

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## AGRICULTURAL INCOME AID

Commission report to the European Parliament  
and to the Council

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*A new element was added to the instruments of the Common Agricultural Policy in March 1989 with the adoption by the Council of the regulation establishing a system of transitional aids to agricultural income<sup>(1)</sup>. This new element was a production-neutral aid, optional at the level of Member States, to be granted only to those farmers with incomes below a certain ceiling. Such aid was conditional upon, and limited to, the extent that farm incomes had been depressed due to the (then) current reform of the CAP.*

*The Council regulation introducing that measure requires the Commission to submit to the European Parliament and to the Council a report on the operation of the income aid system on the basis of information provided by the Member States. This report is made pursuant to that requirement.*

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(1) Regulation (EEC) N° 768/89 of 21.3.1989, O.J. L 84/8 of 29.3.1989

A. Background

The determination of the detailed rules to apply the Agricultural Income Aid policy introduced by the Council regulation proved to be a complex task. Consequently the Commission implementing regulation, successive drafts of which were examined under the management committee procedure, was not adopted until late in 1989<sup>(2)</sup>.

It was only in May 1990 that the first draft Programme of Agricultural Income Aid (PAIA) was notified for approval to the Commission, which was granted in July of that year. In total 8 draft PAIA were received by the time this report was drawn up (June 1992), from 6 Member States. 7 of these draft programmes were approved by the Commission of which 6 were implemented. The two draft PAIA notified but not implemented were from Germany, for Rheinland-Palatinate. One of these two draft programmes had been approved by the Commission whereafter the authorities of that Land decided not to implement either of the programmes. The main features of the programmes approved by the Commission are given in Annexes 1 and 2.

To help prepare the current report the Commission, early in 1992, wrote to each of the five Member States which had by then obtained Commission approval for Income Aid Programmes, namely Belgium, Germany, France, Italy and the Netherlands. The substance of information forwarded by the relevant authorities to the Commission is set out in Annex 3. At the same time the Commission also wrote to all other Member States none of which had at that time submitted requests for Commission approval of draft PAIAs. The Commission invited them to submit comments which could be pertinent to this report. Denmark, Ireland, Luxembourg and the United Kingdom each provided comments, as set out in Annex 4.

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(2) Regulation (EEC) No 3813/89 of 19.12.1989 O.J. L 371/17 of 20.12.1989

It should be noted that on 9 June 1992 the Commission approved a draft PAIA for Spain (for the Basque region). Furthermore the Greek authorities have indicated their intention to prepare a PAIA but at the time of drafting this report it had not been notified to the Commission.

## B. Operation of the Agricultural Income Aid policy

### Resumé of information from the Member States

As the approval of the first programme dates only from July 1990, the information forwarded to the Commission by the Member States having applied the policy (see Annex 3) is inevitably based on relatively limited experience.

No common thread is found running through this information. Although it is of widely differing degrees of complexity, it does provide commentaries and data from the authorities directly concerned with the implementation of the various programmes.

With the exception of the programme for Italy, none of the PAIA concern holdings located in objective 1 regions. This result contrasts with one of the aims set by the Council in the basic regulation. Citing the cohesion objective sought by the Single European Act, the Council agreed a relatively high Community budget contribution towards income aid payments for holdings in objective 1 regions in recognition of the fact that it is in these regions that the holdings in most need of support were "relatively concentrated".

No information is available on any possible impact the programmes may have had on production levels. No particular problems were reported concerning controls although little information is available on this aspect.

The four Member States which did not apply the scheme, but volunteered information for this report, each gave broadly similar reasons for non application, namely the inappropriateness of the instrument and/or particular difficulties they would have faced in applying it (see Annex 4).

#### Commission assessment of the Income aid policy

From a global point of view, and despite the policy being applied only by some Member States and often restricted to certain regions or to certain categories of farmers, some 180 000 beneficiaries in total are now expected to be aided over the next five years or so at a cumulative cost (national financing plus Community contribution) of over 600 Mecu (see Annex 1). At an average aid of around 3300 ecu per beneficiary over the 4-5 years duration of each programme a significant contribution is made to the income of each beneficiary, many of whom are from families with incomes per annual work unit (from all sources) of less than 12.500 ecu per annum. From this angle the policy may be judged as positive.

The overall scale of the policy to date is modest in relation to that envisaged by the European Council in early 1988 when it decided - in conjunction with its agreement for agricultural "stabilization measures" - to create a budget heading for the Community contribution to part-finance it of, in practice, 300 Mecu a year by 1992 (at 1988 prices). The cost to the Community budget over the entire period of application of the policy is likely to be under 250 Mecu (see Annex 1) unless major new PAIA are approved.

In the Commission's view the degree of success of the policy, or its validity for the future, cannot be judged in terms of the budget cost in isolation or in relation to the outlook dating from 1988.

