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THE EUROPEAN COMMUNITY
AND HILL FARMING (AND FARMING IN
CERTAIN OTHER LESS-FAVoured AREAS)
(Directive adopted by the Council)

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	<u>Page</u>
1. Variation in farm income in the regions of the Community ..	1
2. Means available to the Community to reduce regional disparities	2
(a) Market and price policy	2
(b) Structural and regional policy	3
3. The directive on hill farming	5
4. Implementation of the Community directive	6

THE EUROPEAN COMMUNITY AND HILL FARMING
(AND FARMING IN CERTAIN OTHER LESS-FAVOURED
AREAS)*

INTRODUCTION

On 21 January 1974 the Council, acting on a proposal from the Commission, adopted a directive on hill farming (and farming in certain other less-favoured areas).

The measures taken in respect of farming in certain other less-favoured areas are based mainly on the conviction, which is gaining ever wider acceptance, that implementation of the common agricultural policy has not enabled the considerable structural and income disparity which exists between the farming regions of the Community to be reduced.

I. VARIATION IN FARM INCOME IN THE REGIONS OF THE COMMUNITY

The regional variation in gross farm income is several times greater than that for non-agricultural activities. In agriculture the coefficient of variation is 52% in France and 33% in Italy, whereas outside agriculture the respective figures are 11% and 16%. A similar situation exists in the Federal Republic of Germany.

Between 1963 and 1970 the inter-regional variation in non-farm income appears to have contracted somewhat or, at least, to have remained unchanged, whereas the inter-regional variation in farm income seems to have widened. For instance, the ratio of average income in the three most-favoured agricultural regions to that in the three least-favoured regions increased from 1 to 1.28 in France and from 1 to 1.31 in Italy.

The regional disparities as revealed by information available for the planning regions do, however, conceal even greater disparities if a more detailed regional scale is used.

The amount of work necessary to achieve the objectives of the socio-structural reform implemented by the Community directives adopted on 24 March 1972, namely the establishment of farms capable of providing an income comparable to that of wage-earners in non-agricultural activities in a given region,

*This is the text of a talk given by Mr Georges Rencki, Head of Division in the Directorate-General for Agriculture of the EEG Commission, at a colloquium organized by the CENECA in Paris on 27 and 28 February 1974.

also varies considerably: whereas in some regions the departure from agriculture of owner-farmers who are more than fifty-five years old and without a successor is enough to release sufficient potential surface area within ten years to permit the modernization of the remaining farms (Netherlands, Northern France, but also Languedoc), in other areas one half of farmers below fifty years of age would, in addition, have to leave farming in order to produce the same result (the Marches, Umbria).

Depending on the region in question, the number of farmers who would have to retrain for jobs outside agriculture would require an increase of between 1 and 25% in the number of such jobs available (large part of the Mezzogiorno, but also the region of Trier).

2. MEANS AVAILABLE TO THE COMMUNITY TO REDUCE REGIONAL DISPARITIES

The aggravation of regional disparities in agriculture is contrary to the objectives of the common agriculture policy. Article 39(2)(a) of the Treaty of Rome stipulates that this policy must take into account the social structure of agriculture and the structural and natural disparities between the various agricultural regions.

Until recently, however, neither the common agricultural policy nor, more generally speaking, the Community disposed of the means of preventing many less-favoured areas evolving ever more rapidly in a direction contrary to the general interest as conceived in the Member States and in the Community.

(a) Market and price policy

The market and price policy, which was the only agricultural policy pursued at Community level until the socio-structural decisions of 1972, lends itself ill to regional differentiation. It must be remembered that on the European market the free movement of agricultural products, which is designed to promote regional specialization, presupposes conditions of competition which must not be distorted by measures which undermine the principle of single prices.

This is not to say that certain possible adjustments which would benefit regions experiencing difficulties should not be made to the organization of the various markets, but the difficulties which the Commission comes

up against in its attempts to achieve a more balanced price structure for the various products are well-known. It must, however, be made clear that even in the event of extensive amendments being made to the policy currently pursued no price policy by itself could at the same time provide farmers on marginal holdings in areas with mediocre potential who have no other available source of income (either because of inadequate economic development in the region or because advanced age rules out vocational retraining) with an acceptable income and also be acceptable to non-agricultural sectors of public opinion in the Community (taxpayers, consumers, industrial interests and so on).

(b) Structural and regional policy

The socio-structural measures adopted by the Council may be of considerable importance in improving the situation in regions experiencing difficulties. It is common knowledge that Government-assisted investment permits small and medium-scale farms undergoing modernization to increase their income well beyond the level attributable to an increase in prices, which boosts income per MWU in proportion to productivity. The annual compensation paid to elderly farmers who give up farming but who normally remain where they are constitutes a sizeable injection of income into the region.

