8	94,4	95,4	91,9	88,0

Note: The table includes codes covered by at least 2% of total national expenditure in each Member State.

#### 4. Changes in public expenditure between 1975 and 1980

Because of gaps in the statistics on research, we have compared changes in public expenditure in the 1975/80 period without this item (1), as this does not substantially affect the analysis, except perhaps in the Netherlands.

Expressed in current prices, public expenditure on agriculture increased in all the Member States except Germany and the United Kingdom. On the other hand, changes in expenditure expressed in constant prices show wide disparities as between the nine countries reviewed:

- 3 countries stepped up their expenditure on agriculture: Belgium (by 63%), Denmark (by 61%) and Ireland (by 29%);
- 2 countries maintained their expenditure: France (up 5%) and the Netherlands (up 1%). In the Netherlands expenditure on research declined at constant prices, and, as this item is a large proportion of overall agricultural expenditure, overall expenditure in fact also declined;
- 4 countries spent less on agriculture: Luxembourg (down 17%), Germany (down 27%), Italy (down 29%) and the United Kingdom (down 63%). The decline in Luxembourg is incidental rather than structural, since it was connected with the introduction of a new system for supporting farm modernization, as a result of which actual disbursement of aids was deferred.

Analysis of changes in public expenditure according to classification codes shows that, at constant prices, expenditure connected with certain codes increased (or at least marked time) in most of the Member States.

- code 1100 (farm modernization) except in Germany, Italy and Luxembourg (not structural)
- code 1600 (cooperation between farmers)
- code 1800 (farms in less-favoured areas) except in Germany and Belgium
- code 3100 (general programmes for agriculture) except in Germany and the United Kingdom
- code 4200 (modernization of processing facilities) except in Germany and France
- code 4300 (promotion of agricultural products) except in Luxembourg
- code 8200 (training) except in Luxembourg, Ireland and Denmark
- code 8400 (aid to accounting) except in Ireland and Italy.

On the other hand some types of expenditure contracted by more than 20% at constant prices in a number of Member States:

- code 1200 (land mobility and prevention of fragmentation) except in Germany, Belgium, Denmark and Italy
- code 1700 (inputs) except in Luxembourg
- code 3200 (rural infrastructure) except in Belgium and Ireland
- code 4100 (processing at producer stage) except in the Netherlands.

Although these last types of expenditure declined at constant prices, they were still accounted for a substantial share of public expenditure on agriculture, except perhaps for code 4100.

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(1) For research, see the special chapter on this subject.

THE MAIN SCHEMES IN RESPECT OF WHICH EXPENDITURE AT CONSTANT PRICES INCREASE  
BETWEEN 1979 AND 1980

	D	F	I	NL	B	LUX (1979)	UK	IRL	DK
	5300 (371)	4300 (1142)	5300 (1167)	1600 (1012)	1600 (1012)	1800 (346)	6000 (478)	6000 (671)	1600 (537)
	7000 (349)	4500 (639)	1800 (708)	4100 (749)	1400 (707)	4200 (310)	1800 (390)	3100 (358)	5300 (239)
	8400 (228)	3100 (519)	1400 (617)	4400 (590)	4500 (668)	1600 (236)	4200 (201)	5300 (207)	1100 (226)
	8200 (147)	8400 (434)	1200 (598)	1100 (152)	5300 (493)	5300 (151)	8200 (122)	5200 (184)	1300 (133)
	1500 (137)	5200 (176)	3100 (246)	4200 (140)	4400 (249)	1700 (119)	8300 (114)	1300 (169)	1200 (121)
	4300 (128)	1600 (141)	8200 (238)	5300 (117)	1100 (187)	4400 (116)	4300 (109)	1100 (158)	
	1200 (121)	8200 (141)	3400 (211)	3100 (112)	8400 (157)			5100 (155)	
		1800 (136)	1300 (201)	1200 (152)	1200 (152)			4200 (139)	
		8300 (120)	8300 (169)	4200 (134)	4200 (134)			3400 (137)	
		1100 (114)	4300 (146)	3200 (131)	3200 (131)			3200 (121)	
		4800 (112)	5400 (139)	8300 (130)	8300 (130)			1800 (115)	
			4200 (124)	8200 (116)	8200 (116)				
			1500 (119)						
	8100 (107)	2000 (186)	2000 (133)		2000 (2273)	2000 (1894)			
		8100 (113)	8100 (149)		8100 (126)			8100 (120)	

Note: For each of the Member States, the scheme is indicated by its code in the common classification and the index of change at constant prices in the national currency is given, by brackets (1975 = 100).



5. Changes in shares accounted for by expenditure according to codes between 1975 and 1980

In all the Member States except Ireland, expenditure by code changed substantially between 1975 and 1980. But in most of the Member States the change is essentially the result of a sharp movement under one heading, the development being either structural (United Kingdom, Germany) or short-term or incidental (Luxembourg, Belgium and France). Only the Netherlands, and particularly Italy, reorganized part of their expenditure by objective between 1975 and 1980.

1. In Ireland:  
Fairly general stability, but with an increase in the share accounted for by aids to consumption and a reduction in the share of aids to the maintenance of farm structures and aids to improving production potential.
2. In France:  
Change due to the payment of exceptional income subsidies which may exceed 20% of total expenditure (1975, 1976 and 1977).
3. In Belgium:  
Wide change due to the payment in 1978 of aid following the 1976 drought.
4. In Luxembourg:  
Change because there were no payments between 1978 and 1979 for the modernization of farms and because aids connected with disasters were paid in 1978 and there was a sharp increase in expenditure on food processing in 1979.
5. In United Kingdom:  
Very sharp change due essentially to the reduction in the share of aids to consumption and to market support.
6. In Germany:  
Change very largely due, in 1975, to the aid to offset the revaluation of the mark. The share accounted for by aids to improving production potential and aids to production inputs increased between 1975 and 1980.
7. In Denmark:  
Sharp change due to an increase in the share of expenditure encouraging consumption of milk products and the reduction in the share of expenditure on "intellectual" investment.
8. In the Netherlands:  
The share accounted for by expenditure on land mobility declined sharply. On the other hand, there was an increase in the share of expenditure on the specific programme for agriculture, investment in processing and marketing enterprises and on product inspection and quality controls.
9. In Italy:  
As seen above, the patterns of expenditure by code changed radically. In particular, there was an increase in the expenditure on land improvement, the development of rural areas, and the processing industry; on the other hand the shares of expenditure on the modernization of farms and for central agencies declined appreciably.

6. Distribution of national expenditure by product

In all the Member States, the codes expenditure in respect of which is largest generally cover several products. It is generally not easy to break down the expenditure by product. The situation varies from Member State to Member State, as the following table shows:

Shares of public expenditure that can be assigned to products in 1980

Luxembourg	63%
Belgium	55%
Denmark	48%
United Kingdom	36%
Italy	34%
Ireland	23%
France	18%

In a number of Member States, the largest share of the aids that can be allocated is accounted for by beef/veal and milk products. However, in view of the low percentage of aids that can be directly assigned to the products, especially in France and Ireland, and the lack of information on how expenditure is allocated in Germany and the Netherlands, it would not be wise to infer that a large part of national expenditure goes to beef/veal or milk.

7. Comparison between EAGGF expenditure and national expenditure on agriculture

In 1980, EAGGF expenditure in the Community totalled 11 900 million ECU, while national expenditure was 9 400 million ECU. The two amounts total 21 300 million ECU, with 56% coming from the EAGGF and 44% from national expenditure. (1)

Insofar as EAGGF expenditure can be allocated by Member State, an operation carried out by the EAGGF staff, it is found that Italy's share in total public expenditure is practically double its share in EAGGF expenditure (30.5% against 16.2%) and that only two other Member States have a larger share in total public expenditure than their share in the EAGGF expenditure: (France (28,9% compared with 24,9%) and the United Kingdom (11,4% compared with 8,3%). The figures for Luxembourg are too small to be significant. The situation in the Netherlands is a special one since this country received 13.2% of EAGGF expenditure while the share of Netherlands public expenditure on agriculture in the total public expenditure of all the countries on agriculture is only 3.5%. A last point is that the amount of national expenditure on agriculture exceeded the EAGGF payments in only three Member States: Italy, Luxembourg and the United Kingdom, the amounts being much the same in the United Kingdom.

(1) For comparison purposes, social security expenditure for farmers totalled 17 000 million ECU in 1980, i.e. 143% of total EAGGF expenditure or again 175% of total national expenditure on agriculture.

DISTRIBUTION OF EAGGF AND NATIONAL EXPENDITURE  
ON AGRICULTURE IN 1980

	D	F	I	NL	B	LUX	UK	IRL	DK	CEE	(mECU)
National expenditure											
1 - (10 <sup>6</sup> ECU)	1 529	2 732	2 882	330	230	19	1 076	371	274	9 441	
2 - %	16,2	28,9	30,5	3,5	2,4	0,2	11,4	3,9	2,9	100	
EAGGF expenditure											
3 - (10 <sup>6</sup> ECU)	2 596	2 964	1 930	1 569	596	13	991	610	641	11 922 (1)	
4 - %	21,8	24,9	16,2	13,2	5,0	0,1	8,3	5,1	5,4	100	
5 = 1 + 3 (10 <sup>6</sup> ECU)	4 125	5 696	4 812	1 909	826	32	2 067	981	915	21 363	
6 = 1 + 3 (%)	19,3	26,7	22,5	8,9	3,9	0,1	9,7	4,6	4,3	100	
7 = $\frac{1}{3}$ x 100	58,9	92,2	149,3	21,7	38,6	146,2	108,6	60,8	42,7	79,2	

(1) Including 23 for fisheries and 13 for the Community.

4. Schemes operated under certain codes  
of the common classification



ANALYSIS OF MEASURES TAKEN TO ACHIEVE CERTAIN OBJECTIVES

In this chapter we have analysed and compared the measures taken to achieve certain objectives in all the Member States of the Community. We have selected seven objectives which account for high levels of expenditure in the majority of the Member States. These seven objectives account for roughly 55% of total national expenditure in the Community. (1)

In order of amount of expenditure at Community level, these objectives are:

- Code 1100 - Modernization of farms
- Code 1200 - Measures to improve mobility of land and prevent splitting of farms
- Code 1700 - Reduction of production costs on farms
- Code 1500 - Improvement of production potential on farms
- Code 4200 - Modernization of concerns involved in the processing and marketing of agricultural products
- Code 5000 - Support of the agricultural market and aid to the consumption of agricultural products
- Code 1800 - Development of less-favoured areas.

In the table below we have shown, for each measure, the scale of each objective in each Member State, and indicated its position from the point of view of expenditure and the percentage of expenditure allocated to it.

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(1) Apart from this, research accounts for 7.7% of total expenditure. For details see chapter on research.

RANKING OF 7 TYPES OF EXPENDITURE BY AMOUNT  
AND THEIR SHARE IN TOTAL EXPENDITURE  
1980

Code	Definitions	CEE	D	F	I	NL	B	LUX	UK	IRL	DK
1100	Modernization of farms	1 15,8%	2 13,7%	3 8,0%	1 19,9%	5 6,9%	4 10,9%	0,3%	1 30,9%	2 18,2%	2 13,0%
1200	Measures to improve mobility of land and prevent splitting of farms	2 9,9%	7 5,7%	1 25,3%	1,8%	6 5,2%	1 17,8%	5 10,6%	0,1%	8 4,4%	3 10,3%
1700	Reduction of production costs on farms	3 9,1%	1 21,7%	2 12,5%	7 6,1%	0,7%	0,4%	2 18,4%	0,4%	0,3%	0,1%
1500	Improvement of production potential on farms	4 6,0%	5 7,2%	4 6,8%	8 5,1%	2 11,3%	3 12,5%	1,7%	7 3,0%	4 9,9%	7 2,0%
4200	Modernization of concerns involved in the processing and marketing of agricultural products	5 6,0%	9 0,5%	7 4,2%	4 12,3%	4 7,8%	6 7,6%	1 29,6%	1,6%	5 5,5%	0,6%
5000	Support for the agricultural market and aid to the consumption of agricultural products	6 5,6%	4 7,5%	9 2,4%	0,5%	1,1%	0,8%	1,2%	2 14,9%	1 20,2%	1 33,8%
1800	Development of less-favoured zones	7 4,2%	1,6%	6 4,5%	1,6%	/	7 3,2%	4 12,2%	3 11,8%	3 17,3%	/
TOTAL		56,6%	56,9%	63,7%	47,3%	33,0%	53,2%	74,1%	62,7%	75,8%	59,5%
8100	Research	8,0%	10,8%	5,8%	2,1%	31,6%	16,6%	0,2%	16,2%	4,8%	10,6%

Code 1100 - Modernization of farms

In 1980 national expenditure on the modernization of farms totalled 1489 million ECU for the Community as a whole, i.e. 15.8% of all national agricultural expenditure in the Community.

As can be seen from the following table, in 1980 the ratio of this type of expenditure to total national expenditure varied from one Member State to another:

United Kingdom	30,9%
Ireland	18,2%
Italy	19,9%
Germany (1)	13,7%
Denmark	13,0%
Belgium	10,9%
France	8,0%
Netherlands	6,9%
Luxembourg (2)	0,3%

Between 1975 and 1980 expenditure allocated to this objective expressed in constant prices increased in all Member States with the exception of Germany (-16%), Italy (-49%) and, for an incidental reason, Luxembourg (-99%). In Germany the decrease seems to be the result of the fall in the number of farms qualifying.

In the case of most Member States, national expenditure on the modernization of farms is undertaken by virtue of Community directives (72/159 and 75/268). Only in Italy (73% of the total), Germany (43%) and France (13% of the total) is a large portion of expenditure of this type allocated to national measures which have no connection with Community directives.

- (1) In Germany this figure rise to 20.6% when account is taken of aids to farms taken-over by political refugees.
- (2) In 1979, for incidental reasons, Luxembourg did not allocate any expenditure to this objective. In a normal year the percentage is between 25% and 30%.



BREAKDOWN OF NATIONAL EXPENDITURE ON  
MODERNIZATION OF FARMS

1980 (mECU)

	D (1)	F	I	NL	B	LUX	UK	IRL	DK
National expenditure									
1) linked to Community directives									
- with Community payment (1110)	120,3	192,8	7,1	23,1	10,5	0	127,3	27,2	20,7
- without Community payment (1120)			106,3	/		/	120,7	30,2	10,2
					14,6				
2) not linked to Community directives (1130)	43,7	28,8	420,2	0,5	/	/	/	0,2	/
3) arising from national schemes preceding the Community directives (1140)	45,9	/	40,5	/	/	0,05	/	0,0	4,7

(1) In Germany, 105,4 million ECU have been allocated to farms taken over by political refugees.

In this study we have refrained from providing details of the application of national measures linked to Directive 72/159 because the main characteristics of these measures were described in the Commission's analysis of the application of the Council directives on structures (1). We would merely point out that

- (1) until 1980 between 10% and 12% of farms in each Member State were in receipt of aid but with a high percentage in the Netherlands (15%) and Ireland (47%).
- (2) investment for the most part involved farm buildings and livestock buildings in particular;
- (3) investment was for the most part directed at livestock-rearing (particularly in the milk sector), the pig sector in some Member States and horticulture (Netherlands and Belgium).

In 1980 Italy had still not implemented the Community directives; for details of the measures applied in Italy we would refer the reader to the national report.

In France expenditure not linked to the Community directives mainly takes the form of subsidies for stock-rearing buildings (21 million ECU) and guidance premiums for cattle and sheep farming activities (7 million ECU).

In Germany national expenditure not linked to the Community directives has primarily a social purpose when financed by the Federal Government because it includes subsidies towards housing for agricultural workers (3,2 million ECU). The other national measures are in fact financed by the Länder and can be broken down into three groups:

- aids to farms excluded from the investment aids programme under the Community directives (17,3 million ECU),
- housing improvement schemes (19,6 million ECU),
- in certain Länder, aids to certain types of farms: grazing (Lower Saxony), milk, meat and piglets (Schleswig-Holstein), horticulture (Hamburg) (3,5 million ECU).

Lastly, in Germany expenditure arising from decisions taken prior to the implementation of the Community directives encompasses aid to the modernization of farms, the re-parcelling of land, housing for agricultural workers and agricultural roads and water installations.

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(1) Document VI/2734/82.

Code 1200 - Measures to improve mobility of land and prevent splitting of farms

In 1980 national expenditure under this code amounted to roughly 938 million ECU for the Community as a whole, or 9,9% of total national expenditure on agriculture.

This is one of the most important categories of expenditure in three Member States: France, Belgium and Denmark. By contrast it is less important in Italy and is practically negligible in the United Kingdom. This category can be broken down into three principal components:

- setting up of farmers (including transfer of land)
- reparacling
- cessation of farming.

In all Member States with the exception of Germany, the Netherlands and the United Kingdom the bulk of expenditure under this code is accounted for by the setting up of farmers. More precisely, Italy, Denmark, Ireland, Belgium and France devote more than 50% of expenditure under this code to the setting up of farmers and the transfer of land.

Reparacling accounts for a substantial proportion of expenditure in the Netherlands, Germany, Luxembourg and Belgium.

Lastly the cessation of farming accounts for a relatively high proportion of expenditure in Germany, the Netherlands, France and Luxembourg.

CODE 1200: MEASURES TO IMPROVE MOBILITY OF LAND AND

PREVENT SPLITTING OF FARMS IN 1980

	D	F	I	NL	B	LUX	UK	IRL	DK									
	10 <sup>6</sup> ECU	%	10 <sup>6</sup> ECU	%	10 <sup>6</sup> ECU	%	10 <sup>6</sup> ECU	%	10 <sup>6</sup> ECU	%								
Setting up of farmers	0,3	0,3	356,6	51,6	50,5	98,8	0	21,9	53,6	0,5	25	0	14,1	86,5	26,8	95,4		
Reparcelling	0	0	88,1	12,7	0	0	3,1	17,4	15,9	38,9	0,9	45	0	0	1,3	4,6		
Cessation of farming	87,5	99,7	246,4	35,7	0,6	1,2	14,7	82,6	3,0	7,4	0,6	30	1,1	100	2,2	13,5	0	0
TOTAL	87,8	100	691,1	100	51,1	100	17,8	100	40,9	100	2,0	100	1,1	100	16,3	100	28,1	100

Code 1700: Reduction of production costs on farms

In Germany, France and Luxembourg, this item of expenditure occupies an extremely important place, indeed its share in total expenditure is predominant in one of the countries. In Italy, although the share of expenditure accounted for by this objective is more modest, the total amount of expenditure is fairly high.

In the other Member States, this item accounts for a very low proportion of expenditure (less than 1% of the total) and for these five countries the amounts come to 8,3 million ECU, i.e. barely twice the total expenditure of Luxembourg on this item.

In 1980 total national expenditure under this code in the Community amounted to 861 million ECU or 9,1% of total national expenditure on agriculture.

At constant prices expenditure under this code fell in all the Member States except Luxembourg. The reason for this is basically that the effect of the first oil price increase was receding and the second had not yet been felt.

Germany

Almost all the schemes to reduce production costs are tax allowances for agriculture and relate to agricultural vehicles, mineral oils and fuel oils, and, to a limited extent, to agricultural insurance. At 334,4 million ECU, these schemes account for 21,7% of total public expenditure on agriculture and, in terms of objectives, is the highest category of expenditure. This does not mean that Germany bases part of its agricultural policy on this type of measure.

France

The scheme to reduce production costs amounts for the most part to tax allowances for agriculture and involves the reduction of the internal tax on fuels (petrol and diesel) used in agriculture. This aid amounts to 339 million ECU. A small part is accounted for by insurance against hail (11,6 million ECU). This scheme accounts for 12,5% of total expenditure on agriculture and, in terms of objectives, is the second largest category of expenditure in France.

Luxembourg

Half of the expenditure allocated under the scheme to reduce production costs is used to reduce energy costs in agriculture (electricity and petroleum products used in agriculture) and half to the reduction of the costs of other inputs (fertilizers, animal feeds, etc.). In 1979 this category of expenditure amounted to 3,4 million ECU, putting it in second place with 12,4% of total public expenditure.