The Commission considers that this assessment, both as regards the past as well as in terms of the future validity of the system, should be based on :

- a. the nature of the income aid system and
- b. the evolution of CAP reform.

As regards the nature of the income aid policy an important objective, set out in the recitals to the Council regulation (of 1989), is to help farmers adjust to new circumstances due to the (then current) reform of the Common Agricultural Policy. These recitals also require a link to exist between the aid provided and the income loss due to CAP reform. However with one exception<sup>(1)</sup> all Member States applying the policy have chosen a flat rate rather than individual method of assessing income loss due to CAP reform (Article 5 § 2 and 3 of regulation 768/89). The practical effect of this choice is to set an overall envelope on the amount of aid which may be paid out under a given programme without there being any direct relationship between the aid granted to a beneficiary and the income loss experienced by the individual beneficiary. Consequently it is possible for there to be over-compensation of some producers in relation to their individual CAP reform induced losses even in programmes where the overall level of aid which may be disbursed falls well short of the calculated total income losses due to CAP reform. This over-compensation can arise whenever the total level of aid which may be paid under each programme is a function of the income losses due to CAP reform recorded not simply by the holdings which subsequently receive aid but also holdings that are not eligible, for example those where the income is above the eligibility ceiling.

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(1) The exception is the programme applied by the Netherlands where income losses due to CAP reform were assessed on a per hectare basis and aid granted to each beneficiary in relation to the area of eligible crops they individually grew during an historic reference period.

As a result the linkage sought by the Council between the income losses due to CAP reform and the income aid exists only at a global level. Under flat rate programmes it is possible that some beneficiaries may indeed receive aid simply because of low family incomes even if they have experienced little or no income loss due to CAP reform.

This situation is not inconsistent with Community legislation for Agricultural Income Aid as the linkage sought by the Council did not necessarily have to be made at the level of the individual beneficiary. However where linkage at this individual level is weak or non-existent the policy reflects at least as much a social as an agricultural measure. Calculation of losses due to CAP reform involves major conceptual as well as practical difficulties<sup>(1)</sup>. Consequently were the policy to be applied on the basis of determination of CAP reform losses measured at the level of individual farmers it would substantially increase the already burdensome administrative charge on the implementing authorities.

From the social policy angle, in all instances where linkage is weak between the CAP reform income losses of a beneficiary and the income aid received there is a real risk of conflict with the aim of subsidiarity. This is clearly the case in those parts of the Community where existing national social security provisions set minimum revenue levels as a right irrespective of the area of economic activity of the beneficiary.

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(1) For example, in an attempt to avoid aid being granted on the basis of what could reasonably be considered as income losses not linked to CAP reform, the implementing regulation excluded losses determined on the basis of reductions in producer prices which, in real terms, have fallen at a rate no steeper than the trend prior to 1984. Even small differences in the duration of the period upon which the trend is based can however give very different results with consequential implications for the total amount of aid which may be granted.

Moreover, even in those Member States without such minimum revenue provisions, a Community policy of granting supplementary revenues to farmers is, whenever the scale of such payments is not closely related to the individual's losses due to CAP reform, also open to criticism on subsidiarity grounds. In such instances the justification to grant aid to these farmers cannot be the impact of CAP reform on their holdings.

As regards the evolution of CAP reform, the Agricultural Income Aid policy was introduced in parallel with the general reforms of 1988 (the "stabilizers"), in the wake of the various reforms of the early and mid 1980s (especially the milk quotas of 1984, and those affecting especially cereals, beef and milk in 1986 and 1987), plus the reforms aimed at securing a generally more restrictive prices policy. In 1988 it was expected that, once the reforms had achieved the stated objective of restoring market balance through the application of "stabilizer" provisions, producers would be able to secure equitable returns, and incomes, from the market. Indeed the European Council conclusions of February 1988 included a number of inter-related provisions for the agricultural sector including "stabilization measures" and political endorsement for aids to incomes adumbrated by this Council in June 1987. The effectiveness of some of the "stabilizers" especially in the cereals sector has been found wanting. To the extent that income aid was in the mind of the Council warranted due to the introduction of "stabilizers", the shortcomings of the latter cast doubt on the political justification of the former. In any event in no respect could those reforms be said to have foreshadowed the reforms agreed by the Council in May 1992.

The reforms agreed in May 1992, a central feature of which is the significant price reductions coupled with compensatory payments, constitute changes forming a coherent whole which are not readily comparable to the earlier reforms. Income losses attributable to the May 1992 reforms which may be experienced by one or other category of producer are to be the subject of pre-set compensatory payments.



These compensatory payments, unlike those under the Income Aid Policy introduced in 1989, are neither restricted to producers with incomes below given ceilings, nor optional at the level of Member States. These reforms also include a range of supplementary provisions to widen the options open to farmers, including a new early retirement scheme.

