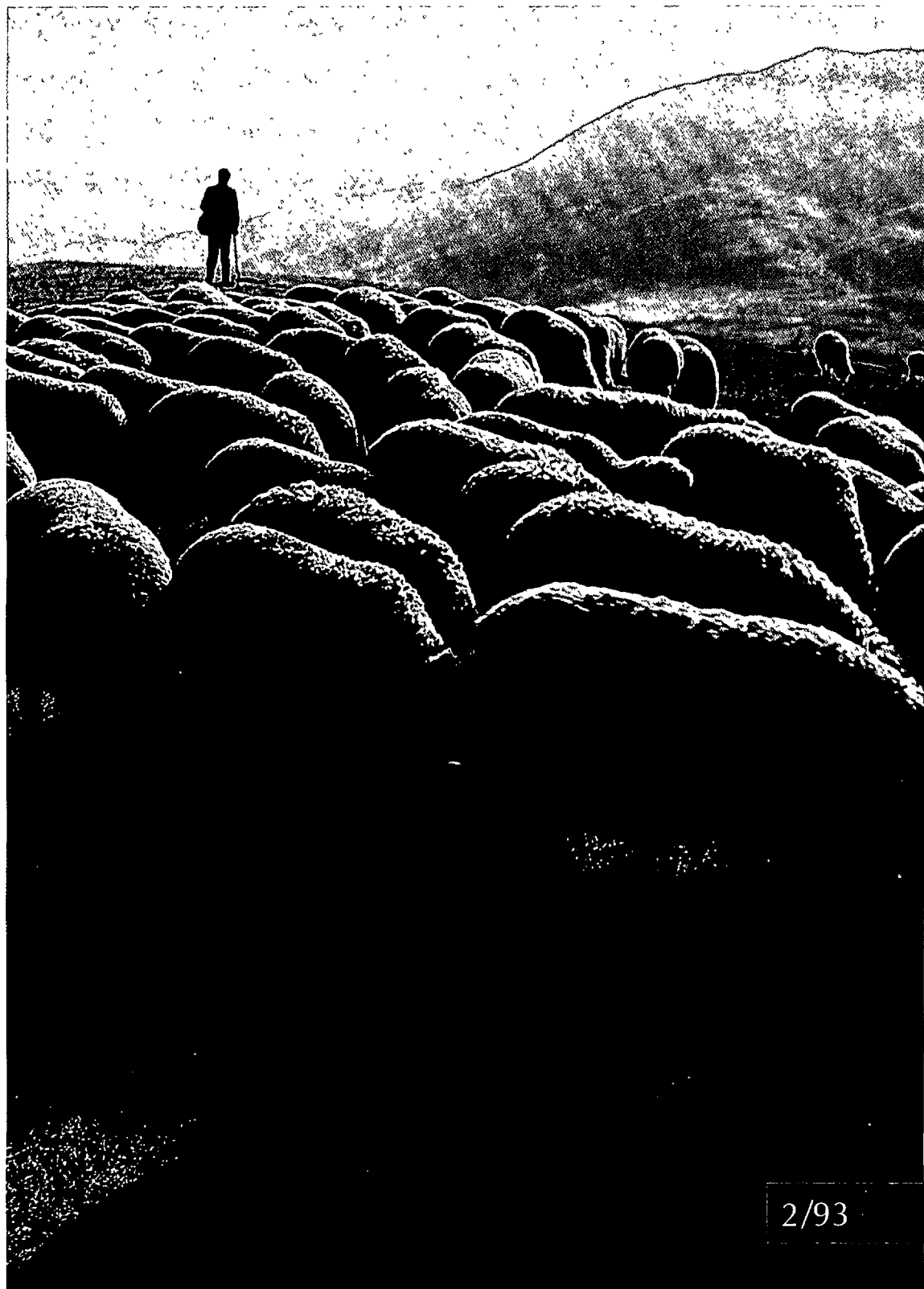




GREEN EUROPE

SUPPORT FOR FARMS IN MOUNTAIN, HILL AND LESS-FAVOURLED AREAS



**COMMUNITY POLICY FOR AID TO FARMS
IN MOUNTAIN, HILL AND LESS-FAVOURED AREAS**

**EFFECTS ON FARM STRUCTURES
AND IMPACT ON REVENUE**

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FOREWORD

This analysis of the policy which has been pursued since 1975 in support of the mountain areas and less-favoured areas of the European Community was compiled by M. João ONOFRE, *stagiaire* in the Directorate-General for Agriculture (unit responsible for general structural measures) under the supervision of M. Jean François HULOT, Mme Frédérique LORENZI and M. Pierre GODIN.