## Italy

Almost all expenditure under this code is accounted for by tax reliefs on petroleum products and reduced rates for electricity used in agriculture and on the costs of transport of agricultural products. These three items account for 146 million, 35 million and 14 million ECU respectively or, in all, 6,1% of total public expenditure on agriculture.

### Code 1500: Improvement of production potential of farms

This type of measure is generally important for all Member States in financial terms. This is one of the nine main categories of expenditure in all Member States with the exception of Luxembourg. In 1980 total expenditure in this field in the Community amounted to 584 million ECU or 6,2% of total national expenditure on agriculture. In some Member States this category of expenditure accounts for a considerable proportion of total expenditure: Netherlands (11,3%), Belgium (12,5%), Ireland (9,9%), Germany (7,2%), France (6,8%) and Italy (5,1%).

In all the Member States, but particularly in Germany and Italy, where there are fully-fledged regions, schemes falling under this code are legion but few of them entail heavy expenditure.

The following table provides a breakdown by Member State and in percent of expenditure under Code 1500 in 1980.

Most of the Member States devote a relatively low proportion of their expenditure to improving crop production potential. The higher proportions in France and Italy are accounted for by their more southerly position and the heavier emphasis on crop production. The high proportion of expenditure accounted for by this category in Denmark, Belgium and Luxembourg is a result of the inclusion of expenditure under this code. In fact this type of expenditure can also be allocated under Code 4400 (quality control). In Belgium a good deal of money is spent on seed control. In Luxembourg expenditure of this type is divided between seed control and the planting of vineyards, and in Denmark it is allocated to seed control.

Nevertheless in all the Member States with the exception of Denmark, more than 75% of expenditure under this code relates to improvement of livestock production with, in the majority of countries, special emphasis on preventive measures. Only Italy and France give priority to breeding.

It should be noted that the high proportion of expenditure accounted for by Code 1560 in Denmark is a result of classification: this scheme could also have been classified under Code 4400 (inspection of products and quality control).

Between 1975 and 1980 expenditure in constant terms under this code either increased (Germany, Italy) or remained stable (Ireland, Belgium, Netherlands and France). The drop in expenditure in Luxembourg is mainly due to the new law on agriculture. In the United Kingdom the sharp fall in expenditure is largely due to a decline in expenditure for brucellosis eradication.



Code 4200: Modernization of enterprises processing and marketing agricultural products

National expenditure on food processing accounts for a substantial proportion of national expenditure on agriculture in seven Member States: 30% in Luxembourg, 12% in Italy, 7,5% in the Netherlands and Belgium, 5% in Ireland and 4% in France. Only in the United Kingdom, Denmark and Germany is the level of such expenditure quite low.

In 1980, total national expenditure under this heading amounted to 563,4 million ECU, or 6% of national agricultural expenditure under all headings.

A breakdown of expenditure per sector of production is not available for Italy, Germany, the Netherlands or the United Kingdom.

In the five Member States where it has been possible to obtain a breakdown of aids to investment per product, it can be seen that the sectors receiving the highest level of aid are the dairy sector (35% in France and Ireland, 29% in Belgium, 22% in Denmark), the meat processing sector (22% in France, 18% in Ireland, 16% in Belgium and 55% in Denmark) - these two sectors account for 89% of aids in Luxembourg - the cereal processing sector (16% in France, 20% in Belgium, 18% in Ireland) - for each of these five Member States these three sectors account for between 65% and 75% of total aids (94% in Luxembourg). Information available indicates that for the United Kingdom a large proportion of aid is accounted for by the milk sector and the meat processing sector. This type of expenditure increased in constant terms between 1975 and 1980 in all the countries except France (-12%) and Germany, where it declined sharply (-68%).

Code 5000: Market support and aids to consumption

In 1980 expenditure under this heading was high in six Member States. For the Community as a whole it amounted to 528 million ECU or 5,6% of total national expenditure on agriculture in the Community.

United Kingdom

160,6 million ECU was allocated to market support provided either under Community regulations (variable premium for bovines: 91,9 million ECU) or under purely national schemes for sectors not covered by an organization of the market: sheep (54,2 million ECU) and potatoes (14,2 million ECU).

Denmark

92,6 million ECU were allocated to offset VAT on milk products (78,9 million ECU) and to promote the consumption of butter under the Community scheme (13,7 million ECU).



### Germany

95,5 million ECU was disbursed through the VAT mechanisms to compensate for the revaluation of the mark. This measure, constituting general support for prices, was authorized because of the way the common agricultural prices were fixed by the Community. This code also covers expenditure of 18,4 million ECU to promote sales of milk at reduced prices to schools under the Community scheme.

### France

11.5 million ECU was allocated to market support for a large number of products not covered by an EEC market organization (mainly potatoes). 49,3 million ECU were devoted to stock-rearing contracts. 4,1 million ECU were allocated to the sale of cut-price milk to old people under the Community scheme. It should be noted that 1.1 million ECU were accounted for by aid to private storage provided for under Community regulations.

### Ireland

56,5 million ECU were allocated to the consumption of butter, full-cream milk, flour and bread. 13,3 million ECU constituted the difference between payment and refund from the EAGGF. 4,4 million ECU were absorbed by the special premium for slaughtering animals refunded by the United Kingdom.

### Italy

In addition to aid of 7,1 million ECU for citrus fruit, 7,2 million ECU were used for management of the Italian intervention agency.

### Code 1800: Aid to less-favoured areas

This type of expenditure is important in five Member States: Ireland, the United Kingdom, Luxembourg, France and Belgium. In the Netherlands and Denmark measures of this type do not exist.

Total expenditure under this code in 1980 amounted to 394 million ECU or 4,2% of total national expenditure on agriculture in the Community.

The number of measures covered by this code is limited. The most important is the compensation paid by the Member States under Community Directive 75/268.

The most important second measure is aid to fodder-harvesting equipment or equipment used in upland areas (provided for in Directive 75/268).

For Ireland, we have included social aid to small farms located in less-favoured areas.

Only in Belgium and Germany did expenditure on this type of scheme decline at constant prices between 1975 and 1980.

5. Schemes operated in a limited  
number of Member States



Expenditure under some code headings appears relatively high in only a limited number of Member States, or even in one Member State alone.

1. Compensation for natural disasters (code 2000)

All Member States take this kind of action, which is by definition incidental rather than structural, but during the period studied (1975-1980) four Member States in particular spent large sums under this heading.

Belgium began in 1977 to pay out sums committed following the 1976 drought. Annual payments to farmers from 1978 to 1980 amounted to a considerable total.

Luxembourg paid compensation for losses due to the bad weather which affected wine-growing in 1978 and 1979 and for losses caused by the 1976 drought.

France paid out considerable sums in compensation of this kind throughout the whole period. The largest amounts were paid in 1976 and 1977 in connection with the 1976 drought.

Italy paid compensation of this kind throughout the period in question. The expenditure ranges from 36.3 million ECU in 1975 to 74.3 million ECU in 1980 (+ 33% at constant prices). 1979 was an exceptional year, with a figure of 174 million ECU.

2. Expenditure on general programmes with primarily agricultural objectives (code 3100)

In five Member States there are fairly high levels of expenditure on general programmes:

In the Netherlands, expenditure under this code heading includes amounts spent in connection with "Landinrichting"; these relate not only to agriculture but to several other sectors of the economy. "Landinrichting" forms part of the land improvement policy and it is very difficult to give precise figures for the proportion of public expenditure which, in the context of "Landinrichting", actually goes to agriculture. It is possible, however, to show how the expenditure for 1980 was allocated:

Infrastructure	34.2%
Reparcelling	23.2%
Water engineering operations	17.1%
Building operations	6.6%
Compensation, administrative costs, etc.	6.2%
Landscape improvements	5.0%
Recreational facilities	3.9%
Commercial buildings	3.1%

In Germany, this type of action principally covers re-parcelling (1) and special measures (of the Länder) for "site insertion" and for creating recreational areas.

In France, about one third of all expenditure under this heading goes on the "rural renewal" programme, which includes a wide range of operations such as improvement to land and buildings, improvement in living conditions and improvement of the rural environment. The remaining two thirds of the expenditure help to finance the operations of regional development boards (irrigation, drainage and similar operations, farm improvements, improvements to property, the organization of agricultural production and marketing, etc.).

In Italy, this type of expenditure mainly relates to upland areas (agricultural reorganization, improvement, investment aid) and assistance in the reclamation of uncultivated land.

Of the total public spending on agriculture in 1980, this category accounted for: Netherlands, 13.9%; Germany, 8.8%; France, 2.7%; and Italy 2.3%. Expenditure in this category increased considerably between 1975 and 1980 in France and Italy, whereas the same expenditure expressed in constant terms increased only slightly in the Netherlands (+ 12%) and decreased in Germany (- 10%). In 1979 and 1980 Ireland introduced similar measures as part of the "Western drainage scheme" co-financed by the Community.

3. Expenditure on information and training in agriculture (Codes 8200, 8300 and 8400)

Measures of this kind account for a significant proportion of public spending on agriculture in four Member States (2): the United Kingdom (13.4% of total expenditure in 1980), Denmark (7.3%), France (6.9%) and Ireland (3.9%). In all the Member States except Denmark and Ireland expenditure on training and information increased at constant prices.

In the United Kingdom, expenditure on agricultural training accounted for about 11% of the total expenditure on training and information between 1975 and 1980.

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(1) See the report on Germany for detailed explanation of this notion.

(2) Note that in the Netherlands public, semi-public and private expenditure on training and information is very heavy. It is one of the pillars of the Netherlands agricultural policy. However, no information was available for this study.

Expenditure on information and extension services was greater in the United Kingdom than in any other Member State. Extension services may be scientific, technical or practical and may take the form of publications or individual contacts with farmers. The expenditure on extension services is channelled through the agricultural development and advisory services (ADAS in England and Wales, AAS in Scotland and AATS in Northern Ireland). The Ministry also provides logistic support (publications, audio-visual techniques) for the dissemination of information and the results of scientific research.

In Denmark, virtually all the expenditure is accounted for by agricultural "consultants" salaries. These consultants act as agricultural advisers to farmers and are allocated to the various production sectors. In 1980 there were 1 784 such consultants, 70% of whose salaries were financed by central government. Many of the extra staff taken on between 1975 and 1980 were assigned to management counselling duties.

The numerous "parafiscal" charges levied in the agricultural sector in Denmark also provide financing for some training and information operations.

In France expenditure on vocational training and training in book-keeping accounted for about 40% of expenditure on training and information in 1980.

Expenditure on information and agricultural advice is channelled through farmers/horticulturalists' associations (fruit and vegetables, oil seeds and oil fruits from southern Europe, wines and spirits, milk, cereals) or via technical institutions (canned agricultural products, raising of poultry, cattle, sheep, lambs and goats, etc.). A large proportion of the expenditure goes to finance the National Association for Agricultural Development.

In Ireland, spending on vocational training in 1980 accounted for 19% of all expenditure on training and information (27% in 1975). A considerable proportion of this expenditure is on the training of young farmers or students seeking practical training in agriculture.

In 1980, the extension services system was modified and the financing for that year was shared between the two bodies which supervised these extension services.

4. Expenditure on product promotion and marketing services (Codes 4300 and 4500)

All the Member States allocate funds to this type of operation. For most Member States, however, relatively small sums are involved (less than 5 million ECU in 1980) except Germany and the Netherlands; for these two countries this type of expenditure accounted for 5.5% and 9.7% respectively of the total spent on agriculture in 1980:

(a) Product promotion

Total expenditure on product promotion in the Member States in 1980 was 111.4 million ECU, or 1.2% of total public expenditure on agriculture. Practically 90% of this expenditure was accounted for by Germany and the Netherlands, the rest being divided among Italy, France and Belgium. In these five countries expenditure expressed at constant prices increased between 1975 and 1980.

In Germany, 90% of the promotion expenditure is apportioned according to the Federal Law on market funds (enacted 1 November 1976). This expenditure relates to all agricultural products except wines, for which there is a special scheme (wine stabilization fund) financed from "parafiscal" charges. Some Länder (Bavaria, Lower Saxony, Schleswig-Holstein) assign funds to the promotion among merchants and consumers of the agricultural products typical of these Länder.

In the Netherlands, more than 93% of promotion expenditure is provided by the Produktschappen and the Landbouwschap, and financed from special charges paid by the members of the Produktschappen. In 1980, 54% of promotion expenditure went on milk and milk products. A fairly large proportion is also spent on flowers, etc., meat, eggs and poultry. The Ministry of Agriculture contributes only 5% of agricultural product promotion expenditure (market research, publicity, foreign exhibitions).

In Italy, in Belgium and in France, promotion expenditure covers advertising, publicity and aid for exhibitions (at home and abroad).

(b) Marketing services

In 1980, total expenditure on marketing services was 29 million ECU, two thirds of which was accounted for by Germany, with Denmark, Ireland and Italy and France sharing the remainder.

In Germany, 97% of the expenditure in 1980 - provided by the Länder - related to the dairy sector; the aim was to improve knowledge of the market.

In the other Member States expenditure went to improve market "transparency" and to provide better management of one or more agricultural products:

- beef in Ireland (funded from a "parafiscal" charge);
- measures specific to Greenland in the case of Denmark;
- special measures for horticulture, wine, meat and poultry in France;
- measures relating to market information and marketing techniques for all products in Italy.

5. Expenditure on inspection of products and quality control

This expenditure amounted to 40 million ECU in 1980 or 0,4% of total spending on agriculture in the Member States of the EEC. It was provided by the Netherlands, Denmark, Germany and Italy. Its purpose is to finance the running of inspection offices. In Germany, such expenditure is limited to certain Länder.

The table shows the total spent by each Member State as a percentage of the total expenditure under codes 4300, 4400 and 4500.

10 <sup>6</sup> ECU	Promotion (code 4300)		Marketing services (Code 4500)		Inspection (Code 4400)	
	Total	%	Total	%	Total	%
D	64,5	58%	19,4	67%	6,5	16%
F	3,8	3%	1,2	4%	0,2	0,5%
It	5,4	5%	1,7	6%	3,8	10%
Nl	33,4	30%	0	/	16,9	42%
B	3,2	3%	0	/	2,1	5%
L	0,1	0%	0	/	0,2	0,5%
UK	1,0	1%	0	/	0	/
Irl	0	/	3,2	11%	0	/
DK	0	/	3,5	12%	10,5	26%
<b>TOTAL</b>	<b>111,4</b>	<b>100%</b>	<b>29,0</b>	<b>100%</b>	<b>40,2</b>	<b>100%</b>

6. Expenditure on the infrastructure in rural areas (code 3200)

Levels of expenditure on infrastructure (roads, water courses, etc.) were relatively high in four Member States: Italy, Belgium, Ireland and France. The Netherlands and Germany are special cases in that some expenditure included under "Landinrichting" and "Flubereinigung" relates to the infrastructure in rural areas.

Note

Code 1300 includes water engineering expenditure for farms. The figures for Italy are relatively high (see paragraph 7(a) below), but for Ireland they are lower and they are still lower for France and Germany.

7. Expenditure peculiar to Italy

In Italy expenditure under four code headings is very considerable in proportion to the country's total spending on agriculture and compared with expenditure under the same headings in other Member States:



The codes concerned are 1300, 3400, 4800 and 6000 for which more than 1 000 million ECU was spent in 1980, i.e. 35.7% of total public expenditure on agriculture in Italy.

(a) Irrigation, drainage and land improvement (code 1300)

The 300 million ECU spent under this heading accounted for 10% of the total expenditure on agriculture in Italy. This is six times greater than the corresponding expenditure for the other eight Member States taken together. Expressed in constant prices, the figure doubled between 1975 and 1980. In 1980, 58% of the expenditure went on irrigation and 42% on land improvement and drainage, whereas in 1975 expenditure on irrigation accounted for only 4.5% of all expenditure under this code heading.

(b) Special programmes concerning agriculture (code 3400)

The expenditure covers regional and national promotion of national parks, the protection of flora and fauna and, by extension, compensation for damage caused by the army in the course of military exercises. In 1980 this type of spending accounted for 144.3 million ECU, or 5% of all spending on agriculture in Italy.

(c) Financing of "external" bodies (code 4800)

Originally, this expenditure by the Central Government went to finance the activity of external bodies which were dealing with agricultural problems. Regionalization has turned these "external" bodies into regional agricultural development bodies. Their activities are varied and include the preparation of agricultural development programmes, economic and financial assistance for member firms, land and property improvement and the setting up of new firms.

The expenditure goes to various agricultural operators: farmers, farmers' associations, cooperatives and their organizations, and other firms.

In 1980, the expenditure amounted to 475.6 million ECU, i.e. 16.5% of all agricultural spending in Italy. However, the constant currency value of such expenditure fell by 53% between 1975 and 1980.

(d) Reserves for special agricultural credit institutes (code 6200)

In 1980, expenditure under this code heading totalled 108,5 million ECU, or 3.8% of total public expenditure on agriculture. The corresponding percentage for 1975 was 7,8%. The expenditure thus decreased by 65% between 1975 and 1980.

The expenditure is used to finance the interest on loans to institutes providing agricultural credit and interest on loans granted by the Treasury to the provincial and municipal authorities.

8. France: exceptional measures (code 7000)

Exceptional aid is regularly distributed to farmers. This was the case:

- (i) in 1975, when a special agricultural bonus was paid and a subsidy was granted for the retention of cows on farms (FF 6 000 million);
- (ii) in 1976 and 1977, when exceptional aid was paid because of the drought (see code 2000);
- (iii) in 1976, 1977 and 1980, when the interest was paid on certain agricultural credit loans (between FF 100 000 and 230 000 on each occasion).

Lastly, advances comparable to bank loans with interest rate subsidies are granted to the equalization funds for cattle, pigs and fowls. The purpose of the equalization funds is to protect farmers' income from the fluctuations caused by price variations on the different markets. The amount of subsidy equivalent to this advance was not calculated in the French report but is probably very small in proportion to the total spent on agriculture.

9. United Kingdom: expenditure by central bodies in agriculture (code 4800)

In 1980, expenditure under this heading amounted to 41.6 million ECU, less than 10% of the corresponding expenditure in Italy. However, it accounted for 3.9% of all agricultural spending in the United Kingdom as against 2.1% in 1975 despite a fall of 24% in expenditure, expressed in constant prices, between the years in question.

Expenditure on the following products by central bodies is financed from "parafiscal" charges: cereals, potatoes, meat and cattle, pigs, eggs and milk. These bodies provide product promotion, market research, scientific research and extension services.

10. Germany: aid to refugees from Eastern Germany

Almost all the expenditure under code 11000 in Germany goes on the resettlement of refugees, exiles and late repatriates from the Eastern bloc. It may take the form of setting-up allowances, of subsidies or of loans with a view to integrating Germans from the GDR and from East Berlin into the farming community. The sums involved relate only to agriculture.

In 1980, expenditure totalled 105.2 million ECU, or 6.9% of all public expenditure on agriculture in German. At constant prices, expenditure fell by 21% between 1975 and 1980.

11. Denmark: "parafiscal" charges (code 11000)

In the Community countries as a whole, "parafiscal" charges have been included under the various relevant code headings. In Denmark, for technical reasons, they have not been distributed in this way, and appear under code 11000.

Expenditure in connection with such charges in 1980 was about 21 million ECU, i.e. 7.6% of all agricultural spending. 50% of the expenditure went to finance product promotion in Denmark and abroad. The rest went on research, training, recruitment, inspection and administration. 50% of the expenditure related to the dairy sector and most of this went to finance product promotion outside Denmark.

CHAPTER III:  
SPECIAL CLASSES  
OF EXPENDITURE



1. Research



Public expenditure on research in agriculture is not easy to compare from one Member State to another: the very term "research" lends itself to differing interpretations; in some Member States it includes applied research, and even extension services, whereas in others the definition is more restrictive. Moreover, the line of demarcation between agricultural research and research carried out for the food processing industries is by no means the same from one Member State to another. Nonetheless, the facts and figures given in the various national reports are generally similar to those provided by Eurostat in its annual publication on "Public financing of research and development".