Were the period of validity of the existing Income Aid scheme to be extended beyond the current expiry date of 31 March 1993, this would mean that producers who suffered income losses due to CAP reform in the mid or late 1980s could begin to receive aid as late as the mid 1990s. In this case the need for timeliness in the grant of the aid implicit in the Council regulation would be severely eroded. Moreover an extension of the expiry date could mean that losses related to the 1992 reforms, already the subject of compensation irrespective of the beneficiaries income, in the case of some producers might be taken into account to determine supplementary income related aid. Consequently the Commission sees no logic in extending the period of validity of the scheme.

#### C. Conclusion

The Commission is of the view that the system of Agricultural Income Aid introduced by Regulation 768/89 should, as provided for in its Article 13, apply only until 31 March 1993.

One incidental effect of maintaining the limited period of application of regulation 768/89 will be that the restriction imposed on the Commission by its Article 11 - that no income aid be authorized through the state aid provisions of the Treaty (Articles 92/93) - would be removed. Removal of this restriction would be of limited practical impact as the Commission intends, as was the case prior to 1989, to apply a restrictive policy in this area.

ANNEX I

TABULAR PRESENTATION OF THE PROGRAMMES APPROVED BY THE COMMISSION

AGRICULTURAL INCOME AID : PROGRAMMES APPROVED BY THE COMMISSION

COUNTRY	DATE		Sectors concerned/ Region	Period of application	First year Max aid per beneficiary per work unit	Estimated No. of beneficiaries	TOTAL EXPENDITURE	
	Notified	Commission decision					National+EC	EC budget
Netherlands	4. 5.1990	2. 7.1990 (O.J. L 174 7.7.90)	Arable National	5 years from late 1990	2 500 ecu	3 200	75 M HFL =28.6 Mecu	3.9 Mecu
France	12. 6.1990	31. 7.1990 (O.J. L 320 20.11.90(1))	All sectors National	5 years from late 1990	normal 1 000 ecu exceptional 2 500 ecu	55 000	2 623 MFF(1) =334 Mecu	91.7 Mecu (1)
Italy	18.7.1990	22. 1.1991 (O.J. L 26 31.1.91)(2))	Olive oil in South of Italy	4 years from 1991	1 248 ecu	80 500	205 600 M Li =116 Mecu	91.6 Mecu
Germany	18.9.1990	15. 2.1991 (O.J. L 52 27.2.91)(3))	All sectors Baden Wurttemberg	5 years from 1991	normal 1 000 ecu exceptional 2 100 ecu	30 000	245 M DM =104 Mecu	26.1 Mecu
Belgium	13.12.1990	30. 4.1991 (O.J. L 126 22.5.91)	All sectors National	5 years from 1991	normal capit- alized with net present val 2471 ecu/ farm exceptional 2500 ecu perWU for 1st year also capit'zed	normal regime 6000 holdings +/-8500 benf. exceptional 2250 holdings +/-3175 benf.	1053 MBF =21.6 Mecu	6.2 Mecu

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Germany	27.11.1990	30. 4.1991 (O.J. L 126 22.5.91)(4)	Farms with arable crops in the non less favou- red areas of Rhein- land Pala- tinate	5 years from 1991	2486 ecu	4000 to 6000	60 M DM =25.7 Mecu	5.1 Mecu
Spain	12.2.1992	9.6.1992 (O.J. ...	Farms with cereals, sugar beet, beef and/or milk in the Basque region	5 years from 1992	2500 ecu	3800	3523 Mpts(5) = 23.3 Mecu	5.07 Mecu
Total(ex- cluding Rheinland Palati- nate)(4)						± 185 000	653.2 Mecu	230 Mecu

- (1) Following notification of a modification of the French Programme the estimated total expenditure increased from 1901 MFF to 2633 MFF, and the total EC budget contribution increased from 66.5 MECU to 91.7 MECU. The decision concerning the modified programme was taken on 4 October 1991 (O.J. L 298 of 29/10/91).
- (2) Subsequently modified by decision of 5/2/92 (O.J. L 44 of 20/2/92) to take account of delay in payments in relation to those anticipated previously.
- (3) Subsequently modified by decision of 22/7/91 (O.J. L 228 of 17/8/91) to take account of delay in payments in relation to those anticipated previously.
- (4) By letter of 13/6/91 the Rheinland Palatinate authorities informed the Commission that they would not be implementing this programme, or another one notified, but at that time still under examination by the Commission services for the less favoured areas of the Land.
- (5) At 1992 values. This programme alone involves recourse to the provisions of Article 6 (second sentence) of regulation 3813/89.

ANNEX 2

BRIEF DESCRIPTION OF EACH OF THE PROGRAMMES AT THE TIME OF THEIR APPROVAL  
BY THE COMMISSION

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## NETHERLANDS

The objective is to attenuate negative income effects which arise from adjustments of the markets in the context of the reform of the Common Agricultural Policy (CAP).

