

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(89) 328 final

Brussels, 12 July 1989

Proposal for a

COUNCIL REGULATION (EEC)

modifying Council Regulation (EEC) No 1316/86 of 22 April 1986
adopting the application in Portugal of Regulation (EEC) No 797/85 on
improving the efficiency of agricultural structures

(presented by the Commission)

EXPLANATORY NOTE1. Background

At the time of entry into the Community of Portugal in 1986 a number of specific agreements were made and special regulations were adopted concerning the agricultural structure. The reason for this was the poor situation of agricultural structures in Portugal which meant that it was not possible to apply fully all the existing EC measures in the field of agricultural structures. One of the most important of these measures was Regulation (EEC) No 797/85 on improving the efficiency of agricultural structures.

On 22 April 1986 the Council therefore adopted Regulation (EEC) No 1316/86 concerning certain specific conditions for the application in Portugal of Regulation (EEC) No 797/85. Regulation (EEC) No 1316/86 had a term of three years, which ends on 1 September 1989.

Now the question arises as to what extent there is still a need for the derogations set out in the Regulation. On 16 March 1989 the Portuguese government made a request to the Commission to extend Regulation (EEC) No 1316/86 up to and including 31 December 1991. Article 6 of Regulation (EEC) No 1316/86 foresees a decision by the Council on a proposal of the Commission and based on a report on the evolution of the economic and structural situation in Portugal.

2. Summary of the measures in Regulation (EEC) No 1316/86

In this Regulation provision is made for four different measures.

(a) The reference income

In fixing the reference income as laid down in Article 2, paragraph 3 of Regulation (EEC) No 797/85, Portugal may apply a corrective factor not exceeding a maximum of 1.7 to the average gross wage of non-agricultural workers in Portugal as a whole. No such corrective factors are allowed for other Member States.

(b) Group operated holdings

Where an improvement plan relates to group operated holdings (Article 6, paragraphs 1 to 4 of Regulation (EEC) No 797/85), Portugal may grant aids provided at least two-thirds of the members of the group practise farming as their main occupation. In other Member States all the members of a group have to meet the main occupation requirements.

(c) Pig farming in Madeira

Portugal may grant aid for investment in pig farming in Madeira if the condition relating to fodder production (Article 3, paragraph 4 of Regulation (EEC) No 797/85) is not met. That is to say, that on completion of the farm improvement plan at least 35% of the quantity of feed consumed by the pigs can be produced on the holding.

(d) Minimum hectareage for compensatory allowances

In mainland Portugal, compensatory allowances may be granted to farmers with at least one hectare of usable agricultural land. In the Azores and Madeira the minimum is half a hectare.

In the rest of the Community the minimum amount of usable agricultural area for holding is at least three hectares. However, in the Messogiorno, including the islands, in the French overseas departments and in the Greek regions, the minimum usable agricultural area per holding is two hectares.

3. Results of the application of Regulation (EEC) No 1316/86 in Portugal

Information was requested from the Portuguese government on 29 March 1989 about the results of the application of the Regulation. This information was supplied on 4 April 1989 and may be summarized as follows :

(a) The reference income

The reference income for 1988 in Portugal was 6608 ECU's; for other Member States the figures ranged between 10.270 ECU's for Spain to 21.702 ECU's for Denmark. Without the coefficient of 1.7 the reference income in Portugal should have been reduced to 3887 ECU.

In 1988 2447 farm improvement plans (regiem A1) were approved and 1914 plans for young farmers (regiem A2). In the first semester of 1989 the equivalent figures were 477 and 392. By leaving out the factor of 1.7, a great number of farmers would not have been able to fulfill the conditions for investment aid any more. The percentage of applications that could not be met differs from 5% in Beira Litoral to 40% in the Algarve, Madeira, the Azores and Tras os Montes (see Table I).

Under the influence of investments in agriculture a positive development can be observed in both gross production, gross value added, net value added and the ratio between the set value added and the man work unit. It appears from the statistical data that on farms where investments are carried out both the absolute values and the rise of the index of these four indicators is higher than on farms where this is not the case (see Table II).

(b) Group-operated holdings

In 1988, 14 projects were approved concerning farm improvement plans under Article 6, paragraphs 1 to 5 of Regulation (EEC) No 797/85. In all of these cases use was made of the specific conditions foreseen for this kind of project in Article 2 of Regulation (EEC) No 1316/86.

(c) Pig farming in Madeira

In 1988 and the first semester of 1989 in total 18 farm improvement plans in the category A1 and A2 were approved in Madeira. Of these 18 plans none were in the pig sector. This means that no use has been made of the exemption for the pig sector concerning the 35% fodder clause as laid down in Article 3 of Regulation (EEC) No 1316/86.