Data given in the following table show that two-thirds of the expenditure on agricultural research in the Community in 1980 were accounted for by three Member States - the United Kingdom, Germany and France; each of these spends more than Italy, Belgium, Denmark and Ireland together. It should be pointed out, however, that the Netherlands spends relatively large amounts on research into agriculture, for a small country: expenditure on research in the Netherlands in 1980 accounted for about 35% of total public expenditure on agriculture in that country; the corresponding percentages elsewhere were 19% for Denmark, 16% for the United Kingdom and Belgium, 11% for Germany, 6% for France, 5% for Ireland and just over 2% for Italy.

During the 1975-1980 period, the amounts of public funds spent on research increased in all the Member States, if the amounts are expressed in current national currency. On the other hand, in constant national currency, Denmark and the United Kingdom cut their spending by 11% and 5% respectively (1), while the other Member States (2) stepped up their expenditure: Italy (by 49%), Belgium (by 22%), France (by 14%) and Ireland (by 4%).

It is interesting to note that between 1975 and 1980, the breakdown of expenditure by objective (livestock, crop and others) changed relatively little in the Member States, except in Belgium, where the share of crop research fell from 46% in 1975 to 25% in 1980 (the share of livestock research having risen during the same period from 25% to 40%). In Ireland, the share of livestock research fell, from 52% to 36%, whilst in Italy, on the other hand, the share of livestock increased from 7% in 1975 to 15% in 1980.

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- (1) The trend in the United Kingdom shows a sharp decline in expenditure in 1976 and 1977, with a tendency in 1978 and 1980 to make good the ground lost. The same phenomenon can be observed in Denmark, where there was a sharp drop in expenditure in 1978.
  - (2) For the Netherlands and Germany, the statistical series do not cover the 1975-1980 period. However, the series available shows an increase in expenditure in constant terms.



In all the Member States, part or all of public expenditure on research into agriculture is the responsibility of the Ministry of Agriculture. In most of the Member States, the Ministry of Education or the universities cover some of the expenditure. Very often, also, there is in the Member States a central government or semi-public agency responsible for coordinating research, such as the national Council for Agricultural Research in the Netherlands, or which stimulates private or public research not financed by the national ministries (the IRSIA in Belgium).

In certain Member States, research is financed by "parafiscal" charges: this is the case in the Netherlands, where the "Produktschapen" finance about 10% of the research into agriculture (about 10 million ECU in 1980) and in Denmark, where in 1980 about 3.8 million ECU of expenditure on research was financed by "parafiscal" charges (this amount is in addition to the 29 million ECU shown for 1980 for Denmark in the table on the next page).

For further details concerning public expenditure on research into agriculture, we refer the reader to the special chapter on this subject in each of the national reports. There is no research into agriculture in Luxembourg in the sense in which the term is used in the other Member States.

PUBLIC EXPENDITURE ON RESEARCH AND DEVELOPMENT IN AGRICULTURE (1)  
(code 8100)

'000 current ECU  
(index: current national prices)

	1975	1976	1977	1978	1979	1980	NOTES (2)	(3)
GERMANY (4)	n.a. (181 395)	n.a. (209 772)	128 761 (222 921)	n.a. (246 540)	157 495 (257 374)	164 394 (271 737)		10,9%
FRANCE	83 690 (100)	96 794 (116)	103 352 (123)	128 806 (154)	139 467 (167)	155 628 (186)	(114)	5,8%
ITALY	26 419 (100)	28 076 (122)	33 337 (157)	49 279 (247)	53 656 (284)	60 972 (334)	(149)	2,1%
NETHERLANDS (4)	n.a. (68 923)	n.a. (84 506)	n.a. (93 572)	96 202	101 634	107 379		34,7%
BELGIUM	21 179 (100)	29 939 (134)	25 746 (109)	52 528 (219)	39 447 (164)	38 024 (159)	(122)	16,6%
UNITED KINGDOM	104 116 (100)	94 239 (100)	97 584 (109)	110 444 (126)	129 897 (145)	174 675 (181)	(94)	16,7%
IRELAND	8 653 (100)	9 016 (104)	9 849 (114)	11 322 (131)	13 453 (155)	17 158 (198)	(104)	4,8%
DENMARK (5)	22 040 (100)	25 073 (109)	25 178 (112)	19 886 (89)	29 913 (125)	29 055 (142)	(89)	19,4%
EEC <sup>9</sup>	n.a.	n.a.	n.a.	n.a.	666 463	746 666		

FOOTNOTES TO TABLE

- (1) In Luxembourg, there is no research into agriculture as understood in the other Member States. Expenditure does not cover public research expenditure into food processing.
- (2) 1980 index deflated (GDP).
- (3) Share of expenditure on agricultural research in total expenditure on agriculture.
- (4) In Germany and the Netherlands, the upper line shows the expenditure figures provided by the expert; the lower line shows the expenditure ascertained by the Community (Eurostat).
- (5) In Denmark, 3.8 million ECU, financed by "parafiscal" charges, must be added in 1980.

TREND IN BREAKDOWN OF EXPENDITURE ON RESEARCH IN AGRICULTURE

'000 current ECU and %

OBJECTIVES	D		F		I		UK		NL		B		Irl		DK	
	1980	1980	1980	1980	1979	1980	1980	1980	1980	1979	1980	1980	1980	1980	1980	1980
	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%
LIVESTOCK	n.a.	27	56 224	36	9 126	15	64 630	37	n.a.	22	15 753	40	6 130	32	16 470	57
CROP	n.a.	34	48 397	31	21 258	37	85 591	49	n.a.	32	10 019	25	4 128	22	10 050	35
OTHER	n.a.	39	51 007	33	27 773	48	24 454	14	n.a.	46	13 675	35	6 900	46	2 535	8
TOTAL	164 394	100	155 628	100	58 157	100	174 675	100	107 379	100	39 447	100	17 158	100	29 055	100

(1)

OBJECTIVES	D		F		I		UK		NL		B		Irl		DK	
	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975	1975
	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%	ECU	%
LIVESTOCK	n.a.	39	32 589	39	2 076	7	42 687	41	n.a.	25	5 388	25	4 473	47	12 485	57
CROP	n.a.	32	27 165	32	10 637	36	49 976	48	n.a.	46	9 696	46	1 376	14	8 205	37
OTHER	n.a.	29	23 936	29	17 217	57	11 453	11	n.a.	29	6 095	29	2 804	39	1 350	6
TOTAL	n.a.	100	83 690	100	29 930	100	104 116	100	n.a.	100	21 179	100	8 653	100	22 040	100

(2)

(1) of which 4 501 000 ECU for forestry, not included in the preceding table.

(2) of which 3 512 000 ECU for forestry, not included in the preceding table.

n.a. = not available



2. Social security



In connection with the study of public expenditure on agriculture, the experts were asked to update to 1980 the study made by DG V of the EC Commission on social security in agriculture.

They used the same methods as those followed for the preparation of the DG V study. However, for two Member States, the United Kingdom and the Netherlands, they were unable to update the DG V data, as none were available. Consequently, the Community analysis, for these two countries, will cover data going only up to 1977 (1). For Denmark, data relating to 1979 could not be provided.

The analysis will concern only self-employed farmers: in all the Member States except Italy, paid workers of all sectors now have the same protection through social security schemes. The social security schemes for farmers generally include insurance against sickness, disablement, accidents at work, retirement pensions, family allowances, and in certain Member States relief services in cases of holiday, accident and illness.

These social security schemes for farmers are not comparable from Member State to Member State because the various risks, financing and benefits vary very widely. The main objective of social policy on agriculture in the Member States is to improve the social conditions for the farming community, and, in the longer term, to provide for that community the same protection as that enjoyed by the rest of the population in the same Member State. It is important to remember that there are two main types of social security scheme for farmers in the Community:

- a scheme for agriculture only in Germany, France, Italy and Luxembourg;
- a general scheme including agriculture, with two variants:
  - a blanket scheme for the self-employed, in Belgium and in the Netherlands,
  - a blanket scheme for the entire population, in the United Kingdom, Ireland and Denmark.

It is clear that data specific to agriculture are relatively easy to obtain when there is a special social security scheme for farmers. On the other hand, when there is only a general scheme for the whole Member State, the data concerning agriculture had been obtained by estimates on the basis of a number of hypotheses on the structure of the farming community as related to that of the whole population of the Member States.

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(1) The experts were quite willing to summarize and update the DG V study but expressed great reservations as to the value of the data supplied in this chapter and caution its users as to the validity of any conclusions they might draw from it.



These estimates (1) of social security financing and expenditure for farmers are vulnerable, to varying extents, to criticism (2). They compel us to make very strong reservations as to the reliability of the data concerning social security for farmers, and concerning their utilization, in particular for purposes of comparison (3): over five years of work, the DG V experts on social security in agriculture failed to find a method of comparison as between the Member States, as they could not agree in particular on comparability between farms qualifying for social security benefits.

In the tables annexed, we have given, for each Member State, the origin of the income and the breakdown of expenditure on the basis of a common plan. The tables show, in respect of revenue, the share of farmers' contributions and the general national contribution (a) in the form of transfers between social categories and (b) in the form of direct contributions from central government. In the case of France, the income also comes from "parafiscal" charges. The standardized plan breaks down the social expenditure into five categories: sickness-disablement, accidents at work, retirement, family benefits and miscellaneous.

Any attempt to compare the breakdown of the financing of social security as between the Member States is hamstrung by the fact that certain member countries such as Denmark, Ireland and the United Kingdom charge their social security to general taxation, while most of the other Member States have kept it out of the main budget. A comparison would lead to the wrong conclusion that social security in Denmark is entirely financed by the central government whereas only 55% to 60% comes from the central government in Germany. In view of the present knowledge of taxation of agriculture in the various Member States, and in particular in those which charge social security to general taxation, the share of taxes that can be regarded as equivalent to a social security contribution cannot be determined. This is why, in this chapter on social security benefits in agriculture, we have only compared the amounts of social security benefits and their distribution. It will be noted that the breakdown of expenditure was relatively stable between 1975 and 1980 except in Ireland and in the United Kingdom (between 1975 and 1977).

It will be noted that in most of the Member States expenditure on farm pensioners between 1975 and 1980 was near to or more than half the total social security benefits paid for agriculture: in Belgium it was 70%, in the United Kingdom 64% (in 1975-1976) and 42% (in 1977), in the Netherlands it was 47% to 58%, in Luxembourg it was 53% to 57%, in France it was 53%, in Germany it was 45% to 49%, and in Denmark it was 46% (1975 and 1976). Only Ireland (11% in 1980) and Denmark (27% in 1980) were spending relatively little of social security benefits for those who had retired from farming. The large share of agricultural retirement insurance is accounted for by the demographic structure of the farming community, the ageing of which entails heavy "retirement" costs in a large number of Member States of the Community, as the graphs below show.

- (1) See report from DG V of the Commission, mentioned above, for information on calculation methods used for each Member State.
- (2) See individual criticisms in each national report concerning public expenditure on agriculture.
- (3) This applies particularly to the United Kingdom, Denmark, Ireland the Netherlands and Belgium.



In two Member States, Denmark and the United Kingdom (until 1977), social security expenditure, as expressed in current prices, declined. In Italy, social security expenditure, expressed in constant prices, declined, but in Belgium, expressed in constant prices, it remained unchanged. In the five other Member States, there were increases - more substantial in Luxembourg and the Netherlands and lower in Germany - in this expenditure, both in constant prices and in current prices.

A tentative comparison (1) of total social security expenditure on agriculture shows certain disparities as between the Member States: comparing on an aggregated basis estimates of social security expenditure with the total number of farms, it is found that expenditure for Italy, Germany, the Netherlands, Belgium and Denmark is the same; France and Luxembourg seem to have social security expenditure on a proportionately much larger scale; the United Kingdom and Ireland seem, in proportionate terms, to receive a much lower degree of cover.

Another tentative comparison between the Member States, on the basis of overall income from agriculture, referring to the gross added value at market prices, again shows three groups of countries: Luxembourg, France and Italy, for which social security expenditure represents about 40% of income from agriculture; Belgium, Germany, Ireland and Denmark, for which the percentage is about 20% (between 15% and 25%), and the Netherlands and the United Kingdom, for which the percentage is below 10%.

This first observation of a disparity in social security situations for agriculture as between the Member States would justify a detailed study to ascertain causes and determine consequences for incomes, the proper operation of the CAP and financial solidarity at Community level. This chapter of the study on public expenditure on agriculture does not seek to establish the reasons for any disparity, but simply to determine the facts; accordingly, the experts taking part in this study can only recommend that the Commission put in hand a detailed analysis of the operation of the various social security schemes in the agricultural sector, their actual application in the Member States, studying in particular rates for social security cover in social expenditure and the amounts of expenditure per unit for various social security benefits in each of the Member States.

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(1) We stress once again that comparisons are vitiated by many uncertainties, including those concerning the amounts of social security expenditure and the lack of homogeneity in the number of beneficiaries in the various Member States.

## SOCIAL SECURITY BENEFITS: TOTALS PAID TO FARMERS

10<sup>6</sup> current ECU  
(equivalent in current national currency)

	1975	1976	1977	1978	1979	1980	NOTES (1)
GERMANY	1 214	1 427	1 604	1 793	2 309	2 027	
(2)	(100)	(109)	(115)	(124)	(157)	(138)	(114)
FRANCE	3 567	3 964	4 265	5 090	5 723	6 511	
	(100)	(112)	(120)	(143)	(160)	(183)	(125)
ITALY	4 554	4 674	5 166	5 616	6 206	6 894	
	(100)	(118)	(141)	(163)	(191)	(219)	(98)
NETHERLANDS	184	232	310	n.a.	n.a.	n.a.	
	(100)	(119)	(150)				
BELGIUM	281	333	395	408	420	430	
	(100)	(112)	(126)	(128)	(131)	(136)	(104)
LUXEMBOURG	15	18	20	23	27	32	
	(100)	(120)	(127)	(138)	(163)	(197)	(143)
UNITED KINGDOM	400	405	299	n.a.	n.a.	n.a.	
	(100)	(112)	(87)				
IRELAND	116	118	123	148	175	227	
	(100)	(112)	(123)	(151)	(180)	(235)	(123)
DENMARK	357	389	234	238	n.a.	312	
	(100)	(103)	(63)	(66)		(95)	(62)
EECs	10 688	11 560	12 416	n.a.	n.a.	n.a.	
	(100)	(108)	(116)				n.a.

(1) Deflated index (GDP), 1980 (1975 = 100).

(2) Excluding family allowances.

GENERAL DATA ON SOCIAL SECURITY FOR EEC FARMERS - 1980

	Schemes for farm sector alone			Blanket schemes for self-employed				Blanket schemes for the whole population			
	D	F	It	L	B	NL (1977)	UK (1977)	Irl	DK		
(1) Total expenditure 10 <sup>6</sup> ECU	2 027(1)	6 511	6 894(2)	32	401	310	299	228	312		
(2) Index (current prices, 100 = 1975)	138	201	186	197	136	151	88	235	95		
(3) Index deflated by GDP deflator 100 = 1975	114	123	83	143	104	130	69	123	62		
(4) Allocation of expenditure (in %)											
- old-age pensions	49%	53%	n.a.	57%	70%	47%	43%	12%	29%		
- sickness, disablement, accidents	51%	31%	n.a.	19%	14%	32%	48%	62%	51%		
- family allowances	n.a.	10%	n.a.	24%	16%	17%	8%	11%	20%		
- other	/	6%	n.a.	/	/	4%	1%	15%	/		

(1) Excluding family allowances.

(2) Including paid farm workers.

SOCIAL SECURITY

FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> DM	10 <sup>6</sup> ECU	10 <sup>6</sup> DM	10 <sup>6</sup> ECU	10 <sup>6</sup> DM	10 <sup>6</sup> ECU	10 <sup>6</sup> DM	10 <sup>6</sup> ECU	10 <sup>6</sup> DM	10 <sup>6</sup> ECU	10 <sup>6</sup> DM	10 <sup>6</sup> ECU
GERMANY												
:Financing:												
:A. Farmers' contributions	1 619	531	1 827	649	1 953	737	1 992	779	2 031	808	2 203	877
:B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
:C. General national contribution	2 336	766	2 501	888	2 640	997	2 854	1 116	3 032	1 206	3 194	1 271
:C1 Contribution from other sectors of the economy	/	/	/	/	/	/	/	/	/	/	/	/
:C2 Central government contribution	2 336	766	2 501	888	2 640	997	2 854	1 116	3 032	1 206	3 194	1 271
-----												
:Benefits:												
:D. Sickness - Disablement	1 507	494	1 615	574	1 627	614	1 722	673	1 797	715	1 938	771
:E. Accidents at work	510	167	535	190	577	218	613	240	643	258	682	272
:F. Old-age pensions	1 685	553	1 866	663	2 046	772	2 250	880	2 365	941	2 473	984
:G. Family allowances												
:H. Other	/	/	/	/	/	/	/	/	/	/	/	/
-----												
:TOTAL (D + E + F + G + H)	3 701	1 214	4 017	1 427	4 249	1 604	4 585	1 793	5 805	2 309	5 092	1 027
:Ratio Contributions (A + B) Benefits ( I )	43,7%		45,5%		46,0%		43,4%		42,3%		41,3%	



SOCIAL SECURITY

FARMERS AND FARM WORKERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU	10 <sup>9</sup> LIT	10 <sup>6</sup> ECU
ITALY												
:Financing:												
:A. Farmers' contributions	319	395	405	436	509	506	558	520	698	616	843	719
:B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
:C. General national contribution	3 367	4 159	3 942	4 238	4 693	4 661	5 465	5 096	6 335	5 590	7 241	6 175
: C1 Contribution from other sectors of the economy	2 327	2 875	2 896	3 114	3 656	3 631	4 428	4 129	5 194	4 583	5 801	4 947
: C2 Central government contribution	1 040	1 284	1 046	1 125	1 036	1 029	1 037	967	1 141	1 007	1 440	1 228
:Benefits:		n.a.		n.a.		n.a.		n.a.		n.a.		n.a.
:D. Sickness - Disablement												
:E. Accidents at work												
:F. Old-age pensions												
:G. Family allowances												
:H. Other												
:TOTAL (D + E + F + G + H)	3 687	4 554	4 348	4 674	5 201	5 166	6 023	5 616	7 033	6 206	8 084	6 894
: Ratio Contributions (A + B) Benefits ( I )		8,7%		9,3%		9,8%		9,3%		9,9%		10,4%



SOCIAL SECURITY

FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU	10 <sup>6</sup> HFL	10 <sup>6</sup> ECU
NETHERLANDS												
:Financing:												
:A. Farmers' contributions	495	158	532	180	576	206	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
:B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
:C. General national contribution	100	32	193	65	207	74	210	76	222	81	278	101
:C1 Contribution from other sectors of the economy	/	/	/	/	/	/	/	/	/	/	/	/
:C2 Central government contribution												
:Benefits:							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
:D. Sickness - Disablement	109	35	129	44	281	100						
:E. Accidents at work	/	/	/	/	/	/						
:F. Old-age pensions	336	107	378	128	405	145						
:G. Family allowances (1)	131	42	142	48	146	52						
:H. Other (2)	/	/	37	12	35	13						
:TOTAL (D + E + F + G + H)	576	184	686	232	867	310	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
: Ratio Contributions (A + B)												
: Benefits ( I )			77,6%		66,4%		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Including widows' and orphans' pensions.  
(2) Social assistance to self-employed farmers.