This document and the accompanying views make no claim to be exhaustive, yet in spite of this they are of genuine interest for all those who are concerned with the question in providing a clear response to the operation and the results of a Community measure which has been in effect for more than 15 years.

The study is concerned essentially with the level of support granted pursuant to Directive 75/268, without going into further detail about other aids or grants which have been made available, either within the context of a Common Organization of the Market, such as the grants made available for beef and sheep, or in accordance with the application of the general measures adopted in support of afforestation or the modernization of individual or collective equipment.

As such, it does not cover the whole of the financial effort approved by the Community for the benefit of these areas, but simply the specific aid intended to compensate at least in part for the consequences of natural handicaps.

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A. ORIGINS OF AID POLICY FOR MOUNTAIN , HILL AND LESS-FAVOURED AREAS

1. FRAMEWORK : SOCIO-STRUCTURAL POLICY

At the time of the application of the Treaty of Rome, the first task of agricultural policy was to permit the practical realization of the common agricultural market with its objective of increasing agricultural productivity, the achievement of a reasonable standard of living for the agricultural population, the stabilization of markets and the guaranteeing of food supplies at prices acceptable to the consumer.

It was, in fact, a question of establishing the first foundations of the Community by ensuring the free movement of goods for the agricultural sector. In the economic context of the post-war period, the intention was that a policy of harmonizing the cost of food would permit growth to take place in other sectors within an overall competitive economy. Since that time, the CAP¹⁾ has been based on three principles:

- the singleness of the market, through a common intervention price, the free movement of agricultural products between Member States, and common rules of competition;
- Community preference, as embodied in the majority of COMs²⁾ by the existence of high extra-Community barriers (levies);
- financial solidarity, through participation by all Member States in a common financial fund established in April 1962, the EAGGF³⁾.

The 1980s, a period of accumulation of agricultural surpluses and the introduction of budgetary restraints, saw the introduction of a supplementary principle, that of the co-responsibility of producers.

During the 1960s, Community action in the context of agricultural structures was limited to the coordination of the policies of Member States and to the financing of individual projects.

In 1968, Sicco Mansholt⁴⁾, aware of the limits and the dangers which a market policy based on productivity posed with regard to the orientation of production and the guaranteeing of incomes for certain farmers, proposed an entire series of measures revolving around two *idées-force*:

¹⁾ Common Agricultural Policy

²⁾ Common Organizations of the Market

³⁾ European Agricultural Guidance and Guarantee Fund

⁴⁾ Dutch Vice-President of the Commission, with responsibility for agriculture.

- the internationalization of the economy involves increased competitiveness for European food products on the world market, and this competitiveness calls for a policy of enlargement of agricultural structures and easing of the intervention price policy;
- in areas with multiple handicaps, where it is not possible to produce efficiently, a rural development policy should be implemented in order to prevent the rural exodus and to preserve the economic, social and environmental space.

These ideas found little support amongst the Member States, and few of the initiatives proposed in the Mansholt Plan⁵⁾ were adopted. Nevertheless, the first socio-structural directives of a horizontal character were adopted in 1972. They were concerned with the restructuring of the agricultural sector through aids for private investments aimed at promoting the modernization of farms⁶⁾, an encouragement to cease agricultural activities⁷⁾, and also included aids for vocational training⁸⁾.

To supplement the effects of these horizontal actions and, in particular, to permit agriculture to be maintained in areas exposed to more difficult production conditions, the Commission introduced a territorial dimension to these actions; Directive 75/268⁹⁾ in respect of agriculture in mountain areas and less-favoured areas was adopted in this way. The Community thus decided, for the first time, to grant direct aid to farmers so as to take account of structural and natural disparities and, in particular, to compensate for permanent natural handicaps.

In addition, common regionalized actions of a more restrained geographical character were launched by the Community at the end of the 1970s; their scope was extended after 1985 with the adoption of the IMPs¹⁰⁾ and, from 1989, within the context of the reform of the Structural Funds.