The lower prices of products subject to a common organization of the market in the arable farming sector and the concomitant lower incomes will have the result that a restructuring of the arable farming sector is inevitable. This restructuring process will take some time. Income aids will help agricultural holdings by giving them more time to complete the restructuring process.

Eligible for income aid are heads of agricultural holdings and members of their families working on the holding :

- a) who work for at least 25 % of an annual work unit at an agricultural holding in which :
  - the head of the farm has his/her main occupation;
  - the majority of the produce is derived from arable farming;
  - a minimum of 30 % of the surface area is utilized for growing arable farming products to which the stabilization mechanism is applicable.
- b) where the total family income for each annual work unit is lower than 34.000 Dutch guilders;
- c) where such persons are younger than 65 years of age.

In determining the level of income aid, account is taken of the income loss arising from the adjustment of the markets in the context of the reform of the CAP. In the determination of the income loss therefore, consideration shall only be given to those crops to which the stabilization mechanism is applicable. The loss of income is determined on a flat-rate basis per hectare. The income aid per hectare cultivated with the products referred to is equal to 350 guilders in the first year. In the second and subsequent years this income aid is equal to 250, 210, 140 and 70 guilders respectively.

The level of aid per annual work unit amounts to a maximum of 2.500 ECU. The number of work units of family work eligible for income aid amounts to a maximum of 2 per agricultural holding.

## FRANCE

*A horizontal programme relating to all production sectors is to be applied.*

*The potential recipients will only be able to qualify for income aid where the total family income does not amount per work unit to over 70% of the national gross domestic product per member of the working population. In addition, in view of the national provisions in force for a similar measure such as that relating to material improvement plans, the agricultural income per work unit must not be higher than the reference income. Furthermore, the farmer must practise farming as his main occupation, be over 21 years old, not a pensioner and must meet minimum professional capacity requirements.*

*The income aid may be granted to a family agricultural holding run by an individual or a partnership.*

*Depending on the differences in situation and the requirements of potential recipients, the measures subsidized by the income aid may be grouped under three categories:*

- support for the adaptation of the holding relates to holders whose situation has been recognized as fragile and who propose a process of adaptation (diversification of farming, better management, training, etc.). The measure then involves an adaptation plan.*
- Improving the situation of holdings in financial difficulty, but whose long-term viability is ensured. In this case the measure involves an improvement plan (to alleviate financial burdens and stagger payment of social welfare contributions in arrears) with capitalization of the aid.*

*Where the situation of the holding cannot be improved, occupational conversion will be proposed with a view to the cessation of farming.*

- Holders over 55 years of age may draw up a plan with a view to the transfer outside the family of their holding.*

The aid is normally expected to be paid over five years and is degressive according to the Community Regulation. Its amount corresponds to the eligibility laid down (ECU 1 000 per work unit). In order to remedy situations of particularly serious overindebtedness, the aid may be increased, under an improvement plan, to the Community maximum (ECU 2 500 per work unit).

The aid may be capitalized in the case of improvement plans and where the process of adaptation of the holding involves investments.

Annual reports on the development of the holding or the situation of the recipient are required for the payment of the various instalments of the aid.

The estimated number of beneficiaries is 55 000



## ITALY

*The objective of the system of income aid is to compensate for economic losses caused by the development of Community policy by enabling farmers to make economic choices more easily.*

*Choices were made at sectoral and territorial level following two main guidelines:*

- selection of the most disadvantaged geographical areas;*
- selection of a sector from those which are most urgently in need of restructuring and are most severely affected by CAP reform.*

*The area covered by the PAIA in question, for the olive-growing sector, consists of the following regions of southern Italy: Campania, Basilicata, Apulia, Calabria, Sicily and Sardinia.*

*Holdings under family management which meet the following conditions are eligible for the aid:*

- run by an owner-occupier practising farming as his main occupation and with proven occupational skill and competence;*
- income from olive-growing accounting for at least 20% of the agricultural income.*

*Income attributable to the olive-growing sector is calculated on the basis of areas declared by the beneficiary himself.*

*The aid will be granted in proportion to the percentage of income attributable to olive-growing related to the total agricultural income.*

*The family agricultural income must be at least 10% of the overall family income.*

*The maximum amount of aid which can be granted under this PAIA refers to a work unit of at least 1 800 hours per year worked in the agricultural sector.*

*There is a ceiling of LIT 1 926 100 per beneficiary for the first year.*

*Aid is granted for four years decreasing by 15% of the initial amount each year.*

*Only one beneficiary per holding is eligible.*

*The maximum overall expenditure planned for this PAIA is LIT 205 578 million at 1989 prices.*

*Since the objective referred to in Article 1 of Regulation (EEC) No 2050/88 applies in the geographical area covered by the PAIA, the Community contribution provided for corresponds to 70% on ECU 1 000 of the annual permissible amount and taking into account the degressivity of 15% per year during later years, the overall Community financial contribution is LIT 138 602 million.*

*It is estimated that there will be 80 500 beneficiaries.*

## GERMANY (Baden-Württemberg)

The Land of Baden-Wuerttemberg intends to facilitate for the operators of agricultural holdings the adaptation to the changed framework provisions, to improve the possibilities of diversifying their activity and to provide additional liquid funds for the support of their families. The agricultural income aid programme is linked to the living support programme, which has been implemented in the Land since 1987. It covers the area of the Land of Baden-Württemberg and is available to all eligible agricultural holdings irrespective of their production patterns. Full as well as part time holdings are eligible.