## SOCIAL SECURITY

## FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> BF	10 <sup>6</sup> ECU	10 <sup>6</sup> BF	10 <sup>6</sup> ECU	10 <sup>6</sup> BF	10 <sup>6</sup> ECU	10 <sup>6</sup> BF	10 <sup>6</sup> ECU	10 <sup>6</sup> BF	10 <sup>6</sup> ECU	10 <sup>6</sup> BF	10 <sup>6</sup> ECU
BELGIUM												
:Financing:												
:A. Farmers' contributions	3 861	85	4 597	106	4 224	103	4 879	121	5 234	131	5 058	125
:B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
:C. General national contribution	8 964	197	9 783	227	11 909	291	11 506	286	11 563	289	12 344	305
:C1 Contribution from other sectors of the economy	2 668	59	2 922	68	4 703	115	4 016	100	3 807	95	4 588	113
:C2 Central government contribution	6 298	138	6 861	159	7 206	176	7 490	186	7 756	194	7 756	192
:Benefits:												
:D. Sickness - Disablement	1 444	32	1 790	41	1 970	48	2 161	54	2 287	57	2 435	60
:E. Accidents at work												
:F. Old-age pensions	9 025	198	9 993	232	11 054	271	11 340	282	11 661	292	12 192	302
:G. Family allowances	2 355	52	2 597	60	3 108	76	2 884	72	2 848	71	2 774	68
:H. Other	/	/	/	/	/	/	/	/	/	/	/	/
:TOTAL (D + E + F + G + H)	12 825	281	14 380	333	16 132	395	16 385	408	16 796	420	17 401	430
:Ratio Contributions (A + B) Benefits ( I )	30,1%		32,0%		26,2%		29,8%		31,2%		29,2%	

SOCIAL SECURITY

FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> FL	10 <sup>6</sup> ECU	10 <sup>6</sup> FL	10 <sup>6</sup> ECU	10 <sup>6</sup> FL	10 <sup>6</sup> ECU	10 <sup>6</sup> FL	10 <sup>6</sup> ECU	10 <sup>6</sup> FL	10 <sup>6</sup> ECU	10 <sup>6</sup> FL	10 <sup>6</sup> ECU
LUXEMBOURG												
:Financing:												
:A. Farmers' contributions	148	3,2	154	3,6	167	4,1	193	4,8	221	5,5	252	6,2
:B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
:C. General national contribution	511	11,2	747	17,3	816	20,0	890	22,2	1 099	27,4	1 317	32,6
:C1 Contribution from other sectors of the economy	/	/	/	/	/	/	/	/	/	/	/	/
:C2 Central government contribution	511	11,2	747	17,3	816	20,0	890	22,2	1 099	27,4	1 317	32,6
:Benefits:												
:D. Sickness - Disablement	140	3,1	201	4,7	200	4,9	251	6,3	106	2,6	117	2,9
:E. Accidents at work	74	1,6	82	1,9	89	2,2	99	2,5	116	2,9	130	3,2
:F. Old-age pensions	352	7,7	402	9,3	434	10,6	451	11,2	588	14,6	743	18,4
:G. Family allowances	93	2,0	105	2,4	113	2,8	111	2,8	267	6,6	309	7,6
:H. Other	/	/	/	/	/	/	/	/	/	/	/	/
:TOTAL (D + E + F + G + H)	659	14,5	790	18,3	836	20,4	911	22,7	1 077	26,8	1 299	32,1
:Ratio Contributions (A + B) / Benefits	22,4%		19,5%		19,9%		21,2%		20,5%		19,4%	

## SOCIAL SECURITY

## FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU	10 <sup>6</sup> UKL	10 <sup>6</sup> ECU
UNITED KINGDOM												
:Financing:												
:A. Farmers' contributions	33,8	60	41,0	66	49,0	75	49,5	75	n.a.		n.a.	
:B. Charges levied on certain agricultural products	/	/	/	/	/	/						
:C. General national contribution	190,3	340	210,5	339	146,5	224	n.a.		n.a.		n.a.	
: C1 Contribution from other sectors of the economy	114,1	204	124,0		43,5	67	n.a.		n.a.		n.a.	
: C2 Central government contribution	76,2	136	86,5		103,0	158	n.a.		n.a.		n.a.	
:Benefits:												
:D. Sickness - Disablement	61,1	109	75,5	121	94,5	146	n.a.		n.a.		n.a.	
:E. Accidents at work												
:F. Old-age pensions	144,4	258	159,0	256	83,0	127						
:G. Family allowances (1)	16,0	29	14,0	23	16,5	25						
:H. Other	2,6	5	3,0	5	1,5	2						
:TOTAL (D + E + F + G + H)	224,1	400	251,5	405	195,5	299	n.a.		n.a.		n.a.	
: Ratio Contributions (A + B) Benefits ( I )	/	/	/	/	/	/	/	/	/	/	/	/

(1) Including widows' and orphans' allowances.

SOCIAL SECURITY

FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU	10 <sup>6</sup> IRL	10 <sup>6</sup> ECU
IRELAND												
Financing:												
A. Farmers' contributions	0,52	/	0,75	/	1,00	2	1,22	2	1,18	2	3,85	6
B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
C. General national contribution	64,71	115	72,53	117	79,50	122	97,07	146	116,27	173	149,29	222
C1 Contribution from other sectors of the economy	/	/	/	/	/	/	/	/	/	/	/	/
C2 Central government contribution												
Benefits:												
D. Sickness - Disablement	33,05	59	35,87	58	40,42	62	54,40	82	68,68	102	95,34	142
E. Accidents at work												
F. Old-age pensions	8,23	15	10,01	16	11,34	17	12,87	19	14,82	22	19,08	28
G. Family allowances	8,15	15	8,90	14	9,75	15	10,82	16	13,95	21	16,42	24
H. Other	15,80	28	18,50	30	19,00	29	20,20	31	20,00	30	22,30	33
TOTAL (D + E + F + G + H)	65,23	116	73,28	118	80,51	123	98,29	148	117,45	175	153,14	227
Ratio Contributions (A + B) / Benefits (I)	0,8%		1,02%		1,24%		1,24%		1,0%		2,6%	

## SOCIAL SECURITY

## FARMERS

(Current prices)

	1975		1976		1977		1978		1979		1980	
	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU	10 <sup>6</sup> Dkr	10 <sup>6</sup> ECU
Financing:												
A. Farmers' contributions	3	0,5	3	0,5	3	0,5	3	0,5	n.a.		2	0,5
B. Charges levied on certain agricultural products	/	/	/	/	/	/	/	/	/	/	/	/
C. General national contribution	2 544	357	2 629	389	1 607	234	1 680	239	n.a.		2 421	312
C1 Contribution from other sectors of the economy	/	/	/	/	/	/	/	/	/	/	/	/
C2 Central government contribution												
Benefits:												
D. Sickness - Disablement	747	105	789	117	817	119	852	121	n.a.		1 606	207
E. Accidents at work												
F. Old-age pensions	1 136	159	1 227	181	458	67	490	70	n.a.		660	85
G. Family allowances (1)	661	93	613	91	332	48	331	47	n.a.		(1)	
H. Other												
TOTAL (D + E + F + G + H)	2 544	357	2 629	389	1 607	234	1 673	238	n.a.		2 423	312
Ratio Contributions (A + B) Benefits (I)												

(1) Included under sickness.



### 3. Taxation

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(1) The specific taxation of agricultural cooperatives and producers' associations is not considered in this chapter.





Comparisons of taxation of agriculture in the Community are unlikely to be illuminating: the machinery varies too much from one Member State to another, to say nothing of the large number of variants of certain types of tax in individual Member States.

In this summary chapter, the study of public expenditure in agriculture attempts solely to bring together the information needed to clarify to some extent the situation in the Nine Member States of the Community. For more detail in respect of each Member State, the reader should refer to the national reports on public expenditure in agriculture.

For the purposes of drafting this chapter, we also drew on work carried out by Mr Van der Heijde on taxation of agriculture in the Europe of the Nine, presented to the Congress of the Rural Law Committee held in The Hague in 1973 and in Edinburgh in 1981. We have also used information from the proceedings of the Seminar of the Centre for European Agriculture Studies, held in 1980 in Wye on "Farm Financing and Agricultural Taxation in the Community".

We would stress that the figures given must be used with great care: although all the data have been published, they are mostly only estimates giving approximations as to the taxation amounts, or amounts of under- or overtaxation, for the various taxes farmers must pay.

The following taxes are considered:

- Income tax
- Value added tax (VAT) in agriculture
- Tax on capital gains in agriculture
- Tax on capital in agriculture
- Tax on inheritances and gifts in agriculture
- Taxation schemes designed to improve agricultural structures
- Tax reliefs in respect of inputs used in agriculture.

#### I. Income tax

In the Community, income tax takes one of the following two forms:

- tax on income based on real profits, i.e. on profits made as shown in the books. This system of taxation is operated in the great majority of farms in the Netherlands, the United Kingdom and Denmark;

- Income tax based on flat-rate profits, i.e. on notional profits assessed on the basis of certain criteria. This system of taxation is applied for most farms in France, Germany, Italy, Belgium and Luxembourg.

The two different systems are not comparable because of the different bases, different rates and different reliefs, as the following examples show:

1. Taxation on the basis of accounts

Denmark:

Agriculture is subject to the same taxation structure as the other sectors of economy.

United Kingdom:

Farming is distinguished from the other sectors by exemption from land rates, a system of tax reliefs on capital, schemes allowing farmers to average their incomes over several years and special treatment of breeding animals.

The Netherlands:

Farmers enjoy the tax advantages available to the self-employed: deductions for the constitution of a pension fund, basis reliefs for small farms. The reduced tax revenues in agriculture are linked, in the Netherlands, with the national regulations on the W.I.R. (investment law) which allows accelerated depreciation and tax reductions on investments. The W.I.R. also authorizes refunding of excess income tax paid.

2. Flat-rate taxation

France:

Farmers whose total incomes do not average more than FF 500 000 over two consecutive years are taxed according to the agricultural collective flat rate. The taxable profits of farmers are fixed at departmental level by the Commission on Direct Taxes and Charges, membership of which includes farmers' representatives as well as civil servants. However, in the absence of a decision by this Commission, or on appeal from one of its members, the parameters for the calculation of the basis are adopted at national level by the Central Commission for Direct Taxes. The procedure consists in determining homogeneous agricultural regions and in classifying farms within these on the basis of differing degrees of productivity, with a category index (determined on the basis of the "cadastral" income, itself determined on the basis of the rental values of the farms). In France, there are 279 agricultural tax regions. However, accounts for standard farms have been established in only 153 "pilot" regions, the profits of the other regions being calculated by using a relativity index system.

Thus, there is a standard for mixed farming and standards for "special crops" (e.g. non-land using, horticulture, fruits, vegetables, wine) by agricultural region.

Farm subsidies are not taken into account by the tax authorities when determining profits.

Belgium:

The system is similar to that in France. There are 27 agricultural regions having their own scale enabling a semi-gross income to be calculated to which are added certain other incomes (orchards, market garden crops, pigs, calves, etc.) and from which certain costs are deducted (certain taxes, certain types of interest on loans, etc.). Aids and premiums are taxed at various rates, or, in some cases, not taxed at all.

Germany:

Under the flat-rate tax system, the profit is calculated including certain reliefs. Until 1980, the references for the taxation of income were based on the calculation of an average profit linked to the revenue value of the land, use of accommodation and work; this value was established in 1964 and involved a "subsidy" effect. Since the reform of 1980, the "subsidy effect" has been considerably reduced.

Luxembourg:

The income tax system is based on a German law dating from the war. There are wide variations in the manner of its implementation. The tax treatment of aids to agriculture differs depending on the type of aid: aids to investment and non-refundable aids (aids to intermediate consumption) are not taxable; on the other hand, direct income subsidies (or subsidies equivalent to direct aids) such as compensatory allowances, setting up premiums or milk non-marketing premiums, are taxable.

Ireland:

Until 1979/80, the flat-rate system in agriculture was based on an assessed value of the land dating from the second half of the 19th century, multiplied by a coefficient which increased sharply between 1976 and 1980. All the tax reliefs available in the other sectors were available to farmers as well; in particular, interest on loans was deductible - reliefs were allowed on up to a third of the value of the capital in the first year, and the remaining two-thirds could be deducted in the following years. Capital aid was not treated as taxable.

However, in Ireland, during the period covered by the survey, farmers could opt for the flat-rate system of taxation. But it is not certain that most farmers had chosen this option in the 1975 - 1980 period.

Italy:

The basis of flat-rate taxation derives from the value fixed at 1 January 1939, multiplied by a coefficient decided by decree; the coefficient rose from 48 in 1975 to 120 in 1980.

Summary:

A better basis of comparison at Community level would be the share of income tax in gross agricultural production, by Member States. Unfortunately, these data are not available for the same year for all the Member States and data for Luxembourg are not available at all.

Country	Year	Income tax		
		Amount in national currency (millions)	Amount in 10 <sup>6</sup> ECU	% of income (1)
Germany	1979/80	753	299	3,1%
	(1975/76)	(508)	(167)	(2,1%)
Belgium	1976	2 665	62	3,9%
Denmark	1980	1 880	242	11,8%
France	1977	1 280	228	1,6%
Italy	1979	119 000	105	0,7%
Ireland	1979/80	26	39	2,8%
	(1975/76)	(4)	(7)	(0,7%)
Netherlands	1979/80	402	147	3,6%
	(1976/77)	(494)	(167)	(4,5%)
United Kingdom	1979	214	330	5,8%
	1977	194	297	6,4%
	(1975)	(149)	(266)	(6,9%)

The figures given above are not an accurate reflection of real income tax: in certain Member States - Denmark, the United Kingdom and Ireland - income tax includes all or the bulk of social security contributions.

The table on the following page shows the scale of income tax after social security contributions have been treated as tax. The table shows that in most of the Member States income tax (plus social security contributions) is near to 10% of agricultural income (gross added value at market prices). It would seem that Belgium is the country in which income tax (plus social security contributions) is highest, followed by Denmark, Germany and France in that order. Lastly, Italy, and Ireland in particular, have much lower taxation of agriculture (in Ireland it was indeed negligible in 1975) than in the other Member States. These findings concern only income tax (inclusive of social security contributions) but do not give an accurate picture of the total tax burden farmers must bear in the various Member States, as shown in the table at the end of this chapter.

(1) Gross added value at market prices (Eurostat).

SHARE OF INCOME TAX AND SOCIAL SECURITY CONTRIBUTIONS IN AGRICULTURAL INCOME (1)

Country	Tax year	Income tax (in millions)	Social security contributions of farmers	Total	Income (2) :(gross value added : at market prices)	Total/income %
Germany	1979/80	10 <sup>6</sup> DM 753 (299)	2 031 (808)	2 786 (1 107)	24 456	11,4%
	1975/76	10 <sup>6</sup> DM 508 (167)	1 619 (531)	2 127 (698)	24 019	8,9%
Belgium	1976	10 <sup>6</sup> FB 2 665 (62)	4 597 (106)	7 262 (168)	68 691	10,6%
Denmark	1980	10 <sup>6</sup> Dkr 1 880 (242)	2 (0)	1 882 (242)	15 954	11,8%
France (3)	1977	10 <sup>6</sup> FF 1 280 (228)	4 153 + 704 (741 + 126)	6 137 (1 095)	80 814	7,6%
Italy	1979	10 <sup>6</sup> LIT 119 000 (105)	608 000 (616)	817 000 (721)	17 956 000	4,6%
Ireland	1979/80	10 <sup>6</sup> IRL 26 (39)	1 (2)	27 (41)	935	2,9%
	1975/76	10 <sup>6</sup> IRL 4 (7)	0,5 (1)	5 (8)	564	0,9%
Netherlands	1979/80	10 <sup>6</sup> HFL 402 (147)	n.a.	n.a.	11 150	/
	1976/77	10 <sup>6</sup> HFL 494 (167)	532 (190)	1 026 (367)	11 040	9,3%
United Kingdom	1979	10 <sup>6</sup> UKL 214 (330)	n.a.	n.a.	3 693	/
	1977	10 <sup>6</sup> UKL 194 (297)	49 (75)	243 (372)	3 019	8,0%
	1975	10 <sup>6</sup> UKL 149 (266)	34 (60)	183 (326)	2 150	8,5%

(1) Data on taxation of agricultural income in Luxembourg were not available.

(2) Gross value added at market prices (Eurostat).

(3) "Parafiscal" charges have been taken into account for social security contributions in France.

In many countries, essentially when there is a flat-rate tax system, studies have shown that farmers gained a tax advantage over other occupations - this is so in France, Italy, Belgium and Germany, where estimates have been made. In the table below, we give certain estimates of the under-taxation of farm income as compared with income from other occupations in the Member States of the EEC:

Country	Year	Under-taxation 10 <sup>6</sup> national currency (10 <sup>6</sup> ECU)	% of income (gross value added at market prices)
Italy	1979	673 000 (594)	3,7%
France	1980	2 520 (431)	3,1%
Belgium	1976	7 000 (162)	10,2%
Germany	1980	1 721 (685)	7,0%
	1976	1 007 (358)	4,2%
Netherlands	1980	315 (114)	2,8%

The estimates of the under-taxation of farmers are made in each Member State as against taxation of other occupations. The data are therefore not comparable from one Member State to another.

## II. Value added tax (VAT)

Value added tax is charged in all the Member States. It is a tax on the consumption of products and is collected at each stage of production or marketing; the value added at that stage is taxed by charging of gross sales minus tax already paid on inputs. In general, in all the EEC Member States except Denmark, the principle applied in agriculture is to achieve neutral VAT, which means that the farmer does not bear VAT for his inputs and that the added value of his production is not taxed beyond any tax paid "upstream".

In practical terms, the principle is applied according to three systems in the Member States of the Community (1):

(1) A flat-rate system is applied in 7 Member States; only the United Kingdom operates a real system for most farms.

- A calculation is made on sales from agriculture of a VAT, which the farmer is not required to pay. This VAT has the function of a flat-rate refund of the VAT which the farmer paid on inputs: this is done in France, Italy, Germany, Belgium, Luxembourg and Ireland;
- No calculation is made of VAT on sales from agriculture and a lump sum is refunded to off-set that paid on inputs: this is the system in the Netherlands, and in the United Kingdom farms not subject to the ordinary scheme;
- VAT on agricultural products is zero; the farmer is refunded the exact amount of VAT paid to suppliers, on the basis of invoices: this system is operated for most United Kingdom farms and in the case, generally optional, of the real taxation system in the other Member States.

In practice, operation of these systems has differing consequences for farmers: the first system, for example, can either benefit or work against farmers, depending on the VAT rate they can add to their prices. Thus, in France and in Ireland the VAT rate authorized in agriculture is too low to offset the VAT paid upstream, and the flat-rate system therefore works against the farmer. On the other hand, in Italy and in Belgium, the rate of reimbursement would seem too high, and farmers do gain some benefit from the flat-rate system. In Luxembourg, the rate applied is such that, in a normal year, the flat rate should be neutral. In the United Kingdom, the system is also neutral, but in the Netherlands some observers feel that the system operated benefits farmers.

In Denmark, farmers must pay VAT in the same way as other entrepreneurs. The VAT operated in Denmark on agricultural products is quite high, as between 1975 and 1980 it was between 20% and 22%. Thus, VAT on agricultural products in 1980 yielded Dkr 2 100 million in revenue (after deduction of VAT paid on farmers' inputs). However, the central government reimbursed about Dkr 612 million to farmers to offset the effect of VAT on milk products; this refund is included in the aids inventory at code 5330.

In all the Member States in which the flat-rate system is operated, farms which invest stand to lose; for this reason most Member States have an optional "real" system for farmers who prefer this. In Ireland, Germany, Italy and the Netherlands, farmers may opt for a period of at least five years for a "real" VAT arrangement.

In the table at the end of this chapter, we have set out in the second line the amounts estimated paid by farmers or benefiting farmers under VAT.