2. MECHANISMS

2.1. Motivations

The regions which make up the Community are not homogeneous from the point of view of their natural (climate, morphologies and soil balance, etc.) and socio-economic (property, agricultural employment, age of farmers and methods of production, etc.) conditions. The use of inputs has intensified and the differences in the adaptation of Community production structures have increased along with the development of the policy of support for market prices.

Agricultural policy to support incomes based on units of prices has reduced the relative profitability of those farms which face more difficult production conditions (higher unit costs), resulting in increasing disparities between agricultural incomes in more favoured areas and those in areas considered to be less-favoured.

⁵⁾ *"Agriculture : The Eighties"*

⁶⁾ Directive 72/159

⁷⁾ Directive 72/160

⁸⁾ Directive 72/161

⁹⁾ Official Journal No. L 128 of 19.05.1975

¹⁰⁾ Integrated Mediterranean Programmes

The solution applied by the Community involved creating a system for the granting of aid for the improvement of incomes in structurally more insecure areas, in a context at the beginning of the 1970s which was marked by an unfavourable economic situation brought about by the oil crisis, and in the absence of a rural development policy. These aids were aimed at securing the non-abandonment of agricultural activities and, as a result, the maintenance of the population in rural areas in order to preserve the countryside.

The accession of the United Kingdom to the Community in 1973 strengthened the political motivation for the creation of a system of support for producers of beef and sheep meat in less-favoured areas, which had been a traditional measure in this country since the immediate post-war period¹¹⁾. In 1974, the agricultural organizations in France also called for the formulation of a policy for compensation of handicaps for farms situated in mountain areas.

2.2. Limits

The less-favoured areas can be grouped into three types:

- mountain areas (a);
- areas threatened by depopulation (b);
- areas with specific natural handicaps (c).

a) Mountain areas¹²⁾ are areas which, because of their altitude, suffer major restrictions on agricultural activities : severe winter climate of the Alps, summer drought in the Mediterranean mountains, slopes and other morphological and pedological handicaps. This situation causes natural, economic and social disadvantages. Agricultural activities are limited and, given that the biological cycles of the vegetation are excessively short, there is a penalty to be paid for the use of production tools which involve additional costs in relation to production conditions which are regarded as normal.

Social considerations, such as problems of communication and mobility, also contribute to the isolation of rural populations in mountain areas.

¹¹⁾ Hill Livestock Compensatory Allowances (HLCA), which have been paid to farmers in less-favoured areas of the United Kingdom since 1946.

¹²⁾ Article 3.3 of Directive 75/268.

Pursuant to Directive 75/268, the Community considers that mountain areas, which are defined exclusively on the basis of physical parameters, are made up of three types of administrative units or sub-units¹³⁾:

- areas situated at a minimum altitude of between 600 and 1000 m¹⁴⁾, above which the biological cycles of crop production become shorter;
 - areas in which the average slope exceeds 20% and where the use of mechanical equipment is impossible or is associated with excessively high costs;
 - areas where a combination of the above two factors exists, and where the restriction caused by this combination is greater than that resulting from each of the handicaps taken separately.
- b) The less-favoured areas threatened by depopulation¹⁵⁾, where conservation of the countryside is necessary, are homogeneous agricultural areas from the point of view of natural production conditions, which must exhibit the following characteristics:
- the presence of infertile land¹⁶⁾ mainly used for extensive livestock farming, where improvements to the property will not produce any significant improvement in productivity;
 - low productivity of the natural environment, giving economic results¹⁷⁾ below the national average;
 - a low population density or a tendency towards a dwindling population predominantly dependent on agricultural activity.
- c) Areas of small size with specific handicaps¹⁸⁾, in which the preservation of agricultural activity is essential for conservation of the countryside, protection of the environment or local involvement in tourism, may be regarded as less-favoured areas.

The extent of these areas was originally limited to 2.5% of the total surface area of the Member State (4% today).

The following characteristics are regarded as specific handicaps: a poor hydrological rate of flow in the soil, excessive salinity in the coastal region, soils in limestone basins or excessively clayey soils, or areas in which legislative provisions for the protection of the environment impose strict limits on agricultural activity, or even the high cost of sea transport to certain islands.

¹³⁾ Communes, concelhos, counties, comarcas, etc.

¹⁴⁾ This limit varies between Member States depending on the number of frost-free days. In the case of southern countries, such as Spain, the minimum limit is 1000 m. In Germany, on the other hand, an area above 600 m is considered to be a mountain area.