(d) Minimum hectareage for compensatory allowances

For the years 1987 and 1988 figures are available on the distribution of exemptions concerning the minimum hectareage of farms. These can benefit from compensatory allowances under Articles 13 up to and including Article 17 of Regulation (EEC) No 797/85.

Region	Mainland	Azores	Madeira
Year	Between 1 & 2 ha	0.5 - 2 ha	0.5 - 2 ha
1987 No.	39.325	119	28
Amount: (1000 ESC)	1.010.000	1970	292
1988 No.	55.000	116	398
Amount: (1000 ESC)	770.000	2750	6066

This table shows that both on the mainland and on Madeira the exemption concerning the minimum hectareage is used on a large scale. The number of beneficiaries has even risen in 1988. It is evident that cancelling these exemptions will have important consequences. For the mainland this would mean that 55.000 farmers or 42% of the number of beneficiaries could not apply for a compensatory allowance. The regions who would be hurt most are Entre Duoro e Minho (67%) and Beira Litoral (50%). Concerning the isles, it is evident that Madeira would be severely affected.

4. Evaluation

The evaluation of the results of Regulation (EEC) No 1316/86 must be considered in the context of two developments.

Firstly there are the changes in the common agricultural policy, as started a few years ago. Secondly there is the declaration of the Heads of governments at the Brussels Summit concerning the situation of agriculture in Portugal and the acknowledgment that it is necessary to adopt specific measures.

Concerning the factor 1.7 in relation to the calculating of the reference income it is clear that leaving out this factor would have lead to an income for 1988 of 3887 ECU's which is very low in relation to the rest of the Member States and hardly defensible. As concerns the incomes in the non-agricultural sector it appears that the relationship in the development between Portugal and the other Member States has stayed at nearly the same level as in 1986. In other words, the existing gap between Portugal and the other Member States has not been reduced. Lowering the factor 1.7 would mean that the position of Portuguese agriculture would be influenced in a negative way.

The exemption for group-operated holdings has been used for all such projects and therefore might be considered as successful.

The exemption concerning the 35% fodder clause for Madeira seems to be superfluous, at first sight, because no farm improvement plans in the pig sector have been approved. However, despite the few plans that have been approved for Madeira, the possibility of introducing plans in the pig sector remains possible. In the light of the structural situation of Madeira, and that in the pig sector, an extension of this measure has to be considered.

The figures resulting from the exemptions concerning the minimum hectareage of the farms, which can benefit from compensatory allowances show that the structural situation has not improved in the less-favoured areas, with the slight exception of the Azores. Not continuing with the exemptions would therefore lead to considerable negative effects for the area's concerned.

5. Conclusion

Portugal has only recently joined the Community and therefore was only recently able to start applying Regulation (EEC) No 797/85 in any real way. At the time of entry into the Community the relative position of Portuguese agriculture was not favourable. It has been proven that structural improvement takes a certain period of time. In the present case it appears that the desired relative improvement of agricultural structures of Portugal has not been achieved during the period foreseen in Regulation (EEC) No 1316/86. A continuation of this Regulation for a limited period of time therefore seems reasonable.

This period of time should however be shorter than the one provided for in the existing regulation in order to indicate clearly the temporary nature of the measure. An extension of the existing Regulation (EEC) No 1316/86 up to and including 31 December 1991 fulfills this condition and is also in line with the wishes of the Portuguese government.

ANNEX

Table I : Reference income Article 1 of Regulation 1316/86

Region	Percentage of rejected projects (regiems A1 & A2)
	Reference income without factor 1.7
Ent. Dour. MINHO:	22.5
Tras os Mont.	40.0
Beira Litoral	5.0
Beira Interior	33.3
Ribatejo Oeste	30.0
Alentejo	30.0
Algarve	40.0
Madeira	40.0
Azores	40.0

Table II : Results of the enterprises to the period 1985-1987
(Average value per enterprise)

	1985	1986	1987
Enterprises without investments :			
Gross Production	2516	2567	3034
index	(100)	(102)	(121)
Gross Value Added	1325	1374	1712
index	(100)	(103)	(129)
Net Value Added	1197	1230	1568
index	(100)	(103)	(131)
Net Value Added / MWU	532	566	709
index	(100)	(106)	(133)
Enterprises with investments :			
Gross Production	4099	4785	5505
index	(100)	(117)	(134)
Gross Value Added	2685	3024	3592
index	(100)	(113)	(134)
Net Value Added	2364	2670	3112
index	(100)	(113)	(132)
Net Value Added / MWU	651	738	889
index	(100)	(113)	(137)