III. The other types of taxation

PRINCIPAL TAXES OTHER THAN INCOME TAX AND VAT  
LEVIED ON FARMERS IN THE VARIOUS MEMBER STATES

	D	F	It	UK	NL	B	L	Irl	DK
Taxation of capital gains		0 X	0 X	0 X				0 X	0
Taxation of capital				0			0 X	0	0
Land tax	0	0 (lo-cal)		0 X	0 X (lo-cal)	0	0	0	0
Tax of inheritances and gifts	0	0	0 X	0	? ?	0	0 X	0 X	0
Tax measures designed to improve farm structures									
- agricultural co-operatives		X				X	X		
- cessation of farming		X					X		
- retirement	X			X	X	X		X	
- transfer of land	X	X	X	X	X	X	X	X	
Tax reliefs for inputs									
- fuel	X	X	X	X	X	X	X	X	X
- electricity			X						
- transport			X						
- insurances	X								
- other	X						X		
OTHER					WIR				

0 = there is this type of taxation

X = there are certain advantages for farmers in connection with this type of taxation.

1. Taxation of capital gains

Five Member States tax capital gains: Denmark, France, Italy, Ireland and the United Kingdom. The last four of these countries have special arrangements for farmers. For the United Kingdom, the advantage is connected with leaving farming at the age of 65, on certain conditions. In France, capital gains are exempted where there is land consolidation or individual exchanges on a private basis. Also, exemptions are granted where the income does not exceed the flat-rate limits; in Ireland, capital gains are exempted on certain conditions for farmers over 65 leaving the land and capital gains on sales of livestock are not taxable under the capital gains law either; in Italy, exemption depends on use of the assets in agriculture.

No figures are available on the benefits gained by farmers as compared with other occupations. No data on the amounts of this type of tax paid by farmers are available, allowing of a Community comparison.

2. Taxation of capital

Only the United Kingdom, Ireland and Denmark have a fully-fledged capital tax system. In these three Member States, farming has no special privileged position with regard to this tax. We do not have enough information with regard to the Netherlands and Germany. In Luxembourg, there is a tax on capital with a sharp difference between the taxation of movables and immovables, and of land, on which the taxation base is relatively low compared with other assets.

3. Taxation of inheritances and gifts

These accruals are taxed in all the Member States. There are special arrangements for farmers in Italy, Luxembourg, Ireland and the United Kingdom (1). In the United Kingdom and Ireland, relief is granted where the heir is a farmer, and there are rules as to the length of time the assets were owned. In Luxembourg, the advantage consists in reimbursement of tax connected with registration, transcription and succession fees. In Italy, a 60% relief is allowed for direct heirs who go on farming (with a ceiling). In the Netherlands, a tax relief estimated at HFL 15 million (5.5 million ECU) in 1980 is conceded on local taxes when there is a succession.

4. Tax measures designed to ameliorate farm structures

This type of tax scheme is operated in all the Member States, except Denmark.

- 
- (1) We have no specific information concerning Germany.  
(2) Taxation of agricultural cooperatives is not considered here.

Germany:

- Income tax relief when the farm is sold or transferred;
- Tax advantages for certain classes of individual (expellees, refugees, victims of persecution);
- Tax advantages to encourage the construction of housing for farmworkers.

France:

- Exemption from capital gains on sale or transfer of land (see above);
- Reduction of the registration charge for agricultural groups for joint farming (GAEC) and tax "transparency" for these GAEC;
- Exemption from registration and stamp duties for agricultural machinery syndicates (CUMA);
- Exemption from stamp duty and reduction of the rates of registration duties on acquisition of land and in certain cases, of rural buildings.

Belgium:

- Exemption from VAT in cases of mutual assistance;
- Exemption from income tax on transfer of the farm if farming is continued by the spouse or by direct heirs;
- On transfer of land or buildings for agriculture, the registration duty is only 6%, and not 12.5%;
- Exemption from the registration duty in cases of land consolidation.

Luxembourg:

- Exemption for the pooling of machinery and farm facilities;
- For mergers, the Minister of Agriculture may, in certain cases, refund a proportion of the fiscal dues.

Netherlands:

- Interfarm assistance services are exempted from VAT;
- Where rural assets are realized, the yield is generally exempt from income tax and corporation tax;
- Where a farm is transferred on the death of its owner, the tax on the yield from the transfer can be deferred, provided the spouse of the deceased or the deceased's children continue to work the farm, without change in book value;
- Self-employed farmers have an opportunity to constitute a retirement reserve drawn from the fiscal income. The amounts to be reserved may remain invested in the farm capital;
- Where the parents' farm is transferred entirely to the children, the tax on land transfers is waived;

- Where neighbouring parcels are acquired, the tax on land transfers is waived, provided that the acquisition does in fact work in favour of improving agricultural structures;
- For transfers of property under land consolidation arrangements, the tax on transfers is also waived.

United Kingdom:

There are special rules designed to reduce the impact of capital gains and capital transfer tax where a farmer is retiring and transferring land (see above).

Ireland:

- Exemption from capital gains where a farmer is retiring (see above);
- Tax relief when the yield from realization of assets is reinvested in agriculture within a certain time.

Italy:

- Exemption from or reduction in stamp duties and registration duties when land is transferred, on certain conditions.

5. Tax relief for inputs

In practically all the Member States, tax reliefs are granted in connection with the use of certain inputs. These reliefs are covered at code 1700 of the common classification.

In all the Member States, there are tax advantages connected with the use of oil. The advantage varies in scope from Member State to Member State (see details at code 1730).

In addition, certain tax advantages are granted in agriculture:

- in Germany, there is exemption from the tax on motor vehicles and insurance of livestock is deductible;
- in Italy, there is a reduction in the cost (fixed by the central government) of electricity for certain agricultural activities (irrigation, agricultural buildings, seasonal operations, etc) and a reduction in train freighting charges for certain products;
- in Luxembourg, VAT paid for fertilizers, feed and twine is offset.

## 6. Land Tax

We are concerned here only with the land tax, not including tax on the acquisition of real estate.

### France:

There is a tax on developed and undeveloped property based on the "cadastral" value, which theoretically represents 80% of the rental value of the land; in fact, the "cadastral" income also takes account of the use of the parcel and of its quality. For agriculture, there is exemption in cases of reforestation and scrub clearance (for 30 years), in cases of drying out of marshes (for 20 years) and in cases of recultivation of fallow land (for 15 or 10 years). The land tax on undeveloped land is a very heavy charge to French agriculture, where it represented FF 2 100 million (370 million ECU) in 1977, or 162% of the total of income tax paid by farmers (230 million ECU).

### Belgium:

There is a personal tax on "cadastral" income of all immovables. The "cadastral" income is the net annual rental income, and is normally reviewed every 20 years. The rate is 3% of the "cadastral" income for the central government plus 3% to 7% for the provinces and additional hundredths (up to 60% of the "cadastral" income) for the local authorities. The "cadastral" income for one hectare of crop land was between BFR 350 and BFR 2 000 in 1972. Exceptions are made for land clearance and reforestation (for 20 years). Although we do not have any figures, we learnt that this type of taxation was a heavy burden on agriculture in Belgium.

### Luxembourg:

There is a local authority tax on developed and undeveloped property the rates of which are now 7% for up to the first LFR 100 000, and 10% beyond this. For certain small farms, the rate is 1.7%. The land tax is estimated to have brought in LFR 34 million (800 000 ECU) annually between 1972 and 1979.

### Netherlands:

There is a real estate tax on immovables (land and buildings), temporarily replaced by a local authority tax on immovables from 1971 to 1979. Farmland used for agriculture or horticulture is exempt. As for the criterion of taxation, the local authorities may choose between the real estate tax, personal tax, tax on roads and facilities, and the tax for the fire prevention service. For the real estate tax, there was exemption for 30 or 20 years in cases of reforestation, clearance and drying of marshland. For inheritance cases, there is a reduction, and also exemption amounting to HFL 60 million in 1980 (21 million ECU).

Denmark:

There is a real estate tax the proceeds of which accrue to the local authorities and the counties and, since 1980, to the central government as well. In 1980, the share of this tax accruing from agriculture totalled Dkr 1 157 million (149 million ECU). The amount in 1975 was Dkr 620 million (87 million ECU). The real estate taxes paid by Danish farmers are very high, the amounts representing about 60% of the income tax paid by farmers.

Germany:

The real estate tax is based on the unit value; the rate is 8% on the first section of DM 10 000 of the unit value and 10% beyond this. The additional hundredths for the local authorities average 220%. The average rate of taxation is 3% of the gross income.

Ireland:

There is a tax on real estate the income from which accruing to the central government was much more than the income tax. The amount of this land tax was IRL 35 million (52 million ECU) in 1980, comparing with IRL 14.2 million (25 million ECU) in 1975.

United Kingdom:

There is a local authority real estate tax based on a notional land rent determined on a flat-rate basis.

IV. Conclusions

An overall review of taxes (1) paid by farmers shows that agriculture in France, the Netherlands, Belgium, Ireland and the United Kingdom is subject to a tax pressure of between 8% and 11% (1977). In Germany, tax pressure is thought to be a little higher than in France (about 15% in 1979). On the other hand, there are two Member States at the extremes. Denmark, whose tax burden in agriculture is extremely high (about 19% in 1980) because of the heavy local real estate taxes, and Italy, where taxation is very low (about 1% in 1979), mainly because of the flat-rate reimbursement system of VAT which is very favourable to farmers. In Italy, if VAT were neutral in agriculture, the tax burden in 1979 would be about 7.5%, i.e. at a level close to that of most of the Member States of the Community.

We stress once again that all these figures, though published, must be treated as approximations, as they are generally estimates, from which only trends can be derived.

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(1) To facilitate the comparison as between Member States, we have treated social security as taxation, considering the farmers' contributions as a form of taxation.

V. Final remark

It would be illuminating to examine at Community level how the various aids granted by the Community or national aids granted under Community legislation are treated for tax purposes. A brief review in the context of this study shows that there is great disparity between the different Member States. Also the full or partial taxation of an aid does raise questions as to the validity of the objective.

SYNTHESIS OF THE MAIN TAXES LEVIED ON FARMERS IN THE MEMBER STATES OF THE COMMUNITY

(millions national currency)

Year	D	F	I	UK	NL	B	L	IRL	DK
	1979	1977	1979	1977	1977/78	1976	1980	1980	1980
1. Income tax	753	1 280	73 000	194,3	585	2 865	?	26,0	1 880
2. Vat under (-) compensation	261	500	-777 000	0	- ?	-2 150	- 1,4	22,2	0
3. Vat over (+) compensation	731	2 077	87 000	0	(300)	(2)	34	35,0	1 157
				(negli-)	(in 1980)				
				gible)					
4. Social security contributions	2 031	4 857	698 000	49,0	576	4 597	252	3,9	2
5. TOTAL	3 776	8 714	81 000	243,3	1 161(3)	5 312	?	87,1	3 009
1 + 2 + 3 + 4									
6. Income (1)	24 372	80 903	17 956 000	3 018,5	11 150	68 691	2 901	897,1	15 954
7. = $\frac{5}{6}$	15,5%	10,8%	0,5%	8,1%	10,4%	7,7%	?	9,7%	18,9%

? Figure unknown or not certain

(1) Gross value added at market prices (Eurostat)

(2) Significant amount, but not known

(3) Only 1 + 4





4. Forestry



Public expenditure on forestry is relatively high in the United Kingdom, where, in 1980, it accounted for 11.2% of total expenditure for agriculture. In Italy, the public expenditure in this area is also heavy, but the figure in 1980 was only 4.3% of total expenditure on agriculture. For all the other Member States except Ireland, public expenditure on forestry does not exceed 3% of total public expenditure and is a bare 0.5% in Belgium and Luxembourg: On the other hand, in Ireland public expenditure on forestry was in 1980 about 8% of total public expenditure on agriculture.

Public spending on forestry changed in widely differing ways as between the Member States from 1975 to 1980: Germany allocated substantial funds from 1979 onwards, for between 1975 and 1980 public expenditure on forestry increased by 250% at constant prices and by 400% at current prices. On the other hand, the United Kingdom stepped up expenditure on forestry by only 30% in current terms, which means an actual decline, by one-third, in real spending. The Member States having increased their spending on forestry between 1975 and 1980 are - in addition to Germany - the Netherlands, Denmark, Ireland and Italy. On the other hand, apart from the United Kingdom, Belgium and Luxembourg cut back on real expenditure.

In the United Kingdom, a planting policy was implemented after the war with a view to the production of raw material for the timber industry. British policy encourages both public woodlands and private woodlands: United Kingdom aids are granted for the planting and conversion of woodlands to varieties providing wood for industry. For private woodlands, the aid beneficiaries undertake to maintain in perpetuity the woodlands planted on land having enjoyed the aid and to join a central plan designed to produce commercial timber. Apart from this "industrial" policy, the United Kingdom also encourages regional development and recreative activities in the woodlands, this last form of public expenditure representing 8% of total expenditure on the woodlands.

In Ireland, a policy designed to encourage replanting has been pursued for many years. The rate of planting is 0,12% of the UAA/per year, one of the highest rates in the Community. This policy goes far to explain the relatively high level of Irish expenditure on woodlands. 95% of the expenditure goes to development and management of woodlands, including administrative expenditure and staff: nurseries, plantations, conversion, construction of roads and buildings, equipment, etc. In 1980, income from forestry accounted for about 23% of total expenditure. In the summary table we have shown only the balance of expenditure after deduction of income from woodlands.

In Germany, expenditure is borne both from the Federal budget and by the Länder, and joint schemes between the central authority and the Länder are also organized. The central government expenditure on woodlands is designed to promote clean air, better water reserves, soil fertility, recreation and the forestry economy. The expenditure of the Länder covers mainly maintenance costs, including staff and equipment and expenditure to control natural disasters (fire, snow, storms). The joint programmes between the central authority and the Länder cover expenditure for the construction and maintenance of roads (65% to 70% of expenditure), forestation and reforestation (10% of expenditure), restructuring, and a share in the expenditure of equipment pools.

In Italy, public expenditure on forestry is borne equally from the budget of the Ministry of Agriculture and Forestry and from the budgets of the Regions. Expenditure between 1975 and 1980 was mainly devoted to three types of scheme:

- development of the infrastructure (roads, tracks and fire control): 40.3% of total expenditure in 1980,
- aids for reforestation and improvement of production structures (conversion to other varieties): 39.8% of total expenditure,
- processing and marketing aids for forestry products: 11.6% of total expenditure in 1980.

The remainder of expenditure on forestry is allocated to research and development (4.7%), compensation for natural disasters (1.9%), training and information (1.4%).

In France, three-quarters of the expenditure on forestry covers maintenance protection and investment. The other expenditure goes, in order, to sawmills, fire-control and extension services.

In the Netherlands, two types of expenditure dominated in the 1975-1980 period:

- expenditure on maintenance of woodlands and nature areas, and
- expenditure for the acquisition and the restoration of woodland areas by public authorities.

In the Netherlands, public expenditure on forestry is not so much concerned with stepping up production of wood or improving foresters' incomes as improving the appearance, maintenance and utilization of the countryside; the recreative function of woodlands is in fact the main concern of the Netherlands authorities in this area.

In Denmark, public expenditure on forestry, shown in the summary table, covers mainly information, education, development of employment and research. The expenditure shown below accounts in fact for only a small part of public expenditure on woodlands: in Denmark, each year, very large sums are allocated for drainage and irrigation work, research, development of employment plus expenditure of the Danish Aid Society for recreational activities in woodlands. This expenditure is not shown in the summary table.

In Belgium, public expenditure on forestry covers mainly two types of scheme:

- aids for planting and reforestation and conversion of woodlands, and
- aids for the improvement of woodlands (laying of forest tracks and paths and improvement of public access).

In Luxembourg, expenditure covers three types of scheme:

- planting, reforestation and conversion
- construction of woodland paths, and
- recreational activities.

PUBLIC EXPENDITURE ON FORESTRY

1000 ECU at current prices  
(index = national currency at current prices)

	1975	1976	1977	1978	1979	1980	NOTES
							(1) (2)
GERMANY	5 826 (100)	5 884 (93)	6 360 (95)	8 400 (121)	21 309 (302)	28 479 (403)	247 1,9%
FRANCE	n.a.	n.a.	n.a.	n.a.	65 551	76 469	n.a. 2,8%
ITALY	54 578 (100)	39 904 (84)	51 614 (117)	97 216 (236)	104 739 (269)	131 375 (349)	156 4,6%
NETHERLANDS	(3 544,3) (100)	2 032,4 (57)	6 390,1 (180)	6 683,1 (189)	7 159,2 (202)	7 013,5 (198)	148 3,1%
BELGIUM	745,7 (100)	782,5 (99)	986,3 (119)	1 173,0 (139)	1 385 (163)	1 032,2 (123)	94 0,4%
LUXEMBOURG	48,3 (100)	46,2 (91)	56,4 (105)	44,7 (81)	39,2 (72)	41,4 (76)	55 0,2%
UNITED KINGDOM	98 704 (100)	96 368 (108)	66 544 (79)	75 329 (90)	107 049 (126)	117 581 (129)	67 11,2%
IRELAND	14 570 (100)	15 194 (116)	15 932 (128)	19 439 (158)	21 115 (173)	29 134 (239)	124 7,9%
DENMARK	1 042,0 (100)	1 180,3 (107)	1 426,2 (131)	1 648,6 (156)	2 833,2 (271)	2 082,6 (218)	143 1,3%

(1) Deflated index (GDP), 1980 (1975 = 100).

(2) Share of public expenditure on forestry as a proportion of public expenditure on agriculture in 1980  
n.a. = not available

**J.M. DIDIER & ASSOCIATES**

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the Member States of the European Community**

**Report drafted by J.L. Chomel**





CHAPTER IV:

ASSESSMENT OF THE EFFECT OF PUBLIC EXPENDITURE IN FAVOUR OF AGRICULTURE  
ON PRODUCTION, INCOME, INTRA-COMMUNITY TRADE, FINANCIAL SOLIDARITY AND  
THE COMMON AGRICULTURAL POLICY



**1. Methods adopted**



The Commission of the European Communities asked the experts to analyse, in a second stage, the impact of public expenditure in favour of agriculture by answering five questions:

1. What is its effect on agricultural production?
2. What is its impact on agricultural income?
3. What are its repercussions on intra-Community trade?
4. Does it threaten financial solidarity?
5. Is it in line with, in opposition to, or neutral with respect to, the Common Agricultural Policy?

#### 1) Approach

The experts bore in mind at all times the Commission's concern to quantify the economic effects of public expenditure in favour of agriculture. Such quantification would enable the Commission to assess, as objectively as possible, the economic consequences of the national aid schemes operated in each Member State and, if necessary, to take economic sanctions on a sound basis.

The experts also bore in mind at all times the various attempts already made to supply the Commission with the necessary tools to discharge its responsibilities under Article 93 of the Treaty of Rome. In particular they took account of the theoretical results of a study carried out by Professors R.J. Vandendorpe and J. Leunis of the University of Louvain: "Analysis of the economic consequences of national aid measures granted to agriculture".

Although aware that their conclusions raised conceptual difficulties and problems of interpretation, the experts tried to adopt the most pragmatic approach possible based on the facts, and attempted, with the help of a number of indicators, to supply some information on the economic effects of public expenditure on agriculture.

In bilateral and group discussions, the experts spent a long time examining a large number of possible approaches and methods for complying with the Commission's requests. They began by rejecting a purely academic approach, since such work had already been carried out. They examined the possibility of a quantitative approach to the study of the economic effects of national expenditure. The main obstacle to such a quantitative method was the great difficulty, if not impossibility, of establishing clear cause-and-effect relationships between public expenditure and its implications for production, income and intra-Community trade. The main reasons for this are:

- (i) that the national economies developed in an unusual way between 1975 and 1980 in the aftermath of the first oil crisis;
- (ii) that currency-exchange developments have had direct consequences on the agri-monetary system, whose effects on production, income and intra-Community trade have themselves been impossible to quantify;
- (iii) that the many economists who have studied it have not been able to determine what precise effect the system of agricultural prices has had on production.

In the absence of an economic model, and in view of research carried out into the economic impact of other factors (prices, the agri-monetary system), the experts took the view that within the time-limits imposed upon them it would be more sensible to attempt a qualitative approach to the economic effects of public expenditure in favour of agriculture.