¹⁵⁾ Article 3.4 of Directive 75/268.

¹⁶⁾ Pasture and cereal productivity below 80% of the national average.

¹⁷⁾ Measures concerning net value added tax, income of the farmer and his family, income from work, etc

¹⁸⁾ Article 3.5 of Directive 75/268.

2.3 Compensatory allowances

The Community has established a scheme to support agricultural activity in the aforementioned areas, with the aim of indemnifying farmers against loss of income attributable to the existence of permanent natural handicaps.

The annual payment of a "compensatory allowance" is the main weapon available under this scheme¹⁹⁾. This arrangement also provides for measures aimed at promoting collective investments for the production of fodder crops and land improvements.

Other types of aid are now being made available in less-favoured agricultural areas. For example: a subsidy increased by 10 points for individual investments under Regulation (EEC) No. 2328/91²⁰⁾. The level of joint financing for all these measures by the Community ranges from 25 to 65%, depending on the areas.

Since 1989, all less-favoured areas have been exempt from the payment of the milk co-responsibility levy.

In the sheep sector, the sheep premium is raised and the eligibility ceiling at the full rate in a less-favoured area corresponds to twice the number of animals entitled to receive premium in a normal area (1000 animals in a less-favoured area and 500 in a normal area).

The compensatory allowances are a measure for providing direct support for farm incomes. They are regulated at present by the provisions of Article 19 of Regulation (EEC) No. 2328/91. All the support measures for less-favoured areas are of a non-compulsory nature, Denmark has decided not to apply them.

This Regulation provides an opportunity to make available each year to farms situated in a less-favoured area an allowance calculated on the basis of the severity of the natural handicaps from which they suffer. The recipients undertake to maintain their activities for at least 5 years and to work an area of at least 3 ha. This minimum area is reduced to 2 ha in certain areas, such as Mezzogiorno, Greece, Spain and French DOMs²¹⁾, to 1 ha in Portugal, and to as little as 0.5 ha in the autonomous regions of Portugal.

¹⁹⁾ The scheme is currently defined in Regulation (EEC) No. 2328/91. The requirements for the application of Directive 75/268 in each Member State are restricted to the establishment of national expressions of the criteria and a list of less-favoured agricultural areas.

²⁰⁾ Official Journal No. L 218 of 06.08.1991.

²¹⁾ Overseas *Départements*.

Member States are free to fix the amount of allowance between a minimum of ECU 20.3 per livestock unit²²⁾ or per hectare and a maximum of ECU 102 per livestock unit or per hectare; the allowances may be modified in relation to the seriousness of the natural handicaps, the economic situation of the farms, the income of the recipient, or agricultural practices compatible with the protection of the environment. In the latter case it is possible to cumulate the compensatory allowance (Article 19) with the aids provided under the same regulations for areas which are sensitive from the point of view of the environment (Article 21), it is not possible, however, to benefit at the same time from an increase in the allowance (Article 19) and from the aids provided for sensitive areas (Article 21)

The ceiling may be raised to ECU 121.5 per livestock unit or per ha in areas where natural handicaps are particularly great.

The granting of the compensatory allowance is limited to a maximum animal occupancy rate of 1.4 livestock units per hectare of area under fodder crops.

The amount per farm eligible for co-financing by the Community in respect of the payment of a compensatory allowance is set at a financial maximum equivalent to 120 units²³⁾ per farm, where the first 60 units are co-financed totally and the remaining units at a level of fifty per cent²⁴⁾ only.

In the less-favoured areas, cows which produce milk intended for marketing may not be included in the calculation of the livestock units entitled to receive the subsidy, unless milk production represents a significant proportion of the total production of the farms and, this being the case, up to a maximum limit of 20 cows per farm.

As far as species other than cattle, horses, sheep and goats are concerned, the allowance is granted for areas under fodder crops, less any area used for animals already in receipt of subsidy, by virtue of allowances paid for livestock units.

In the case of crop production, the allowance is calculated on the basis of the area farmed, excluding any areas given over to wheat (except for durum wheat and soft wheat with a yield of less than 25 quintals per hectare and orchards in full production covering an area greater than 0.5 ha; away from mountain areas, vineyards with yields in excess of 20 hl/ha, sugar beet crops and other intensive crops are also excluded.