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Council Regulation (EEC) No /89
of 1989

modifying Council Regulation (EEC) No 1316/86 of 22 April 1986
adapting the application in Portugal of Regulation (EEC) No 797/85 on
improving the efficiency of agricultural structures

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Act of Accession of Spain and Portugal,

Having regard to Regulation (EEC) No 1316/86 (1) and in particular to
Article 6, second sub-paragraph,

Having regard to the proposal of the Commission,

Whereas the specific conditions of agriculture in Portugal are
characterised by a particularly poor structure and some of the
conditions laid down in Regulation (EEC) No 797/85 (2) as amended
by Regulation (EEC) No 591/89 (3) on improving the efficiency of
agricultural structures are therefore not in keeping with this specific
condition and the specific requirements of Portuguese agriculture;

(1) OJ No L 115, 03.05.1986, p.17

(2) OJ No L 93, 30.03.1985, p. 1

(3) OJ No L 65, 09.03.1989, p. 1

Whereas, Regulation (EEC) No 1316/86 made provision for a number of adjustments to, or derogations from, Regulation (EEC) No 797/85 for a period of three years to enable it to be implemented in these specific conditions of Portuguese agriculture, in particular as regards eligibility under the various schemes and the improvements to be achieved by Portuguese agricultural holdings;

Whereas these adjustments or derogations from the Regulation are due to expire on 1 September 1989;

Whereas, the relative position of Portuguese agricultural structures has not changed sufficiently during the time of application of Regulation (EEC) No 797/85;

Whereas an extension of the adjustments and derogation of Regulation (EEC) No 1316/86 in order to improve the relative position of Portuguese agricultural structures therefore seems justifiable,

HAS ADOPTED THIS REGULATION :

Article 1

In Article 6 of Regulation (EEC) No 1316/86 of 22 April 1986 adapting the application in Portugal of Regulation (EEC) No 797/85 on improving the efficiency of agricultural structures the words "three years" are replaced by "six years".

Article 2

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities.

FICHE FINANCIERE

concernant : une proposition de modification du règlement du Conseil (CEE) n° 1316/86 arrêtant certaines conditions spécifiques pour l'application du règlement (CEE) n° 797/85 au Portugal.

1. Ligne budgétaire : IIIB poste : 301 intitulé : Politiques structurelles.

2. Base juridique : Acte d'adhésion de l'Espagne et du Portugal.

3. Classification : ~~IIIB~~ Dépense non obligatoire

4. Objectifs de la mesure et description de l'action : Prorogation de trois ans du R. 1316/86. Ce règlement, qui expire le 1er septembre 1989, déroge à certaines dispositions du R. 797/85 concernant l'éligibilité aux régimes d'aide aux investissements et d'octroi des indemnités compensatoires, pour tenir compte des conditions spécifiques de l'agriculture portugaise.

5. Mode de calcul

5.1 Nature de la dépense : remboursement d'une partie des dépenses nationales effectuées au cours de l'exercice précédent.

5.2 Part du financement communautaire : Hypothèse retenue : 50 %.

5.3 Calcul : Depuis 1986, le R. 797/85 a été appliqué au Portugal sur base des dispositions spécifiques du R. 1316/86. Comme la situation de l'agriculture portugaise n'évolue que lentement, l'hypothèse a été faite, pour l'établissement des perspectives financières, que le R. 1316/86 continuerait de s'appliquer. Le coût total pour le FEOGA de l'application du R. 797/85, avec les dispositions spécifiques du R. 1316/86, figurent à la colonne (3) ci-dessous. Ces montants ont été décomposés afin de distinguer : (*)

6. Incidence financière sur les crédits opérationnels

Exercice	R. 797/85		Total (3) = (1) + (2)
	sans adaptation (1)	Dépenses supplémentaires résultant du R. 1316/86 (2)	
1990	36,5	15,0	51,5
1991	41,4	20,0	61,4
1992	46,2	23,0	69,2
1993	50,5	26,0	76,5
Total	174,6	84,0	258,6
Total '91-93	138,1	69,0	207,1

6.2 Financement pendant l'exercice en cours : sans incidence.

Dans l'APB 1990, le montant de 51,5 mio d'écus a été retenu.

7. Observations

- (*) - les montants résultant de l'application du R. 797/85 sans adaptation aux conditions spécifiques portugaises par le R. 1316/86 (colonne 1)
 - les montants résultant du R. 1316/86 qui assure une plus large application du R. 797/85 (colonne 2).

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12.7.1989

Office for Official Publications of the European Communities
L - 2985 Luxembourg

Series: DOCUMENTS

1989 — 10 pp. — Format: 21.0 × 29.7 cm

EN

ISSN 0254-1475

ISBN 92-77-51973-8

Catalogue number: CB-CO-89-307-EN-C

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