2) The method adopted to achieve a qualitative approach

Various possible ways of establishing a qualitative approach were initially examined. In particular, the experts discussed the possibility of allocating quantitative coefficients to the effects in question so as to measure their degree of impact (strong, weak, medium, negligible, etc.) When this approach was tested in practice, it had to be abandoned as the experts encountered formidable problems in harmonizing the allocation of coefficients between the different Member States, given the difficulty of identifying common criteria or indicators with which to analyse the effects. The experts also felt that such an approach might give readers and decision-makers a false impression of how precise and tangible the effects of different aid schemes are, and they feared that false conclusions might be drawn from this type of comparison of the effects of the various national schemes.

It was therefore decided that each expert, in drawing his own conclusions, should be free to decide which criteria to use in each of the Member States for which he was responsible within the study.

It was, moreover, out of the question to undertake an analysis, with respect to each Member State, of the effects of each of the national schemes for expenditure in favour of agriculture, as there were several hundred such schemes operating in each country. It was therefore agreed that each group of experts should limit itself to dealing with a number of schemes which were of significance to each Member State and also significant in comparisons at Community level.

The modus operandi for analysing the effects of national schemes was practically identical for most Member States:

- (i) to muster all the documentation and publications on the subject which might provide the experts with data for analysis;
- (ii) to refer at all times to the guidance provided by economic theory;
- (iii) to contact experts with specialist knowledge of the various national schemes, either within the ministries and government departments concerned or in economic and research institutes, and to discuss with them the result of their work or to submit the experts' findings to them for enlightened criticism;
- (iv) to obtain as many statistics, and to use as many economic indicators, as possible so as to provide a sound basis for the qualitative results arrived at by the experts.

### 3) The frame of reference

In order to harmonize the analysis at least to some extent at Community level, it was agreed to keep to a common frame of reference. To this end, the experts defined the terms used in the question put by the Commission:

Production: to determine the effect of national schemes

- (a) on the volume of production, in terms of quantity and value, with respect to total production and also with respect to each product or productgroup where necessary,
- (b) on production quality,
- (c) on production structures.

Income: to determine the effect of national schemes

- (a) on the income of farmers working on the farms covered by the various schemes,
- (b) on total agricultural income,
- (c) on the disparities between farmers' income and the income of other social and economic groups.

Intra-Community trade: to establish the effect of national schemes of expenditure

- (a) on the flow of goods, in terms of quantity and value, for each product or productgroup,
- (b) on the destination and the origin of merchandise flows,
- (c) on competition between the Member States, and in particular the impact on the trading structures of each Member States.

Financial solidarity: to establish the effect of national schemes on EAGGF costs, with particular reference to Community surpluses in agricultural products.

Common Agricultural Policy: to examine the compatibility of national schemes with Article 39 of the Treaty of Rome and/or with the various provisions of Community legislation (Directives, Regulations, etc.).

It should be noted that the effects of public expenditure on agriculture on the Common Agricultural Policy and on financial solidarity cannot be assessed unless the effects of such public expenditure on production, income and trade have first been established.





**2. Results of the qualitative analysis for each Member States**



In view of the separate approaches adopted by each of the experts with respects to the Member States for which he was responsible in the context of this study, we consider it best to give the results for each Member States taken individually. We would advise the reader nevertheless to refer to the individual national reports in order to get a more accurate impression of the way in which the economic indicators and the qualitative results obtained for each Member State must be interpreted. (1)

To facilitate reading of the Community report, we have summarized the results for each Member State in a harmonized table. We wish to point out that the shortcoming of such a table is its extreme simplification, bearing in mind that any qualitative analysis requires a great deal of elucidation. Once again, therefore, we invite the reader to consult the national reports themselves for further details.

Conventions used in the tables:

<u>Production</u>	+ = increase in the quantity and/or quality of agricultural production.
<u>Income</u>	+ = increased farm incomes and/or agricultural income generally.
<u>Intra-Community trade</u>	+ = increase in exports to other Member States and/or decrease in imports from other Member States.
<u>Financial solidarity</u>	+ = increase in EAGGF expenditure
<u>C.A.P.</u>	+ = compatible with the objectives of Article 39 of the Treaty of Rome and/or in accordance with Community Directives and Regulations.

Explanation of symbols

- : opposite meaning to +
- 0 : no significant effect
- ? : impact not calculated
- blank : no information supplied by the expert.

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(1) No analysis of the economic effects of national agricultural expenditure in Italy or Luxembourg was provided in the national reports.

COUNTRY: GERMANY

:Code :	:Type of scheme :	:INCOME :		:PRODUCTION :		:INTRA-EEC : TRADE :	:FINANCIALY: C.A.P. :
		:Farm :	:General : :agriculture:	:Disparity : :between :	:Quantity : :Quality :		
:	:	:	:sectors :	:	:	: (2) :	:
:1110 :	:Modernization of farms :(linked to EEC payment)	+	+	+ (1)		+	
:1120 :	:Modernization of farms :(not linked to EEC payment)	+	+	+ (1)		+	
:1130 :	:Modernization of farms :(not linked to Directive 72/159)	+	+	+ (1)		+	
:1521 :	:Animal breeding	+	+	+	+	+	
:1522 :	:Health control and vaccines	+	+		+	+	
:1523 :	:Compulsory slaughter	+					
:1730 :	:Reduction of production costs: :fuel	+		+			
:1840 :	:Compensatory allowances :(less favoured areas)	+		+		+	
:3250 :	:Road improvements	+					
:4200 :	:Investment in processing and :marketing enterprises	+		+		+ (3)	
:8300 :	:Information, agricultural :advise etc.	+		+		+ (3)	
:8400 :	:Accounting	+					

(1) Also improvement of production structure.

COUNTRY: FRANCE

:Code :	Type of scheme	INCOME		PRODUCTION		INTRA-EEC : TRADE : (2)	FINANCIALY: C.A.P.	
		Farm	General : :agriculture:	Disparity : between : sectors	Quantity :			Quality :
:1100 :	Modernization of farms	+	+		+	?	?	+
:1210 :	Retirement scheme	+			?	?	?	+
:1260 :	Settlement	+			?	?	?	+
:1270 :	Reparcelling	+	0		?	?	?	+
:1520 :	Improvement in potential animal : : production	+			0 +		?	+
:1730 :	Reduction of production costs : : fuel	+	+		?	?	?	?
:1840 :	Compensatory allowances :(less favoured areas)	+	+		+		0 +	+
:4210 :	Investment in processing and : marketing enterprises	?	?		?	?	?	+

COUNTRY: NETHERLANDS

:Code :	: Type of scheme :	: INCOME :		: DISPARITY :		: PRODUCTION :		: INTRA-EEC : TRADE :	: FINANCIALY: C.A.P. :
		: Farm :	: General : :agriculture :	: Disparity : : between : : sectors :	: Quantity :	: Quality :	: SOLIDARITY: :		
:1110 :	: Modernization of farms : (linked to EEC payment) :	: + :	: + :	: + :	: + (1) :	: + :	: + :	: (2) :	: : :
:1130 :	: Modernization of farms : (not linked to Directive 72/159): :	: + :	: + :	: + :	: + :	: + :	: + :	: + :	: : :
:1270 :	: Reparcelling :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3) :	: : :
:1521 :	: Animal breeding :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3) :	: : :
:1522 :	: Health control and vaccines :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3) :	: : :
:1523 :	: Compulsory slaughter :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3) :	: : :
:1730 :	: Reduction of production costs: : fuel :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3) :	: : :
:3200 :	: Improvement of rural : infrastructure :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3)(4) :	: : :
:4200 :	: Investment in processing and : marketing enterprises :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3)(4) :	: : :
:3120 :	: "Landinrichting" :	: + :	: + :	: + :	: + :	: + :	: + :	: + (3)(4) :	: : :

(1) Also improvement of production structure.

(2) Positive effects due to improved competitiveness in production and processing.

(3) Improvement in the pattern of intra-Community trade in favour of the Netherlands.

(4) Improvement in marketing organization.

COUNTRY: BELGIUM

:Code	:Type of scheme	:INCOME			:PRODUCTION		:INTRA-EEC TRADE (2)	:FINANCIALY: SOLIDARITY:	:C.A.P.
		:Farm	:General :agriculture:	:Disparity :between :sectors	:Quantity	:Quality			
:1100	:Modernization of farms	:+	:+	:+	:0	:0	:+	:0	:+
:1210	:Retirement scheme	:+	:0	:0	:0	:0	:0	:0	:+
:1260	:Settlement	:+	:+	:+	:0	:0	:0	:0	:+
:1270	:Reparcelling	:+	:+	:+	:0	:0	:?	:0	:+
:1510	:Improvement in potential :crop :production	:+	:+	:?	:+	:+	:+	:?	:?
:1520	:Improvement in potential :animal production	:+	:0	:0	:+	:+	:?	:?	:+
:1730	:Reduction of production costs: :fuel	:+	:+	:+	:?	:?	:?	:0	:-
:1840	:Compensatory allowances :(less favoured areas)	:+	:0	:+	:0	:0	:?	:0	:+
:2000	:Natural disasters	:+	:+	:?	:0	:0	:?	:+	:+
:4200	:Investment in processing and :marketing enterprises	:?	:?	:?	:?	:?	:?	:?	:+
:8200	:Training, information,								
:8300	:agricultural advice and								
:8400	:accounting	:+	:+	:+	:+	:+	:?	:0	:+



COUNTRY: UNITED KINGDOM

:Code :	:Type of scheme :	:INCOME :		:PRODUCTION :		:INTRA-EEC : TRADE (2) :	:FINANCIALY: C.A.P. :
		:Farm :	:General : :agriculture: :	:Disparity : :between : :sectors :	:Quantity : :Quality :		
:1100 :	:Modernization of farms :	:+ :	:+ :	:+ :	:+ :	:? :	:+ :
:1522 :	:Campaign against brucellosis :	:+ :	:+ :	:+ :	:0 :	:? + :	:+ :
:1520 :	:Improvement in potential :animal production :	:+ :	:+ :	:+ :	:+ :	:? + :	:? + :
:1730 :	:Reduction of production costs: :fuel :	:+ :	:+ :	:+ :	:+ :	:+ :	:0 :
:1840 :	:Compensatory allowances :((less favoured areas) :	:+ :	:+ :	:+ :	:+ :	:+ :	:+ :
:1810 :	:Farm investments :((less favoured areas) :	:+ :	:+ :	:+ :	:+ :	:? :	:+ :
:3162 :	:Employment scheme, various :levels of meat industry :	:+ :	:+ :	:+ :	:? 0 :	:? :	:0 :
:3220 :	:Improvement of rural drainage :	:+ :	:+ :	:+ :	:+ :	:+ :	:+ :
:4200 :	:Investment in slaughtering :enterprises :	:0 (1) :	:0 (1) :	:0 (1) :	:0 (1) :	:+ :	:0 :
:5100 :	:Variable premium for beef :	:+ :	:+ :	:+ :	:+ :	:+ :	:? :
:5200 :	:Market support for potatoes :	:+ :	:+ :	:+ :	:0 - :	:0 + :	:0 :
:8300 :	:Information, agricultural :advice etc. :	:? :	:? :	:? :	:? :	:? :	:? :

(1) Short term

COUNTRY: IRELAND

:Code :	:Type of scheme :	:INCOME :			:PRODUCTION :		:INTRA-EEC : TRADE (2) :	:FINANCIALLY: C.A.P. :	
		:Farm :	:General : :agriculture:	:Disparity : :between :sectors :	:Quantity :	:Quality :			:SOLIDARITY: :
:1100 :	:Modernization of farms :	:+ (L) :	:+ (L) :	:+ (L) :	:+ (L) :	:+ (L) :	:? :	: - :	:+ :
:1240 :)	:Land pool :	:+ (L) :	:+ (L) :	:+ (L) :	:? :	:? :	:0 :	:+ :	:+ :
:1260 :)	:Settlement :	:+ :	:+ :	:+ :	:+ (L) :	:+ (S) :	:+ (S) :	: - :	:+ :
:1522 :	:Health control and vaccines :	:+ :	:+ :	:+ (L) :	:+ (S) :	:+ (S) :	:+ (S) :	: - :	:+ :
:1800 :	:Measures for farms in less :favoured areas :	:+ (S) :	:+ (L) :	:+ (L) :	:+ (L) :	: - :	:0 :	: - :	:+ :
:3220 :)	:Rural infrastructure :	:? :	:? :	:? :	:? :	:? :	:? :	:? :	:+ :
:3250 :)	:	:	:	:	:	:	:	:	:
:4200 :	:Investment in processing and :marketing enterprises :	:0 :	:+ :	:+ :	:+ (S) :	:+ (S) :	:+ (S) :	:? :	:+ :
:8300 :	:Information, agricultural :advice etc. :	:+ (S) :	:+ (L) :	:+ (L) :	:+ (L) :	:+ (L) :	:? :	:? :	:+ :
:5100 :	:Market support resulting from :the C.A.P. :	:+ (L) :	:+ (L) :	:+ (L) :	:+ (L) :	:+ (L) :	:? :	:? :	:+ :
:5300 :	:Aids for consumption :	:+ (L) :	:+ (L) :	:+ (L) :	:0 :	:0 :	:? :	:? (L) :	:+ (S) :
:	:	:	:	:	:	:	:	:+ (S) :	:? (L) :

(L) Long-term effects.  
(S) Short-term effects.

COUNTRY: DENMARK

:Code :	: Type of scheme :	: INCOME :		: Disparity : between : sectors :	: PRODUCTION :		: INTRA-EEC : TRADE : (2) :	: FINANCIALY: : SOLIDARITY: :	: C.A.P. : :
		: Farm :	: General : : agriculture: :		: Quantity : :	: Quality : :			
:1110 :	: Modernization of farms : : : (linked to EEC payment) :	: - :	: - :	: ? + :	: ? + :	: + ? :	: + ? :	: + :	: + :
:1120 :	: Modernization of farms : : : (not linked to EEC payment) :	: + :	: + :	: + :	: + :	: + :	: 0 + :	: + :	: + :
:1210 :	: Retirement scheme :	: + (1) :	: 0 :	: ? + :	: ? + :	: ? + :	: 0 + :	: 0 + :	: + :
:1250 :	: Support of young farmers :	: + :	: + :	: ? + :	: ? + :	: ? + :	: 0 + :	: 0 + :	: + :
:1300 :	: Land improvement :	: + :	: + :	: ? + :	: ? + :	: ? + :	: 0 + :	: 0 + :	: + :
:4210 :	: Investments in processing and : : : marketing enterprises :	: + :	: + :	: + :	: 0 :	: 0 :	: 0 + :	: ? :	: + :
:4400 :	: Inspection of products and : : : quality control :	: + (1) :	: 0 :	: 0 :	: 0 :	: 0 :	: 0 + :	: 0 + :	: - :
:5330 :	: Aids for consumption :	: 0 :	: 0 :	: ? :	: ? :	: ? :	: 0 - :	: 0 :	: 0 :
:8300 :	: Information, agricultural : : : advise etc. :	: + :	: + :	: + :	: + :	: + :	: + :	: ? :	: ? :

(1) Limited effect.

3. Impact of national aid schemes



A. IMPACT ON PRODUCTION

(a) General approach

The dominant feature of the years 1975-1980 was the severe drought of 1976 which completely and exceptionally interrupted the development of agricultural production in the different Member States, as indicated in a recent Commission communication:

"During the reference years (1975-1980), only one Member State increased its share in agricultural production on a lasting basis, the Netherlands. Over the same period, the share of one Member State - Belgium - declined. Luxembourg, Ireland and Denmark kept their shares, as did Italy, with differentials widening from year to year. With regard to Germany, France and the United Kingdom, the trend changed course in 1977. From 1975 to 1977, the share enjoyed by Germany increased slightly, while those for France and the United Kingdom were declining slightly. From 1977 onwards, Germany's share contracted, while those of France and the United Kingdom tended, broadly, to mark time."

"Analysis of the production volume growth rates for each Member State shows that the volume of agricultural production increased in all the Member States. Thus, the fact that a Member State's share in the Community total declines must mean that its rate of production growth has, over a long period, lagged behind that of the other Member States, or that there has been no growth at all."

"Application of current prices and exchange rates entails some attenuation of the above findings. Luxembourg, Ireland, Denmark and Italy, with fluctuations, retain their share in final Community production. The same can be said for France from 1976/77 onwards, and also, which is more surprising, for the Netherlands. Conversely, from 1976 or 1977 onwards, Germany's share steadily declines, while the contraction in Belgium's share is shown to be greater. On the other hand, from 1979 onwards, the United Kingdom's share has been rising."

Although the United Kingdom's share of national aids decreases, its share of agricultural production increases. However, 1978/79 seems to mark a turning point for this country and there is some positive co-variation between its increased share in Community agricultural production and an increase in national expenditure. This clear relationship, however, is not necessarily one of cause and effect.

A positive co-variation is also shown between Germany's share of national expenditure - which increases until 1978 and then decreases - and its share in agricultural production, which increases until 1977 and decreases thereafter. The German example shows that, in this Member State at least, no immediate positive effect on its share in Community production resulted from its financial support for agriculture compared to that of other Member States since there was an interval of one year between the fall in the share of production and the fall in the share of national expenditure.

In the case of Italy, a positive co-variation was observed between the respective shares of public expenditure and agricultural production, 1980 being a year in which national expenditure in favour of agriculture rose sharply.

France, on the other hand, did not show this co-variation between its share of national expenditure and its share of final agricultural production. While France's share of public expenditure in favour of agriculture tended to increase, rising sharply in 1976 and 1977, its share of agricultural production tended to fall slightly.

The "small" Member States - Belgium, Netherlands, Ireland and Denmark - which have given much greater financial backing to their agriculture than the "large" Member States, each showed different results: the Netherlands slightly increased their share of the Community's final agricultural production whereas Belgium's share of final agricultural production decreased steadily; the share contributed by Ireland and Denmark remained stable.

From these facts it appears that national public expenditure is not the main factor governing different levels of increased production in different Member States. This does not imply that a given country's share of final agricultural production would still be maintained if such aid were not forthcoming. We consider that national aid schemes make it possible to attenuate and even in some cases to correct production trends resulting from other factors which could not be dealt with in this study.

(b) Conclusions regarding the main schemes

Given the different methods of analysis used by the various experts, it is difficult to draw conclusions at Community level regarding the effect of each of the national schemes in favour of agriculture. It is, however, possible to establish the common features of some schemes.

Aid for the modernization of farms (such as provided for in Directive 159/72) appears to have led to increased production in all the Member States, especially animal production in France and Belgium. In all Member States where considerable aid is provided for less-favoured areas, agricultural production also appears to have increased on farms receiving the aid. Belgium is the only exception. For both types of aid, the number of farms affected is generally too small for such schemes to have much impact on national production trends.

Public expenditure on animal breeding, health control and disease control operations in the various Member States appears to lead to increased livestock production.

In some Member States national expenditure on training and agricultural advice was shown to increase production by the farmers who have benefited from such schemes.

In some Member States expenditure on rural infrastructure and re-parcelling also appear to have had positive effects in increasing agricultural production.

In most Member States aid for food processors often appears linked to increased output from these industries, but it was not possible to establish whether the increase in processed goods led to increased production of fresh produce or enabled agricultural production to be restructured or relocated.

## B. IMPACT ON AGRICULTURAL INCOME

### (a) General approach

On the macro-economic level we chose to define agricultural income as gross value added at market prices.

Each Member State shows a different pattern of development in its share of total income:

- Germany's share increased until 1978 and then fell sharply;
- France's share shows a downward trend despite a sudden "jump" in 1978;
- Italy's share fell in 1976 but increased thereafter with a sharp rise in 1979 and 1980;
- the United Kingdom's share has shown an increase which accelerated sharply in 1979 and 1980;
- the Netherland's share increased between 1975 and 1977 but fell between 1978 and 1980;
- Belgium and Ireland show a steady decline in their share between 1975 and 1980;
- Denmark's share has remained stable with a slight increase in 1977.