²²⁾ Livestock Unit Unit of equivalence established for the principal types of cattle, corresponding to an animal which consumes 3000 units of fodder per day. Regulation (EEC) No 2328/91 regards bulls, cows and other cattle of more than 2 years of age as being equivalent to 1 livestock unit; cattle aged between 6 months and 2 years as 0.6 livestock unit; and sheep and goats as 0.15 livestock unit.

²³⁾ An eligible unit is either one livestock unit or one ha.

²⁴⁾ For example, the maximum amount to which a farm of 100 eligible units is entitled is equal to $(60 \times 102) + (40 \times 51) = \text{ECU } 8.160$.

B. EFFECTS OF AID POLICY ON MOUNTAIN , HILL AND LESS-FAVoured AREAS

1. AGRICULTURAL STRUCTURES

The less-favoured areas at present occupy about 55% of the UAA²⁵⁾ of the European Communities (Table 1), which is equivalent to a total of 72.7 million hectares (situation in December 1991²⁶⁾). The Commission is at present concerned with the identification of these areas in the new German *Länder*, which, assuming that they are approved by the Council, will involve an increase in the classified areas to some 76 million hectares²⁷⁾ out of the total of 139 million UAA.

In the mountain areas, which have only been identified in six countries, and more specifically in the countries in the south of the Community, the number of farms is proportionally higher than the occupied UAA, since one quarter of farms is situated on an agricultural area corresponding to 16% of the area of the Community (Table 2).

The average size of farms in the Community as a whole varies considerably between the Member States (65 ha in the United Kingdom, compared to 4 ha in Greece, in 1987), and its development over the last 25 years has also been characterized by major disparities (Table 3). The surface area of farms in the countries in the north of continental Europe has risen significantly, to the extent that it has even doubled in certain cases, in line with the reduction in the active agricultural population over the same period²⁸⁾. In the peripheral countries, on the other hand, in particular Italy and Greece, this structural mobility has been non-existent, since the average land area available for each agricultural worker has remained very limited and has not changed since the middle of the 1960s.

²⁵⁾ Utilized Agricultural Area

²⁶⁾ Based on national statistics supplied at the time of classification, without taking into account any subsequent modifications attributable in particular to land clearance and land loss.

²⁷⁾ According to the Eurostat survey into farm structures in 1987 (Table 2), 44.7% of farms are situated in a less-favoured area and occupy 43.9% of the UAA. These data are used in the following calculations. The difference is explained by the different reference years and the fact that local "unfarmed" plots are included in the classification requests introduced by the Member States (for example, the alpine pastures).

²⁸⁾ Report on the situation of agriculture in the Community in 1990 - Commission of the European Communities.

Table 1 - CLASSIFIED AGRICULTURAL AREAS

Directive 75/268	LESS-FAVOURLED AREAS (LFA)				TOTAL (4)	% SAU
	Art. 3.3(1)	Art. 3.4(2)	Art. 3.5(3)	TOTAL LFA (4)		
BELGIQUE	-	314 400	-	314 400	1 438 000	21.9 %
DANMARK	-	-	-	-	2 888 000	0.0 %
DEUTSCHLAND (5)	351 500	5 981 800	201 200	6 534 500	12 196 000	53.6 %
New Länder (6)	-	-	-	-	6 562 000	-
HELLAS	4 978 800	2 007 500	259 500	7 245 800	9 251 000	78.3 %
ESPAÑA	6 507 800	11 219 000	700 300	18 427 100	27 304 000	67.5 %
FRANCE	4 475 800	8 804 000	728 700	14 008 500	31 069 000	45.1 %
IRELAND	-	4 058 000	16 700	4 074 700	5 705 000	71.4 %
ITALIA	5 218 100	3 300 700	217 500	8 736 300	16 826 000	51.9 %
LUXEMBOURG	-	123 700	3 100	126 800	128 100	99.0 %
NEDERLAND	-	-	48 200	48 200	2 018 000	2.4 %
PORTUGAL	854 600	2 274 400	183 100	3 312 100	4 380 000	75.6 %
UNITED KINGDOM	-	9 894 100	700	9 894 800	18 795 000	52.6 %
EUR 12 (5)	22 386 600	47 977 600	2 359 000	72 723 200	131 998 100	55.1 %

(1) - Mountain areas

(2) - Areas threatened by depopulation

(3) - Areas with specific handicaps

(4) - UAA as defined by EUROSTATS + local plots made available

(5) - Before 03.10.90

(6) - A request for classification of about 3 million hectares is being examined at the present time