A 40 000 DM income threshold for eligibility has been set. This is less than 90 % of the regional gross domestic product per member of the working population (which was DM 67 892 in 1987). The relevant income is assessed on the basis of records which are also used for taxation.

At least 20% of the household income must be derived from the holding. The operators of agricultural holdings, their spouses and the members of the family working on the holding for at least 450 working hours are to be included in the agricultural income aid programme.

The framework for the overall aid takes account of losses induced by the reform of the common agricultural policy and the overall losses. Due to the inclusion of the total agricultural production in the aid scheme, the overall losses are established by the statistical data of "gross value added at factor cost". The losses due to the reform of the common agricultural policy have been determined on the basis of the change in producer price, or where the change is smaller, in the institutional price. The impact of the VAT based aid to compensate for green rate changes has been taken into account by using gross prices. For 1989 a VAT rate of 13% is assumed, rather than the actual rate of 11% in order to take account of the per hectare aid, equivalent to 2% points of VAT. In the case of milk account has also been taken of the impact of quotas (reduction in gross output less the associated estimated cost savings). The total level aid envisaged is DM 245 million. The estimated number of beneficiaries is 30 000.

*Dependent on their organization and the volume of production (e.g. holdings with cereal cultivation, for fattening bulls, dairy cattle), the holdings are affected by the reform of the common agricultural policy to a different degree.*

*The aid to the recipients will reflect the overall loss suffered on individual holdings. In cases where records of individual holdings are not available, the individual overall loss will be determined on the basis of standard values for the reference period and the most recent year available. The aid will be limited to no more than DM 4 900 (about ECU 2 100) per annual work unit in the first year of payment and for no more than two annual work units per holding with a degressivity of 15 per cent per year of the initial aid for the duration of a maximum of five years. However in most cases the aid will be limited to DM 2 340 per annual work unit. In instances where the estimated losses on individual holdings are exceptionally high this limit is 4900 DM.*

## BELGIUM

The objective of the programme of agricultural income aid is to promote the process of adapting family farms to the new conditions resulting from a more restrictive price and market policy. Studies carried out in Belgium have shown that about 50 % of the difference in income between farms in the same situation may be explained by the farm management factor. In addition, certain categories of farmer (young farmers, producers with heavy financial burdens) have been particularly affected by the reform of the common agricultural policy. Therefore the income aids should support the income of farmers using intensive management methods or faced with very heavy financial burdens.

Farmers and members of their family working on the farm for at least 25 % of an annual work unit will qualify for income aid.

The farmer must be a natural person whose full-time occupation is farming. The income aid programme is intended for all farmers in Belgium.

Tax information will be used to determine the level of agricultural and non-agricultural incomes, and the income of the farmer's spouse will be taken into account in each case. The exclusion threshold for the level of overall family income per work unit is fixed at 90 % of the regional GDP, i.e. BFR 1 011 100 to BFR 1 246 200, depending on the administrative region. Furthermore, applicants' farms must be classifiable as farms in difficulty, i.e. be insufficiently profitable as a result of internal structural difficulties and/or excessive financial burdens.

The loss of income resulting from the adjustment of markets as part of the reform of the CAP will be taken into account in determining the global level of income aid.

Aid will be granted on the basis of applications submitted by farmers and will be of two types :

- (a) aid for intensive farm management assistance to cover the costs relating to the introduction of intensive management assistance systems on agricultural holdings. This assistance may be given only by organizations approved for this purpose beforehand.

A lump sum of BFR 120 000 per farm will be granted for a period of five years and paid in five tranches of BFR 60 000, BFR 30 000, BFR 15 000, BFR 10 000 and BFR 5 000 respectively.

(b) supplementary aid for relieving the financial burden on farms facing financial difficulties, in the form of additional interest-rate subsidies and/or guarantees for certain credits for which an extension of the due date has been granted by the credit institutions. It may be possible for these credits to be consolidated.