No positive co-variation was observed between each Member State's share of total public expenditure in favour of agriculture and its share of agricultural gross value added. The only exception appears to be Italy.

The volume of gross value added has developed very differently in the different Member States between 1975 and 1980. It increased considerably in the United Kingdom (up 30%) and the Netherlands (up 19%), but showed a more modest increase in Belgium (up 13%), Denmark (up 10%), Italy (up 7%) and France (up 6%). It declined slightly in Luxembourg (down 2%) and fell more sharply in Ireland (down 8%).



The trend of national expenditure in favour of agriculture is not in line with the trend in added value over this period. The index of change in expenditure adjusted by the GDP deflator shows that it rose sharply in Belgium, Denmark and Ireland, rose slightly in France and the Netherlands, fell sharply in Germany and Italy and fell dramatically in the United Kingdom.

As was the case for production, therefore, it cannot be concluded that national schemes in favour of agriculture have any great effect on the trend in agricultural income. It can only be noted that national schemes enable agricultural income to be supplemented. This observation must be qualified in view of the varying taxation burdens borne by farmers in the different Member States.

As a purely academic exercise, we tried to calculate the ratio between national expenditure directly allocated to farmers and their income expressed as value added at market prices. For all Member States we considered that expenditure under codes 1000, 2000, 4100, 5200, 7000, 8200, 8300 and 8400 constituted expenditure directly allocated to farmers. For some Member States we also included expenditure under other codes:

Germany:	11000 and 5100
Italy:	6000
United Kingdom:	5100
Denmark:	11000 (25%).

In 1980, in the four large Member States and Belgium, national expenditure directly allocated to farmers expressed as a proportion of total agricultural income came to between 8.5% and 12.5%, i.e. falling within a narrow range round about the Community average. For Ireland and Luxembourg, the figure was about 17% whereas for Denmark and the Netherlands it was less than 5% (4.9% and 2.7% respectively).

	D	F	I	NL	B	LUX	UK	IRL	DK	EEC
Total national expenditure (1) directly allocated to farms (millions of ECU)										
- in 1980	1 054	2 069	1 577	89	146	13	813	223	100	6 084
- in 1975	1 111	1 760	1 435	81	58	13	972	123	54	5 607
Agricultural income (1) (millions of ECU)										
- in 1980	9 369	17 096	17 421	4 148	1 694	72	6 570	1 327	2 038	59 736
- in 1975	7 917	12 843	11 552	3 040	1 352	56	3 835	1 007	1 440	43 043
National expenditure directly allocated to farms expressed as a proportion of agricultural income										
- in 1980	11,2%	12,1%	9,1%	2,1%	8,6%	17,4%	12,4%	16,8%	4,9%	10,2%
- in 1975	14,0%	13,7%	12,4%	2,7%	4,3%	23,2%	25,3%	12,2%	3,8%	13,0%

Note: The difference in exchange rates used is less than 1%

(1) Gross added value at market prices.

In 1975 the Community average was 13%. Of the large countries, only the United Kingdom showed a figure far removed from this Community average (two years after its accession the United Kingdom was still operating schemes broadly similar to those in force before accession). Between 1975 and 1980 the proportion of agricultural income accounted for by national expenditure directly allocated to farmers fell in the four large Member States, and in the Netherlands and in Luxembourg, but rose in the three other Member States, particularly in Belgium.

(b) Impact of the different types of scheme on farmers' incomes

As was the case with the study of effects on production, the experts used different methods of analysis and arrived at similar conclusions with respect to some types of schemes.

In all the Member States except Denmark, aid for the modernization of farms and aid for farms in less-favoured areas had a positive effect on the increase in agricultural income. The situation peculiar to Denmark must be the result of other economic factors, credit policy and Denmark's national agricultural policy.

Aids for reparcelling and restructuring farms (settlement, support of young farmers, etc.) have made it possible to raise the income of farms receiving such aid compared with farms which have not done so.

Finally, aid for training and agricultural advice seem to have had an important long-term effect on farmers' incomes.

To these four types of aid must be added direct or indirect aid for agricultural income (such as aid for the means of production) which have an immediate effect on income at farm level.

C. IMPACT ON INTRA-COMMUNITY TRADE

Given that in most Member States only a very small proportion of public expenditure on agriculture can be broken down by enterprise or products, it is extremely difficult in the context of this study to draw relevant conclusions as to the impact of national expenditure on intra-Community trade.

Two or three observations, however, may provide food for thought in certain directions.

An examination of each Member State's share (based on exports) of intra-Community trade in agricultural and food products shows that the United Kingdom's share increased considerably, especially from 1978 onwards, while Germany's share clearly shows a modest increase as from 1977. The share enjoyed by the Benelux countries increased between 1975 and 1977 but fell steadily between 1978 and 1980. The share enjoyed by the other Member States shows no appreciable variation over the whole period 1975 to 1980.

We may conclude, then, that - except in the case of the United Kingdom - there is no positive co-variation between the development of the Member States' share in intra-Community trade and the development of their share of public expenditure on agriculture. It appears, therefore, that intra-Community agricultural trade is not significantly affected on the macro-economic level by national aid schemes.

This initial macro-economic observation, however, should be confirmed or qualified by a micro-economic analysis. It was practically impossible, within the scope of this study, for the experts to calculate the impact of every type of national scheme on intra-Community trade. This is partly because, in many Member States, aid cannot be broken down by product and cannot be isolated, as a factor, from other factors such as monetary policy, exchange rates, monetary compensatory amounts, the inflation differential, comparative production costs, etc.

It was not possible, within this study, to identify or estimate in any way the impact of individual items of national expenditure on intra-Community trade.

#### D. IMPACT ON EAGGF EXPENDITURE

We would refer the reader, in the first instance, to page 53 of Volume 1 of this study: "Comparison between EAGGF expenditure and national expenditure on agriculture".

Comparison between large economic units shows no clear relationship between changes in Member States' shares in EAGGF expenditure and changes in their shares in national expenditure on agriculture. Development in the United Kingdom, however, is remarkable: it shows a positive co-variation between 1975 and 1977 but a negative co-variation between 1978 and 1980. In Belgium a positive co-variation could be found between 1976 and 1979. In Germany, both shares developed in a similar way between 1975 and 1980. No conclusion can therefore be drawn from the study.

With regard to individual schemes, most experts felt that any scheme which tended to increase surplus production at Community level led to an increase in EAGGF expenditure. Unfortunately, since, in many Member States, national expenditure could not be broken down by products no firm conclusion could be drawn as to the impact of national schemes on Community solidarity.

E. IMPACT ON THE COMMON AGRICULTURAL POLICY

The experts did not inquire into the mutual compatibility between the paragraphs of Article 39 of the Treaty of Rome and the various Community arrangements. They simply tried to examine whether the national schemes were in line with the "spirit" of the Treaty and/or complied with the instructions given in the Community arrangements.

In most Member States virtually all the national schemes appeared to be "compatible" with the common agricultural policy. The experts expressed reservations only with regard to national aid schemes aimed at reducing agricultural production costs and, in some cases, aid for marketing and exports.

It is noteworthy that, between 1975 and 1980, methods and means of intervention in agriculture coincided in most Member States, within a general context defined by the European Community. For example, the new Member States, Ireland and Denmark, and especially the United Kingdom, aligned their public spending structures with those of the majority of Member States. In 1980, only Italy's situation was very different from that of the other Member States (for example, central agricultural bodies at national or regional level).

CHAPTER V:  
FINAL COMMENTS



1. The first observation to be made by the coordinator of the study was that in most Member States there was no agricultural policy worthy of the name. Only the Netherlands has a real policy based principally on training and agricultural advice, farm modernization, a genuine policy for marketing agricultural products and a taxation system very favourable to farmers.

The other Member States seem to use the various instruments on a piecemeal basis, rather than selecting them in accordance with any real policy. In some Member States it is even questionable whether the politicians in charge are aware of the outcome of the measures they advocate. With respect to several Member States, no-one we spoke to was able to give a comprehensive summary of the national schemes in favour of agriculture, of their objectives or of the general context within which these measures were adopted. In most Member States national expenditure in favour of agriculture is more a matter of scattering resources thinly over a wide area than of making deliberate political decisions.

2. The second observation made by the coordinator of the study is that this study does not provide a complete and comprehensive study of national expenditure in favour of agriculture. Although most public expenditure schemes have been described, the experts encountered a number of difficulties which suggest that agriculture - as defined at the beginning of Volume 1 - is subsidized through other channels than those described in this study, as is shown by the following examples:
  - a) It was impossible in this study to include figures for smaller taxation payments. This leaves some doubt as to the total amount of public expenditure on agriculture. To illustrate this point in the context of the WIR (Wet Investeren Rekening), the Netherlands allowed farmers to receive a premium (basic premium and premium for small farms) of F1 570 million (207 million ECU) in 1980/81, which is about 93% of the total national expenditure covered by the study - excluding research. The coordinator has good reason to believe that if tax relief as a whole were examined for most Member States amounts would be discovered similar to those given for the WIR in the Netherlands. The role of taxation in agriculture appears to be a field of study which should be explored and mastered by those deciding agricultural policy.
  - b) National expenditure in "integrated projects" is more or less closely connected with agriculture. It is difficult to determine what proportion is allocated to agriculture alone, as illustrated by the general programmes of expenditure in Germany, the Netherlands and France, where agriculture is the priority objective.
  - c) National expenditure on major infrastructure (ports, motorways, canals, railways, etc) helps farmers. This advantage could not be shown by the present study.



- d) National expenditure in favour of external trade, whether made directly or channelled through national agencies or specialized banks, is - to a greater or lesser extent according to the Member State concerned - earmarked for agriculture. The study could not allow for this type of expenditure either.
  - e) The study did not cover public expenditure at regional level (except in Italy and Germany) or at local level. Numerous items of expenditure allocated by regional or local public authorities nevertheless had a considerable impact on agriculture though the amount involved may not be significant in proportion to central government expenditure.
  - f) Finally, to illustrate our argument, we would point out that no information about national aid schemes in favour of poultry in France could be elicited for the purposes of this study, although experts know perfectly well that some poultry production in France has been subsidized. Similarly, it was impossible to allow for the advantage enjoyed by Dutch agriculture in that, over a number of years, farmers have paid special gas rates fixed at a level lower than the rate applicable to industry. These are not the only examples: others could similarly be taken from other Member States.
3. In order to compare results at Community level, one's initial inclination is to establish ratios so as to turn overall values into comparable data. Where national expenditure on agriculture is concerned, ratios often involve the number of farms, the number of hectares or the number of agricultural workers. In our opinion this type of comparison is incorrect because, firstly, national expenditure does not cover the same items in all Member States and, secondly, a large farm in the United Kingdom, cannot be compared with a small one in southern Italy: neither can one compare a hectare of UAA in the Netherlands with a hectare of UAA in Scotland; etc.

However, knowing that this kind of ratio would be calculated in any case, the coordinator chose, for the purposes of his calculations, to treat national expenditure as meaning only expenditure directly allocated to agriculture (see previous chapter for definitions). The other data were provided by Eurostat. In providing these data, the coordinator refused, for the abovementioned reasons, to draw any conclusion whatsoever from the table on the following page. He would point out, however, that the small ratios obtained for the Netherlands reflect the level of national expenditure on items covered by this study whereas some high ratios obtained for the United Kingdom reflect the production structure in that country (large farms, small numbers of people employed in agriculture, small number of farms compared with the UAA).

1980	D	F	IT	NL	B	LUX	UK	IRL	DK	EEC
1. National expenditure allocated to farmers (m ECU)	1 054	2 069	1 577	89	146	13	813	223	100	6 084
2. EAGGF expenditure allocated to farmers (m ECU)	1 193	1 303	908	581	174	17	453	155	177	4 961
3. Number of farms - total (1 000) - 1977	848	1 241	2 617	151	127	5,4	222	224	127	5 563
National expenditure/number of farms (1 000 ECU)	1 243	1 667	603	589	1 150	2 407	3 662	996	787	1 094
EAGGF expenditure/number of farms (1 000 ECU)	1 407	1 050	347	3 848	1 370	3 148	2 041	692	1 394	892
4. Number of principal activity farms (1 000) - 1977	458	869	1 073	133	86	4,6	184	166	95	3 060
National expenditure/number of principal activity farms	2 301	2 381	1 470	669	1 698	2 826	4 418	1 343	1 053	1 988
EAGGF expenditure/number of principal activity farms	2 605	1 499	846	4 368	2 023	3 696	2 462	934	1 863	1 621
5. UAA (1 000 ha)	12 248	31 931	17 888	2 027	1 447	201	18 487	5 711	2 905	92 810
National expenditure/ha UAA (1 000 ECU)	86	65	88	44	101	65	44	39	34	66
EAGGF expenditure/ha UAA (1 000 ECU)	97	41	51	287	120	85	245	27	61	53
6. Number of AWU (1 000 ECU)	1 234	1 950	2 827	254	140	12	626	325	177	7 543
National expenditure/AWU (1 000 ECU)	854	1 061	558	350	1 043	1 083	1 299	686	565	807
EAGGF expenditure/AWU (1 000 ECU)	967	668	321	2 287	1 243	1 417	724	477	1 000	658
7. Farmers' income (millions of ECU)	9 369	17 096	17 421	4 148	1 694	72	6 570	1 327	2 038	59 736
National expenditure %	11,2	12,1	9,1	2,1	8,6	17,4	12,4	16,8	4,9	10,2
EAGGF expenditure/income %	13,0	7,6	5,2	14,1	10,3	24,4	6,9	11,7	8,6	8,3



Lines of investigation for the future

This two-year study has given us quite a clear idea of the aims of national expenditure in favour of agriculture, and of the sums involved, between 1975 and 1980. As a result, it is clear that the data collected must be regularly updated and also that some items which will become key factors in the competitiveness of national agricultural activity within the Community merit more detailed investigation.

Those who take decisions at national and Community levels should first give careful thought to the subject of agricultural taxation. In the present state of our knowledge of the different taxation systems applicable to agriculture in the Member States of the Community, we feel it is essential to determine as precisely as possible the taxation burden borne by agriculture in the various Member States. It would also be useful to know how certain national and Community schemes are treated for tax purposes, particularly aid for the modernization and restructuring of farms, the effect of taxation on the means of agricultural production, the role and purpose of VAT in agriculture, and finally the way in which taxation applies to processing and marketing organizations, in particular cooperatives.

In carrying out this study, we consider it essential that decision-makers should analyse and consider carefully the role played by training and agricultural advice. It turned out that in some Member States a genuine training, information and extension services policy for farmers and economic agents in direct contact with them also led to an improvement in the results and efficiency of other measures taken in favour of agriculture.

A useful area of study for the future would be the structural reorganization of agriculture both at farm level (reparcelling, land improvement, etc.) and at the level of "integrated" programmes whose primary objectives are agricultural. While reparcelling seems to have a considerable impact on farmers' income, production and "standard of living", the authors of this report have not been informed of any studies dealing with the effects of integrated programmes such as "Landinrichting" in Holland, "Flubereinigung" in Germany, "rénovation rurale" in France or the Western Package in Ireland.

An important field of study which would throw further light on the matter concerns support for the food processing industry. Are such measures the cause or the effect of changes in the level of agricultural production? In other words, does the food processing industry act as a driving force on agriculture or does it follow agricultural trends? Or is it neutral? The limited information available to us leads us to think that all three situations obtain to some extent but we were completely unable to produce a systematic analysis for each Member State and for each branch of the industry. It was not really possible, therefore, to evaluate the effects of public support for the food processors.

Lastly, in the economic field, it seems important to study parafiscal charges. We wish to stress that, from a purely economic viewpoint, we cannot consider schemes funded from parafiscal charges as public aid schemes because parafiscal charges, even when instituted by public authorities, have the effect of redistributing resources within a particular sector or branch of the industry. We consider that analysis of parafiscal charges should aim to establish the link between parafiscal charges and public expenditure to supplement them and also the link between schemes funded from parafiscal charges and schemes funded from public resources or from the agricultural policy pursued by a public authority.

In addition to these five areas of observation and analysis which we believe should have priority, the levels of analysis should also be considered.

This study undertook an analysis of national expenditure in favour of agriculture on the macro-economic level: but the impact of aid and public expenditure in favour of agriculture must also be verified at farm levels, i.e. at the micro-economic level. A suitable instrument for micro-economic analysis would seem to be offered by the EEC's Farm Accountancy Data Network (FADN). This study has shown clearly, from the example of aid for farm modernization, that the impact of such aid on agricultural production and income could be studied only via an analysis at farm level.

The short-term and long-term effects of aid and public expenditure in favour of agriculture must be analysed separately. A large number of structural schemes have a medium- or long-term impact whereas other have an immediate impact (aid for income, aid for means of production, tax relief, etc.) but this second type of action has long-term consequences which may either support or run counter to the aim of long-term measures. This raises the problem of mutual consistency between national schemes whose planning, management and implementation are shared among several authorities within a given country. It is also useful to know how long it takes before national schemes begin to have an effect on production, income, trade, etc.

Lastly, aid and national expenditure in favour of agriculture cannot be isolated from the political, social and economic context within which they are granted. In some cases political, social or economic pressures force decision-makers to take certain action; in such cases the action may be considered to have a "passive" role or to result from a given political, social or economic situation. In other cases the action taken has a clearly defined political, social or economic objective and in such cases the action may be considered to have an "active" role or to bring about a new political, social or economic situation. It is frequently hard to ascertain whether a given measure has a "passive" or an "active" effect, and this difficulty is compounded by the fact that the impact of aid and public expenditure in favour of agriculture cannot be isolated from other political, social and economic factors which may influence production, income or intra-Community trade.

It is essential, when comparing public expenditure in favour of agriculture in the different Member States, to take into account the different economic, social and political factors in each Member State. Given that social and economic structures vary from one Member State to another, any one scheme may have different effects according to the Member State in which it is implemented. This clearly shows the limited comparability of national schemes or aids in favour of agriculture. For example, the study showed that between 1975 and 1980 most Member States had granted aid or taxation measures in favour of fuel used in agriculture; these aids, or aid equivalents, were calculated according to the general system operating within the Member State, but no conclusion can be drawn from them as to the competitiveness of the cost of the energy used in agriculture in the different Member States.

We conclude, therefore, that the various aids or national schemes in favour of agriculture must necessarily be analysed in the social and economic context within which they are situated and which may vary from one Member State to another.

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**ANNEXES**





1. Statistical tables

- (a) National public expenditure in favour of agriculture (including research)
  - in m ECU
  - share enjoyed by each Member State
- (b) EAGGF expenditure
  - in m ECU
  - share enjoyed by each Member State
- (c) Breakdown by Member States of the value of final agricultural production
  - current prices and exchange rates
  - 1975 prices and exchange rates
- (d) Trend in volume of final agricultural production
- (e) Trend in volume of gross value added (at market prices)
- (f) Breakdown by Member States of gross value added at market prices
  - current prices and exchange rates
  - 1975 prices and exchange rates
- (g) Intra-Community trade
  - exports of agricultural and food products
  - share enjoyed by Member States of trade in, and exports of, agricultural and food products

(a) NATIONAL PUBLIC EXPENDITURE IN FAVOUR OF AGRICULTURE  
(including research)

	D <sup>1</sup>	F	I	NL <sup>1</sup>	B	LUX	UK	IRL	DK	EEC
1975	1 589,4	2 241,0	2 595,9	200,5	101,3	14,4	1 493,7	176,7	134,0	8 546,9
1976	1 513,4	2 770,6	1 810,5	236,3	115,6	21,9	1 206,1	215,1	158,2	8 047,7
1977	1 568,2	2 950,5	1 942,4	258,5	144,9	28,9	931,9	239,2	177,1	8 241,6
1978	1 670,5	2 239,7	2 067,1	288,5	197,5	16,3	685,9	297,3	224,7	7 687,7
1979	1 670,4	2 515,4	2 164,8	307,5	236,2	18,5	855,4	281,3	277,2	8 326,7
1980	1 636,5	2 731,6	2 882,2	330,0	229,7	n.a.	1 075,5	360,9	273,9	9 520,3 <sup>2</sup>

1) For Germany and the Netherlands, research figures are taken to be the yearly figures supplied by Eurostat, in order to harmonize results at Community level.