Situation as of 25.09.1991

Source: CEC DG VI FII-1

Table 2 - LESS-FAVOURLED AREAS AS A PERCENTAGE OF TOTAL

1987	No. OF FARMS		UAA		SGM (1)	
	LFA	OF WHICH MA	LFA	OF WHICH MA	LFA	OF WHICH MA
BELGIQUE	14.1 %	-	20.3 %	-	10.7 %	-
DANMARK	-	-	-	-	-	-
DEUTSCHLAND	52.8 %	3.5 %	49.2 %	2.8 %	42.3 %	1.8 %
HELLAS	60.0 %	35.8 %	68.0 %	39.3 %	55.2 %	30.3 %
ESPAÑA	36.2 %	30.9 %	45.9 %	27.6 %	37.7 %	25.0 %
FRANCE	33.0 %	10.0 %	34.5 %	10.6 %	23.3 %	7.0 %
IRELAND	59.6 %	-	48.1 %	-	36.5 %	-
ITALIA	46.3 %	33.2 %	50.6 %	33.1 %	32.3 %	20.6 %
LUXEMBOURG	100.0 %	-	100.0 %	-	100.0 %	-
NEDERLAND	-	-	-	-	-	-
PORTUGAL	65.8 %	46.8 %	78.1 %	31.2 %	62.1 %	37.0 %
UNITED KINGDOM	36.3 %	-	47.6 %	-	20.5 %	-
EUR 12	44.7 %	25.9 %	43.9 %	15.5 %	29.0 %	11.1 %

(1) - STANDARD GROSS MARGIN

Source: Eurostat 1987 - Survey of farm structures

Table 3 - EVOLUTION OF AVERAGE AREA PER FARM

	AVERAGE AREA PER FARM (ha)				
	1966	1975	1983	1985	1987
BELGIQUE	7.4	10.6	13.6	14.2	14.8
DANMARK	20.3 (1)	22.4	28.8	30.7	32.2
DEUTSCHLAND	10.2	13.7	15.5	16.0	16.8
HELLAS	3.4 (1)	3.5 (2)	4.1	4.3	4.0
ESPAÑA	-	-	12.9	-	13.8
FRANCE	17.6	22.4	25.5	27.0	28.6
IRELAND	-	22.3	22.8	22.8	22.7
ITALIA	6.0	6.2	5.6	5.6	5.6
LUXEMBOURG	15.6	21.9	27.9	28.8	30.2
NEDERLAND	9.0	12.8	14.5	14.9	15.3
PORTUGAL	-	-	4.3 (3)	-	5.2
UNITED KINGDOM	54.2 (1)	58.7	64.5	67.6	64.4
EUR 10	-	-	13.6	14.0	14.0
EUR 12	-	-	-	-	13.3

(1) - 1970

(2) - 1977

(3) - 1979

Source: Eurostat 1987 - Survey of farm structures; CEC DG VI FII-1

Table 4 - AVERAGE AREA PER FARM

UAA/FARM 1987	NA (1)	LFA (2)	MA (3)
BELGIQUE	13.7	21.3	-
DANMARK	32.2	-	-
DEUTSCHLAND	18.1	15.6	13.3
HELLAS	3.2	4.6	4.4
ESPAÑA	11.7	17.5	12.4
FRANCE	27.9	29.9	30.2
IRELAND	29.1	18.3	-
ITALIA	5.1	6.1	5.6
LUXEMBOURG	-	30.2	-
NEDERLAND	15.3	-	-
PORTUGAL	1.3	6.2	3.5
UNITED KINGDOM	33.8	84.5	-
EUR 12	12.4	-	13.6

(1) Normal area

(2) Less-favoured area

(3) Mountain area

Source: Eurostat 1987 - Survey of farm structures

With the exception of Germany and Ireland, the average area per farm is larger in less-favoured areas or mountain areas than in normal areas; this is also true of the average area per agricultural worker. All the less-favoured areas within the Community are thus characterized by their more extensive use of land and work as production factors (Tables 4 and 5).