In this case, the amount of aid to be granted in capitalized form (one single payment) will have to be calculated for each holding, on the basis of the outstanding balance of eligible credits and subject to the following restrictions :

- an absolute ceiling equal to the capitalized value of ECU 8 750 per work unit (corresponding to the sum granted over five years, starting with ECU 2 500/WU in the first year, reduced by 15 % each successive year);
- the capitalized value of the management assistance must be deducted from this amount and, where appropriate, Regulation (EEC) No 104/90 will apply;
- a maximum of two work units per farm.

The number of farms qualifying for management assistance is estimated at 6 000 (1 200 farms qualifying for the scheme each year over five years). Financial facilities could be granted to an estimated total of 2 250 farms (450 per years over five years).

**SPAIN (Basque region)**

Through the income support programme the authorities of the Basque country wish to assist family holdings to adapt to the reform of the CAP. The programme covers producers of cereals, sugar beet, beef/veal and milk. The plan comprises two options:

- Plan A: Farmers must have implemented a plan for improving the holding since 1983 or give an undertaking to implement such a plan within two years.
- Plan B: Old farmers who hand over the agricultural area of the holding to a young farmer under the regional aid scheme for the cessation of agricultural activity.

The general conditions laid down by the Community will apply and the ceiling for total family income per work unit has been fixed at 90% of regional GDP per member of the working population. Plan A also requires particular dedication to agriculture since the farmer must carry out at least 0.75 AWU on the holding, obtain at least 70% of his income from the holding and undertake to continue agricultural activity for at least 10 years (except in case of retirement).

The aid provided for will continue for five years, falling by 15% in real terms each year. The maximum initial amounts will be:

- Plan A: PTA 190 000 per AWU (depending on the actual size of the holding, the degree of dedication to agriculture and sensitivity to the reform of the CAP;
- Plan B: PTA 125 000 per person (depending on the area handed over to the young farmer).

It is estimated that some 3 800 beneficiaries will be involved.

ANNEX 3

INFORMATION RECEIVED FROM THE MEMBER STATES ON  
THE PROGRAMMES THEY APPLY



BELGIUM

1. Aid granted

The PAIA submitted by the Belgian authorities consists of two sections:

(a) aid for intensive assistance for the management of holdings;

(b) the grant of financial facilities to holdings in difficulties.

The absence of a budget for 1992 owing to the political crisis and the fall of the Government in the end made it impossible to implement the second section, even though there was agreement in principle at government level. For this reason, the Belgian PAIA is at the moment temporarily limited to the first section providing assistance for the management of holdings. This was given effect through the Ministerial Decree of 5 December 1991 establishing a system of transitional aids to agricultural income, published in the Moniteur belge on 22 January 1992.

The system of transitional aids to agricultural income will be supplemented by measures on financial facilities, to be defrayed by the agricultural investment fund, once the budget resources become available.

GERMANY - Baden-Württemberg

1. Take-up of aid

The statistical data on the implementation of the programme are shown in point 6.

In 1991 payments were made for an amount of DM 49 900 138 and in 1992 for an amount of DM 13 182 884.

2. Problems

During implementation unexpected problems arose in particular with regard to determining the proportion of the total household income of holdings attributable to its agricultural activities.

There are some holdings which have to be classed as primary activity holdings on the basis of their labour requirements and their equipment, although as a result of their high financial burdens or their particular circumstances they operate at a loss as regards their agricultural activities. In such cases, combination of income produces a situation where although there may be only small amounts of income coming from sources other than agriculture, nevertheless the 20% proportion of income from agricultural activities which would make the holding eligible for subsidy under the Directive is not reached. In the Ministry's view, however, these holdings are a priority target group under the programme. Accordingly, they were examined individually and, provided the work carried out called for the employment of one working unit and provided the owner of the holding or a family member worked on the holding as their main economic activity the holding was included in the programme.

This approach is applied in respect of those holdings where the share of income from agricultural activities lies between 20% and 50%.

The information provided by the applicants concerning time spent working on the agricultural holding were checked using formulae which make allowance for the requirements of different types of agricultural activity.

### 3. Financing

Financing and accordingly the take up of aid is provided for as follows in relation to the planned amount of aid at the moment of approval of the programme:

#### Payment of Aid

	Currently Planned	Planned at	Deviation
	(DM Millions)	the time of	(DM Millions)
		approval	(DM Millions)
1991	50.000	50.000	-
1992	50.000	62.500	-12.500
1993	50.000	52.000	- 2.000
1994	44.200	41.500	+ 2.700
1995	26.300	31.000	- 4.700
1996	-	8.000	- 8.000
	<hr/> 220.500	<hr/> 245.000	<hr/> -24.500

Phased payments on a reducing basis applied in individual cases is not affected; The take-up of aid in individual budget years slightly exceeds the claims notified at the time of approval in the 1994 budget year only.

### 4. Controls

Once the measure has run for the first year the controls required under the regulation will be carried out. The results will be notified as soon as possible.

### 5. Further information

Information relating to changes or planned changes in the agricultural production of holdings whose owners receive agricultural income aids cannot yet be provided after the first year of implementation.