2) Luxembourg not included.  
n.a. = not available.

NATIONAL PUBLIC EXPENDITURE IN FAVOUR OF AGRICULTURE  
Share enjoyed by each Member State

	D	F	I	NL	B	LUX	UK	IRL	DK	EEC
1975	18,6	26,2	30,4	2,3	1,2	0,2	17,5	2,1	1,6	100
1976	18,8	34,4	22,5	2,9	1,4	0,3	15,0	2,7	2,0	100
1977	19,9	35,8	23,6	3,1	1,8	0,4	11,3	2,9	2,1	100
1978	21,7	29,1	26,9	3,8	2,6	0,2	8,9	3,9	2,9	100
1979	20,1	30,2	26,0	3,7	2,8	0,2	10,3	3,4	3,3	100
1980	17,2	28,7	30,3	3,5	2,4	/	11,3	3,8	2,9	100

(b) EAGGF EXPENDITURE

	million ECU									
	D	F	I	NL	B	LUX	UK	IRL	DK	EEC
1975	649,9	1 219,4	961,3	543,9	187,1	6,0	631,9	246,7	318,1	4 764,3
1976	929,9	1 453,5	1 091,2	771,0	348,3	8,5	511,7	234,4	438,9	5 787,4
1977	1 315,7	1 631,7	1 000,1	907,2	435,2	10,2	416,9	602,5	639,3	6 958,8
1978	2 441,2	1 511,4	1 195,9	1 111,2	574,5	25,3	1 193,9	358,1	583,8	8 995,3
1979	2 464,9	2 380,5	1 694,8	1 402,3	769,7	13,9	992,6	484,2	644,3	10 847,2
1980	2 596,3	2 963,1	1 930,0	1 569,7	596,4	12,6	991,1	609,7	640,4	11 909,3

Source: EAGGF annual reports.

EAGGF EXPENDITURE  
Share enjoyed by each Member State

	D	F	I	NL	B	LUX	UK	IRL	DK	EEC
1975	13,6	25,6	20,2	11,4	3,9	0,1	13,3	5,2	6,7	100
1976	16,1	25,1	18,9	13,3	6,0	0,1	8,8	4,1	7,6	100
1977	18,9	23,4	14,4	13,0	6,3	0,1	6,0	8,7	9,2	100
1978	27,1	16,8	13,3	12,4	6,4	0,3	13,3	4,0	6,5	100
1979	22,7	21,9	15,6	12,9	7,1	0,1	9,2	4,5	5,9	100
1980	21,8	24,9	16,2	13,2	5,0	0,1	8,3	5,1	5,4	100

(c) Breakdown by Member State of the value of final agricultural production (current prices at exchange rates)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Deutschland	19,5	19,3	19,3	20,5	20,9	20,3	19,5	18,4	17,9	18,4
France	28,7	26,8	27,0	26,4	25,6	26,1	26,7	26,2	25,5	25,8
Italia	19,1	20,2	20,7	18,8	19,2	19,5	20,0	21,0	20,4	19,6
Nederland	7,5	7,5	7,7	8,4	8,5	8,3	8,0	8,0	8,3	8,3
Belgie/Belgique	4,1	4,0	3,9	4,1	3,9	3,8	3,5	3,4	3,4	3,1
Luxembourg	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
United Kingdom	11,1	11,6	11,0	11,1	11,0	10,8	11,4	12,4	13,4	13,4
Ireland	1,9	1,8	2,0	1,9	2,2	2,4	2,3	2,1	2,1	2,2
Danmark	3,9	4,0	3,8	4,1	4,2	4,3	4,0	3,8	3,9	4,0
Ellas	4,0	4,7	4,3	4,5	4,3	4,4	4,4	4,6	4,9	5,1

Breakdown by Member State of the value of final agricultural production (1975 prices and exchange rates)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Deutschland	19,4	19,3	19,4	19,8	20,1	19,9	19,3	19,1	19,0	19,6
France	28,4	28,0	26,9	26,8	26,2	26,7	27,3	26,9	26,6	27,2
Italia	19,3	19,4	20,6	20,2	20,0	19,6	20,2	20,6	20,4	19,0
Nederland	7,3	7,6	7,7	8,1	8,1	8,2	8,3	8,4	8,8	8,8
Belgie/Belgique	4,1	4,2	3,9	3,9	3,9	3,8	3,7	3,7	3,7	3,7
Luxembourg	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
United Kingdom	11,8	11,4	11,0	10,9	11,4	11,3	11,1	11,1	11,1	11,3
Ireland	1,8	1,9	2,0	1,9	2,1	2,1	2,0	1,9	1,9	1,9
Danmark	3,8	4,1	3,8	3,9	4,2	4,0	4,0	4,0	4,1	4,1
Ellas	3,9	4,0	4,3	4,4	4,1	4,2	3,9	4,2	4,3	4,2

(d) TREND IN VOLUME OF FINAL AGRICULTURAL PRODUCTION

(1975 = 100)

	1975	1976	1977	1978	1979	1980
Deutschland	100,0	101,2	106,4	110,9	110,9	112,4
France	100,0	99,1	99,9	107,1	113,3	114,1
Italia	100,0	97,4	99,7	102,9	109,3	113,7
Nederland	100,0	103,9	107,5	115,3	120,0	123,9
Belgie/Belgique	100,0	98,9	101,1	105,0	105,4	106,0
Luxembourg	100,0	94,9	97,9	100,2	98,6	95,3
United Kingdom	100,0	98,5	106,5	110,9	112,2	115,7
Ireland	100,0	95,6	104,9	111,4	110,5	109,8
Danmark	100,0	101,2	111,3	113,6	116,8	118,4
EEC	100,0	99,5	103,2	108,3	112,1	114,3

Source: Eurostat

(e) TREND IN VOLUME OF GROSS VALUE ADDED  
(at market prices)

(1975 = 100)

	1975	1976	1977	1978	1979	1980
Deutschland	100,0	96,3	101,3	106,4	100,3	102,0
France	100,0	93,8	93,5	100,4	106,2	106,0
Italia	100,0	93,8	94,7	96,1	102,2	107,0
Nederland	100,0	101,3	105,9	113,4	116,7	119,0
Belgie/Belgique	100,0	97,8	101,5	110,7	110,6	113,3
Luxembourg	100,0	85,5	94,7	104,9	103,2	98,2
United Kingdom	100,0	94,0	110,4	120,1	120,5	130,4
Ireland	100,0	87,9	96,3	96,9	84,4	92,2
Danmark	100,0	90,8	108,6	103,9	101,7	110,4
EEC	100,0	94,7	98,5	103,4	105,5	108,7

Source: Eurostat



(f) Breakdown by Member State of the gross value added  
at market prices (current prices at exchange rates)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Deutschland	16,7	16,8	17,5	18,1	18,4	17,8	16,1	14,9	15,0	15,7
France	31,4	28,5	28,1	27,8	26,9	26,9	28,0	26,3	24,8	26,0
Italia	23,1	24,9	25,3	23,1	23,9	24,2	25,6	27,3	26,1	24,4
Nederland	6,3	6,1	6,7	7,4	7,4	7,1	6,5	6,5	7,3	7,2
Belgie/Belgique	3,2	3,0	3,0	3,2	2,8	2,9	2,7	2,7	2,7	2,4
Luxembourg	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
United Kingdom	8,6	8,6	8,4	8,9	8,6	8,6	9,3	10,3	11,6	11,6
Ireland	2,1	1,9	2,2	2,1	2,5	2,6	2,3	2,1	2,1	2,1
Danmark	3,3	3,6	3,2	3,2	3,6	3,7	3,2	3,2	3,3	3,4
Ellas	5,3	6,4	5,7	6,2	5,9	6,1	6,1	6,5	7,0	7,2

Source: EUROSTAT - CRONOS - PACO

Breakdown by Member State of the gross value added  
at market prices (1975 prices and exchange rates)

%

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Deutschland	17,5	17,7	17,5	17,7	18,1	18,0	16,7	16,4	17,0	18,0
France	29,9	29,0	28,1	27,7	26,7	27,3	28,4	27,4	26,2	27,4
Italia	23,3	23,1	25,2	24,9	24,3	23,5	24,5	24,9	24,7	22,3
Nederland	6,2	6,6	6,6	7,1	7,2	7,3	7,4	7,3	8,0	7,9
Belgie/Belgique	3,3	3,4	3,0	3,0	3,1	3,2	3,1	3,1	3,1	3,3
Luxembourg	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
United Kingdom	9,5	9,1	8,4	8,3	9,5	9,8	9,7	10,1	10,0	10,4
Ireland	1,8	1,9	2,2	2,0	2,2	2,1	1,8	1,9	1,7	1,7
Danmark	3,2	3,8	3,1	3,0	3,5	3,2	3,0	3,2	3,5	3,5
Ellas	5,1	5,2	5,7	6,0	5,4	5,6	5,3	5,7	5,7	5,4
EUR "10"	100	100	100	100	100	100	100	100	100	100

Source: EUROSTAT - CRONOS PACO

(g) INTRA-COMMUNITY TRADE

1. EXPORTS OF AGRICULTURAL AND OTHER FOOD PRODUCTS

	1 000 million ECU								
	D	F	I	NL	UEBL	UK	IRL	DK	CEE
1973	1,75	4,08	1,05	4,00	1,65	0,88	0,65	1,24	15,31
1974	2,51	4,77	1,32	4,87	1,93	0,96	0,74	1,50	18,60
1975	2,71	4,50	1,60	5,64	2,16	1,26	1,09	1,74	20,70
1976	3,16	5,72	1,83	7,00	2,68	1,52	1,07	1,95	24,93
1977	3,87	6,25	2,17	7,25	2,97	1,91	1,34	2,07	27,83
1978	4,07	6,89	2,14	7,74	3,05	2,54	1,62	2,36	30,42
1979	4,71	7,66	2,81	8,50	3,42	2,79	1,65	2,62	34,16
1980	5,08	8,11	2,55	9,05	3,74	3,15	1,71	2,88	36,27

	1973 index = 100								
	D	F	I	NL	UEBL	UK	IRL	DK	CEE
1973	100	100	100	100	100	100	100	100	100
1974	143	117	126	122	117	109	114	121	121
1975	155	110	152	141	131	143	168	140	135
1976	181	140	174	175	162	173	165	157	163
1977	221	153	207	181	180	217	206	167	182
1978	233	169	204	194	185	289	249	190	199
1979	269	188	268	213	207	317	254	211	223
1980	290	199	243	226	227	358	263	232	237

2. SHARE ENJOYED BY MEMBER STATES OF TRADE IN, AND EXPORTS OF,  
AGRICULTURAL AND OTHER FOOD PRODUCTS

1 000 million ECU

	D	F	I	NL	UEBL	UK	IRL	DK	CEE
1973	11,4	26,6	6,9	26,1	10,8	5,7	4,2	8,1	100
1974	13,5	25,6	7,1	26,2	10,4	5,2	4,0	8,1	100
1975	13,1	21,7	7,7	27,2	10,4	6,1	5,3	8,4	100
1976	12,7	22,9	7,3	28,1	10,8	6,1	4,3	7,8	100
1977	13,9	22,5	7,8	26,1	10,7	6,9	4,8	7,4	100
1978	13,4	22,6	7,0	25,4	10,0	8,3	5,3	7,8	100
1979	13,8	22,4	8,2	24,9	10,0	8,2	4,8	7,7	100
1980	14,0	22,4	7,0	25,0	10,3	8,7	4,7	7,9	100

Source: Eurostat

2. Codes of the Common Classification of public expenditure on agriculture in the Member States of the European Community.



Coding

- 1000 I IMPROVEMENT OF THE STRUCTURE OF PRODUCTION
- 1100 1. Modernisation of farms (outside less favoured areas) - farm buildings, houses, livestock, equipment, soil improvements ...
  - 1110 1.1 National aids linked to a Community payment (Directive 72/159)
  - 1120 1.2 National aids not linked to a Community payment (Directive 72/159)
  - 1130 1.3 National measures not linked to Directive 72/159
  - 1140 1.4 Expenditure linked to national measures in force before the implementation of Directive 72/159
- 1200 2. Measures (or programmes) to improve mobility of land and prevention of splitting of farms
  - 1210 2.1 Retirement scheme (Directive 72/160/EEC) or similar national predecessor
  - 1220 2.2 Leasing of land
  - 1230 2.3 Land transfers
  - 1240 2.4 Land pool
  - 1250 2.5 Support of young farmers
  - 1260 2.6 Settlement
  - 1270 2.7 Reparcelling
- 1300 3. Land improvement (which is not a component of farm modernisation schemes (No. I.1.) and not component of another programme (No. III.1. and 2.)) - artificial drainage, soil improvement etc.
  - 1310 3.1 Drainage and soil improvement
  - 1320 3.2 Irrigation
- 1400 4. Reduction and change of production (as far as not component of I.1. or I.8.)
  - 1410 4.1 Crops
  - 1420 4.2 Animals
- 1500 5. Improvement of production potential (to be distinguished from VIII.1) - includes schemes to encourage better production practices
  - 1510 5.1 Crops
    - 1511 - Seeds
    - 1512 - Plant health protection
    - 1513 - Pest control
    - 1514 - Administration (Plant Royalty Bureau)
  - 1520 5.2 Animals
    - 1521 - Breeding
    - 1522 - Health control and vaccines
    - 1523 - Compulsory slaughter
  - 1530 5.3 Energy
  - 1540 5.4 Management
  - 1550 5.5 Health protection, environment and pollution
  - 1560 5.6 Production techniques

- 1600 6. Cooperation between farmers (not in marketing, see IV.I.)
- 1700 7. Reduction of production costs (as far as not included under I.8 or other items) - includes general subsidies allocated to farms and fiscal abatments
  - 1710 7.1 Seeds
  - 1720 7.2 Fertilizers
  - 1730 7.3 Carburants
  - 1740 7.4 Insurances
  - 1750 7.5 Labour
  - 1760 7.6 Services
  - 1770 7.7 Feed
- 1800 8. Special measures for development of less favoured areas
  - 1810 8.1 Investments linked to EEC payments (Directive 72/268)
  - 1820 8.2 Investments not linked to EEC payments (Directive 75/268)
  - 1830 8.3 Investments in special farm groups
  - 1840 8.4 Compensatory allowance
  - 1850 8.5 Other aids not linked to Directive 75/268
  - 1860 8.6 Special reductions of production costs (e.g. Ireland and United Kingdom) - includes general subsidies allocated to farms
- 2000 II COMPENSATION FOR NATURAL DISASTERS (farmers)
  - 2100 1. Drought
  - 2200 2. Frost
  - 2300 3. Hail (except insurance)
  - 2400 4. Floods
  - 2500 5. Wind
- 3000 III DEVELOPMENT OF RURAL AREAS
  - 3100 1. Programmes (general and specified to regions) with exclusively or at least primarily agricultural objectives (sub-divisions according to contents of the programmes)
    - 3110 1.1 "Western Package"
    - 3120 1.2 "Landinrichting"
    - 3130 1.3 "Flurbereinigung"
    - 3140 1.4 "Rénovation rurale"
    - 3150 1.5 Special programmes for Northern Ireland
    - 3160 1.6 Special measures for the development of the agriculture of less-favoured areas
      - 3161 6.1 Investment aids
      - 3162 6.2 Income aids or reductions of production costs depending on existing programmes, their contents and their objectives

- 3200 2. Programmes to improve infrastructure not specific to the agricultural sector (rural population)
  - 3210 2.1 Improvement of villages
  - 3220 2.2 Water supply, energy supply, drainage
  - 3230 2.3 Regulation of watercourses and sea defences
  - 3240 2.4 Conservation measures
  - 3250 2.5 Roads
  - 3260 2.6 Recreation activities
  
- 3300 3. Programmes concerning industrialisation of rural areas (very difficult to separate from general economic programmes and often not assignable to special regions)
  
- 3400 4. Other programmes concerning agriculture
  
- 4000 IV PROCESSING AND MARKETING
  - 4100 1. At the producer stage
    - 4110 1.1 Development of producer co-operation schemes (e.g. Regulations 1035/72, 1360/78, 136/66)
    - 4120 1.2 Other national investments
  - 4200 2. Processing (and marketing) enterprises
    - 4210 2.1 Investments (Regulations 355/77 and 17/64 (national part of))
    - 4220 2.2 Investments (national in character)
    - 4230 2.3 Co-operation
    - 4240 2.4 Management
    - 4250 2.5 Marketing infrastructure
  - 4300 3. Product promotion (market research)
  - 4400 4. Inspection of products and quality control
  - 4500 5. Marketing services - marketing information, market transparency, statistical services, classification system
  - 4600 6. Administration of sales sector
  - 4700 7. Regional capital grants (food industry and agricultural services industry)
  - 4800 8. Activities of central bodies in agriculture
  
- 5000 V MARKET SUPPORT
  - 5100 1. Expenditures resulting from EC-Market- and Price-Policy - (national part)
  - 5200 2. National market support and stabilization (e.g. transitional arrangements in United Kingdom, Denmark and Ireland, other national support, compensation for green currency differences)



- 5300 3. Aids for consumption
  - 5310 3.1 Free distribution
  - 5320 3.2 Reduced prices for special groups of consumers
  - 5330 3.3 Reduced prices for all consumers
- 5400 4. Aids for exports
  
- 6000 VI FINANCIAL POLICY (only aids which are not assigned to another item)
  - 6100 1. Capital guarantees
  - 6200 2. Reserves for special agricultural credit institutes
  - 6300 3. Fees connected with land purchase
  - 6400 4. Fees connected with registration
  - 6500 5. Loan funds
  - 6600 6. Treasury aids
  
- 7000 VII INCOME AIDS TO FARMERS OR PROCESSORS WHICH ARE NOT ASSIGNED TO OTHER ITEMS
  
- 8000 VIII INTELLECTUAL INVESTMENTS
  - 8100 1. Research and development (to be distinguished from I.5)
    - 8110 1.1 Crop research
    - 8120 1.2 Animal research
    - 8130 1.3 Mixed research
  - 8200 2. Vocational training
  - 8300 3. Information, agricultural advice etc.
  - 8400 4. Accounting
  - 8500 5. Social support activities
  
- 9000 IX SOCIAL SECURITY
  - 9010 Social security of farmers
  - 9020 Social security of farm workers

- 9100 1. Sickness insurance
  - 9110 1.1 Farmers
  - 9120 1.2 Farm workers
  
- 9200 2. Disablement insurance
  - 9210 2.1 Farmers
  - 9220 2.2 Farm workers
  
- 9300 3. Accidents at work
  - 9310 3.1 Farmers
  - 9320 3.2 Farm workers
  
- 9400 4. Old age pensions
  - 9410 4.1 Farmers
  - 9420 4.2 Farm workers
  
- 9500 5. Family allowances
  - 9510 5.1 Farmers
  - 9520 5.2 Farm workers
  
- 9600 6. Relief labour ("Betriebshelfer")
  
- 9700 7. Unemployment
  - 9710 7.1 Farmers
  - 9720 7.2 Farm workers
  
- 10000 X TAX REBATES (exclusive "parafiscal" charges)
  - 10100 1. Income taxes
  - 10200 2. Fiscal measures to ameliorate farm structures
  - 10300 3. Capital and capital gains taxes
  - 10400 4. Land taxes
  - 10500 5. Inheritance taxes
  - 10600 6. Fiscal abatements for inputs
  - 10700 7. Tax relief (Ireland, United Kingdom)
  - 10800 8. VAT
  
- 11000 XI OTHER



3. National public expenditure on agriculture  
in each Member State of the European Community  
(x 1 000 current ECU)