The total agricultural workforce in the Community was of the order of 9.1 million AUW²⁹⁾ in 1987. The trend noted during the 1980s points to a reduction in the active agricultural population, both in normal areas and less-favoured areas (Table 6). In certain cases this may be taken to signify an improvement in structures, although generally speaking the rate of regression of the agricultural population is higher in the less-favoured areas, because the Common Agricultural Policy has not allowed the exodus from agriculture in these areas to be stemmed (Table 7), at least not on a global plane, or allowed a minimum population level to be maintained. Certain countries have exhibited high rates of growth in the agricultural workforce in less-favoured areas between 1985 and 1987; these can be explained by the classifications of the areas which took place during that period and which led to their extension.

Farms within the Community are essentially of the family type (Table 8). Whatever the region or the country in which they are situated, they essentially use a family work force, although a slight tendency has been noted to engage increasing numbers of paid workers in normal areas, and to use a work force drawn almost exclusively from the family in mountain areas.

Multiple employment and part-time agriculture are characteristics of European agriculture. Full-time farms represent only about a quarter of the total (Table 9). Farms operated as a main occupation are more frequently represented in the Northern European countries, where the proportion of full-time farmers exceeds 45%. Multiple employment is more extensive in the Mediterranean countries, since the structural weaknesses on the one hand and the limitations experienced by high-yield production systems on the other hand oblige farmers to turn to sources of income outside the farm. The less-favoured areas have low levels of full-time farmers, although the opposite situation could well arise (for example, in Greece) in view of the development problems experienced by other sectors of the regional economy, which excludes the possibility of finding outside work.

The distribution of crops in the various regions of the Community exhibits very considerable variation (Table 10). Arable land, where the most representative crops are cereals, predominate in normal areas (with the exception of Ireland), whereas their presence decreases in less-favoured areas and mountain areas.

²⁹⁾ Annual Units of Work

Table 5 - AREA PER AGRICULTURAL WORKER

UAA/AUW 87	NA	LFA	MA
BELGIQUE	12.2	23.0	-
DANMARK	25.0	-	-
DEUTSCHLAND	13.9	14.0	11.9
HELLAS	3.8	5.0	4.8
ESPAÑA	8.2	-	13.5
FRANCE	18.3	21.4	-
IRELAND	21.5	17.4	-
ITALIA	6.3	8.6	8.0
LUXEMBOURG	-	18.9	-
NEDERLAND	8.7	-	-
PORTUGAL	0.9	4.0	2.2
UNITED KINGDOM	16.7	53.1	-
EUR 12	9.9	20.6	7.7

Source: Eurostat 1987 - Survey of farm structures

Table 6 - AGRICULTURAL WORK

AUW	NA			LFA			of which MA		
	1983	1985	1987	1983	1985	1987	1983	1985	1987
BELGIQUE	96 345	93 956	89 200	13 377	12 944	12 100	-	-	-
DANMARK	140 290	122 400	111 800	-	-	-	-	-	-
DEUTSCHLAND (*)	643 867	619 360	434 000	302 058	298 540	416 700	29 737	28 501	27 500
HELLAS (*)	493 313	483 045	325 300	445 533	448 155	523 600	330 907	329 815	314 400
ESPAÑA	-	-	-	-	-	-	-	-	506 600
FRANCE	1 140 705	1 079 795	1 006 000	519 301	489 005	453 300	200 415	190 411	-
IRELAND	113 417	125 438	118 500	152 706	150 362	136 000	-	-	-
ITALIA (*)	1 247 350	1 270 157	1 223 600	905 790	855 543	910 700	642 340	622 726	642 000
LUXEMBOURG	-	-	-	7 753	7 229	6 690	-	-	-
NEDERLAND	243 434	234 400	233 900	-	-	-	-	-	-
PORTUGAL	-	-	337 700	-	-	645 600	-	-	473 500
UNITED KINGDOM	380 955	388 025	374 300	159 133	154 975	150 100	-	-	-
EUR 12	4 499 676	4 416 576	4 254 300	2 505 651	2 416 753	3 254 790	1 203 399	1 171 453	1 964 000