### 6. Statistics

Situation on 26 March 1992  
Data on the Programme of aids to agricultural income  
Share of income coming from agriculture

Cases of Aid	Total	Below 20%	20%-50%	50%-75%	Over 75%	
	19 505	340	2 118	2 793	14 254	
Hectares UAA/Holding	28.54	34.71	22.76	28.05	29.35	
Gross margin in the reference period DM	62 678	65 525	45 674	61 288	65 410	
Gross margin in the period of application DM	54 513	56 492	39 599	53 328	56 914	
Eligible work units	1.56	1.60	1.35	1.58	1.58	
Total Household income DM/Holding	29 583	21 233	33 298	33 347	28 493	
Income from agriculture DM/Holding	24 169	1 426	11 767	21 462	27 084	
Payments per group	63 083 022	1 170 311	5 744 463	9 091 805	47 076 443	
 Refusals	 3 311	 1 451	 307	 233	 1 370	
Hectares UAA/Holding	23.13	15.48	20.68	26.07	31.20	
Gross margin in the reference period DM	53 327	27 701	40 254	63 783	82 691	
Gross margin in the period of application DM	46 901	23 632	34 875	56 377	73 605	
Eligible work units	1.19	0.96	1.10	1.40	1.44	
Total Household income DM/Holding	48 968	39 953	56 851	60 689	54 975	
Income from agriculture DM/Holding	26 902	3 478	19 254	38 937	52 305	
 Total Applications	 22 816	 1 791	 2 425	 3 026	 15	 574

FRANCE

1. Aid granted/statistical data

The statistical data supplied below are still provisional. At the end of 1990, 14 343 applications for transitional aid had been submitted to the French departments. Out of this number 11 200 were accepted, making for a rejection rate of less than 25%. The reasons for rejection subsequent to administrative inspection involved either the application of the rules on priority access to the scheme, or an overall income higher than the norm.

On 20 January 1991, the final date for payment of the aids under the 1990 budget, 5 710 adjustment plans had been paid on the basis of 8 487 man-work units, broken down between 4 185 annual plans and 1 525 capitalized plans.

The total cost of the plans amounted to FF 102 631 764 for 1990.

The total number of plans which did not receive payment in 1990 and which were defrayed in 1991 amounted to some 5 500, or 2 300 annual plans and 3 200 capitalized plans. This expenditure was charged to 1991, along with the new plans to be allocated to that year.

2. Inspection of applications

In view of the annual payments effected in the last quarter of 1990 and during the first few months of 1991, on-the-spot inspections began at the end of that year.

The first reports received by the Commission did not indicate any anomalies and no application inspected so far has resulted in cancellation of the aid.

3. Other points

Application of the Community system of transitional aids to agricultural income at the start ran into some difficulties in France, in view of the crisis in farming.

When the scheme began, its appearance took French producers by surprise, many of whom found themselves in difficulties at the time. Nevertheless, the producers eligible under the system have subsequently reacted very positively.

The impact of the scheme in improving the income of farmers can only be felt of course as the adjustment plans progress.

NETHERLANDS

1. Participation rate estimated when the PAIA was approved

The number of farms likely to be eligible for an aid to agricultural income was estimated at 3 200, representing a total area upon which crops subject to a common organization of the market are grown of between 70 000 and 80 000 ha, depending on the estimates. The total cost of the PAIA was put at HFL 75 million.

2. Aid granted/statistical data

Farmers wishing to avail themselves of the system of transitional aids to agricultural income for arable crops could apply between 6 August 1990 and 16 January 1991. During this period, 2 709 applications were submitted. 1 859 applications were approved, while 850 (31%) were rejected.

In all, almost HFL 32 million has been granted in aids to agricultural income.

The table below summarizes the breakdown of this aid between the various Dutch provinces:

	<u>Applications</u>			
	<u>submitted</u>	<u>rejected</u>	<u>approved Total</u>	
		(million HFL)		
Groningen	718	196	522	10.7
Friesland	111	43	68	1.1
Drenthe	524	164	360	6.8
Overijssel	56	23	33	0.6
Flevoland	148	56	92	1.3
Gelderland	44	17	27	0.4
Utrecht	1	-	1	0.01
North Holland	135	25	110	1.8
South Holland	196	61	135	2.3
Zeeland	495	143	352	4.8
North Brabant	149	57	92	1.4
Limburg	132	65	67	0.8
Total	2 709	850	1 859	32.0

The 1 859 applications covered a total of 87 000 ha of arable land (an average of 47 ha per holding). The area under crops subject to a common organization of the market amounted to almost 52 000 ha (an average of 28 ha per holding).