None the less, the Member States must agree to vary financial incentives by granting the most sizeable to farmers in the most needy regions. If this is not done, the structural measures taken may well mainly benefit the richest and most dynamic regions, as has often happened in the past.

In more precise terms, the level of modernization aid granted to farms in regions where the gap between farm income and comparable income elsewhere is widest needs to be raised, as does aid granted for giving up farming in

areas where the land is particularly poor, with a view to restoring a more satisfactory balance.

One must also remember and particularly stress the limits of the common agricultural policy in relation to problems of less-favoured farming regions, particularly those with an excessive farming population: such problems require overall treatment going beyond the scope of the agricultural policy alone.

It is the task of the regional policy to create new jobs in those regions particularly where there is a large surplus of young farmers.

The Commission and the Council are now, as is known, striving to set in motion a European Regional Fund which will be largely concerned with assisting less-favoured farming regions.

However, aid from the Regional Fund and the implementation of a policy as adaptable as the structural policy cannot solve the problems of all types of less-favoured farming regions. Some of these regions stand out clearly from the others as having a natural and permanent handicap as regards farming conditions.

Irrespective of the quality of farm structure, a number of factors cause considerable and ever-increasing rises in production costs: unfavourable climatic conditions due to altitude which result in an extremely short growing season, steep slopes which hamper the deployment of machinery or poor soil the quality of which cannot be improved without excessive expenditure.

This is the case in upland areas but they are not the only areas which suffer from such problems (some of the difficult areas in Great Britain and Ireland, for instance, are not situated at a high altitude but are nevertheless still very handicapped).

The situation in these regions is such as to render the continuance of farming hazardous in the long-term; it is for that reason that the Commission has decided to embark upon a fresh policy of direct income aids which are

proportional to the extent of the natural handicap suffered by the farmer.

3. THE DIRECTIVE ON HILL FARMING (AND FARMING IN CERTAIN OTHER LESS-FAVOURED AREAS)

The text of the directive provides for action in common, supported financially by the EAGGF, to introduce specific aid measures for farmers in these areas which, according to present estimates, account for approximately 20% of the farmland in the Community.

The political justification for such action, aimed to secure a rapid increase in farm incomes and thus the continuation of agricultural activity which is now threatened, goes beyond the scope of the agricultural policy alone since two further arguments of general concern have been invoked:

- protection of the environment with a view to guarding against erosion and satisfying leisure needs;
- and/or the need to maintain a minimum level of population where the rapid decline in agricultural activity would threaten the very viability of an area.

The main measures provided for in the Community directive are the following:

- (a) the granting to a farmer who undertakes to remain in farming for five years or more of an annual compensatory allowance the amount of which would be related to the severity of the permanent natural handicaps affecting his farm and the volume of his business. The grant will not be less than fifteen nor more than fifty units of account per livestock unit or, where applicable, per hectare.

- (b) Adjustment of the system of investment aid provided for in the Community directive for farm modernization. This system applies only rather imperfectly to farms in these areas, where farming is, of necessity, linked to tourism and craft activities and where, upon completion of a modernization programme, it is still difficult to achieve an income comparable to that outside agriculture.

A more generous interest rate subsidy (or subsidy equivalent) of up to 7%, the minimum interest rate payable being reducible to 2%, and a particularly generous system of stock-farming modernization aid will facilitate the borrowing necessary for investment.

Consideration of the tourist or craft activities and investment carried out on the farm and inclusion of the amount of the compensatory allowance in the calculation of the level of earned income to be reached upon completion of the development plan are further practical measures which should help to achieve the goal of comparable income.

- (c) The granting of special aid, particularly in hill areas, to encourage collective schemes for pasture land improvement and fodder production is designed to remove or alleviate both internal and external obstacles to farm development.
- (d) For farms which cannot even after modernization attain the objective of comparable income, even with the adjustments as mentioned, Member States will be able to introduce a special system of investment aid.

4. IMPLEMENTATION OF THE COMMUNITY DIRECTIVE

The procedure for implementing the Community measures for assisting hill farming and farming in certain other less-favoured areas has been set in motion. The Member States concerned are at present engaged in determining

what should be the less-favoured farming areas which would be eligible for assistance under the directive. The Commission hopes to submit for decision by the Council a Community list of these areas and the percentage EAGGF contribution to the compensatory allowance.

It is expected that these Council decisions will be taken before this summer and that they will enable the measures to be put into effect at national level.

Measures to the same end already applied in a number of Member States will be amplified and harmonized on entry into force of the Community directive.

The importance of the objectives, both agricultural and general, underlying the measures planned by the European Community to assist farming in less-favoured areas and, in particular, hill farming is such that we are in effect seeing a new dimension added to the common agricultural policy which will take better account of the special conditions in certain regions and of the new roles played by agriculture in our society.