## 2.2 Rejections

The reasons for rejecting 850 applications were as follows:

257 rejections (30%): the family income was not less than HFL 34 000

251 rejections (30%): two-thirds of the production were not field crops

116 rejections (14%): less than 30% of production was subject to the common organization of the market

92 rejections (11%): the income derived from farming did not amount to 10% or more of total household income.

134 rejections (15%): miscellaneous reasons

## 3. Changes in the level of agricultural production

It is not yet known if, in comparison to other holdings, there have been changes or planned changes in the level of total agricultural production on holdings farmed by those in receipt of aids to agricultural income.

Annex 4

INFORMATION RECEIVED FROM MEMBER STATES WHICH HAVE NOT SUBMITTED DRAFT  
PROGRAMMES OF AGRICULTURAL INCOME AID

## Denmark

The Danish authorities consider that the Agricultural Income Aid system was not a suitable instrument to solve the problems faced in some areas of the agriculture industry.

Even though during the negotiations on the scheme and the associated implementing provisions the Danish negotiations set great store on achieving the simplest possible structure from an administrative point of view, in practice there were no special difficulties which prevented the Danish government from implementing the scheme.

## Ireland

There were many reasons why an income aid scheme was not implemented in Ireland. First of all due to the tight national budgetary situation it did not prove possible to allocate State funds for such a scheme. However, and in any event, the Irish authorities when they researched the possibility of introducing the scheme identified a number of negative factors, viz :

- the enormous complexity of the scheme for the amount of aid which could be offered (and on a degressive basis);
- the short period (5 years) involved;
- high potential administrative costs;
- the need to count all household income irrespective of whether each family member was employed full time on the farm;
- the need to establish a firm link between aid paid and the injury caused by CAP reform. Even when the overall injury is established, Member States must break this down on a product by product basis;
- aid can be apportioned to any one sector but in a country as small as Ireland and where mixed farming activities would be going on (e.g. milk/beef), research proved that it would be difficult to come up with a scheme which could be realistically granted to one sector only;
- lack of accurate, precise and current statistical information on the likely qualifying farmers because of the complexities of the scheme prevented Ireland establishing a meaningful basis on how it might proceed.

## LUXEMBOURG

Luxembourg has not as yet applied the system of transitional aids to agricultural income established by Council Regulation (EEC) No 768/89, even though the injury resulting from the adjustment of agricultural markets in the context of the reform of the common agricultural policy since the mid-eighties has been considerable for the Luxembourg farmer.

The system of aid applies only to farmers and the members of their families whose overall family income amounts, per work unit, to less than a threshold determined on the basis of the gross domestic product per member of the working population. Eligibility for aid is therefore restricted to holdings with the weakest economic results whether because of their inadequate structure or inappropriate management. However, holdings which have made efforts to modernize and to introduce profitable production facilities are also adversely affected by the reform of the common agricultural policy as much as the holdings referred to above yet are nevertheless excluded from the system of aid. These farmers are likely to be discouraged in their efforts to modernize and rationalize by a selective aid scheme which conflicts with the criteria for economic assessment.

The concerns put forward by Luxembourg when the system of aid was being drafted have been fully confirmed.

Despite the above comments, were Luxembourg to apply the aid system, it would come up against serious political and psychological difficulties in view of the fact that the selection criteria imposed by the Regulation would be only reluctantly accepted in practice.

Nevertheless, Luxembourg agrees with the main objectives of the Community aid system and expresses concern that the income position of many farmers remains critical and the problem of insufficient agricultural income is tending to spread throughout all the agricultural sector.

**United Kingdom**

The United Kingdom considers that the Community Agricultural Income Aid Policy is primarily a social security measure and has not implemented it for this reason. As there are adequate social security provisions for all sectors of the population in the UK, to implement this additional measure would be unfair to those employed in sectors other than agriculture. Furthermore, although income aid schemes are required to be production-neutral, the United Kingdom authorities consider that they are not in the long-term interest of farmers as they delay the necessary transition to a more market-orientated approach to agriculture.

This view has been confirmed by consideration of the schemes which have been implemented by other Member States. Regulation 768/89 is itself a curious hybrid between an agricultural measure and a social security one, since the total amount of money which can be spent on any scheme is limited by the "injury" to incomes suffered as a result of reform of the Common Agricultural Policy but individual farmers and their families may only benefit if their incomes fall below a certain threshold. As all the Member States which have introduced schemes have opted to pay aid on a flat-rate basis, as provided for in Article 5(2) of Regulation 768/89, payments to individuals have been determined solely with reference to income levels rather than being limited to the injury suffered by the holding. This had even led, where horizontal schemes have been introduced, to situations where producers in sectors where there has been no reform have been eligible for aid.

The calculation of the overall injury due to CAP reform for schemes where aid is to be paid on a flat-rate basis has itself caused problems. Several methods have been used but they give very different results when applied to the same data. It is clearly undesirable that the maximum that can be paid out under a particular scheme should be determined with reference to a concept which has proved so difficult to quantify.