(*) - Significant extension of area between 1985 and 1987

Source: Eurostat 1987 - Survey of farm structures

Table 7 - EVOLUTION OF THE AGRICULTURAL WORKFORCE

	NA		LFA		MA	
	83-85	85-87	83-85	85-87	83-85	85-87
BELGIQUE	-2.5 %	-5.1 %	-3.2 %	-6.5 %	-	-
DANMARK	-12.8 %	-8.7 %	-	-	-	-
DEUTSCHLAND (*)	-3.8 %	-29.9 %	-1.2 %	39.6 %	-4.2 %	-3.5 %
HELLAS (*)	-2.1 %	-32.7 %	0.6 %	16.8 %	-0.3 %	-4.7 %
ESPAÑA	-	-	-	-	-	-
FRANCE	-5.3 %	-6.8 %	-5.8 %	-7.3 %	-5.0 %	-
IRELAND	10.6 %	-5.5 %	-1.5 %	-9.6 %	-	-
ITALIA (*)	1.8 %	-3.7 %	-5.5 %	6.4 %	-3.1 %	-3.1 %
LUXEMBOURG	-	-	-6.8 %	-7.5 %	-	-
NEDERLAND	-3.7 %	-0.2 %	-	-	-	-
PORTUGAL	-	-	-	-	-	-
UNITED KINGDOM	1.9 %	-3.5 %	-2.6 %	-3.1 %	-	-
EUR 12	-1.8 %	-3.7 %	-3.5 %	-	-2.7 %	-

(*) - Significant extension of area between 1985 and 1987

Source: Eurostat 1983, 1985 and 1987 - Survey of farm structures

Table 8 - PROPORTION OF FAMILY WORK FORCE

1987	NA	LFA	MA
BELGIQUE	92.5 %	98.6 %	-
DANMARK	79.5 %	-	-
DEUTSCHLAND	86.7 %	94.6 %	96.1 %
HELLAS	88.1 %	99.6 %	100.0 %
ESPAÑA	83.7 %	-	94.0 %
FRANCE	72.8 %	86.7 %	-
IRELAND	78.5 %	93.7 %	-
ITALIA	86.3 %	97.2 %	97.4 %
LUXEMBOURG	-	91.4 %	-
NEDERLAND	81.1 %	-	-
PORTUGAL	84.1 %	89.9 %	78.3 %
UNITED KINGDOM	51.2 %	82.1 %	-
EUR 12	80.1 %	93.5 %	98.6 %

Source: Eurostat 1987 - Survey of farm structures

Table 9 - DISTRIBUTION OF FARMS BY HOURS WORKED BY THE FARMER

1987	PART-TIME						FULL-TIME		
	0 - 50 %			50 - 100 %			100 %		
	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA
BELGIQUE	28 %	34 %	-	6 %	10 %	-	67 %	56 %	-
DANMARK	30 %	-	-	26 %	-	-	44 %	-	-
DEUTSCHLAND	44 %	52 %	48 %	8 %	9 %	10 %	48 %	40 %	41 %
HELLAS	73 %	66 %	67 %	20 %	23 %	23 %	7 %	11 %	10 %
ESPAÑA	64 %	-	57 %	12 %	-	17 %	24 %	-	26 %
FRANCE	29 %	25 %	-	13 %	18 %	-	58 %	57 %	-
IRELAND	33 %	34 %	-	19 %	28 %	-	48 %	39 %	-
ITALIA	68 %	71 %	72 %	18 %	18 %	17 %	14 %	11 %	11 %
LUXEMBOURG	-	18 %	-	-	22 %	-	-	61 %	-
NEDERLAND	12 %	-	-	14 %	-	-	74 %	-	-
PORTUGAL	49 %	46 %	43 %	20 %	26 %	28 %	31 %	27 %	30 %
UNITED KINGDOM	31 %	22 %	-	12 %	15 %	-	56 %	63 %	-
EUR.12	56 %	57 %	63 %	14 %	19 %	20 %	29 %	24 %	18 %

Source: Eurostat 1987 - Survey of farm structures

Table 10 - UTILIZATION OF SOIL (1)

1987	Arable land			Meadow and permanent pasture			Permanent cropping permanentes		
	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA
BELGIQUE	65.9 %	19.4 %	-	36.3 %	81.3 %	-	1.2 %	0.1 %	-
DANMARK	92.1 %	-	-	7.5 %	-	-	0.4 %	-	-
DEUTSCHLAND	73.1 %	48.9 %	6.6 %	24.4 %	50.3 %	92.6 %	2.2 %	0.6 %	0.2 %
HELLAS	65.1 %	51.2 %	34.2 %	4.9 %	22.1 %	33.3 %	19.6 %	26.3 %	32.0 %
ESPAÑA	56.2 %	57.8 %	46.0 %	26.7 %	23.7 %	41.6 %	17.0 %	18.4 %	12.3 %
FRANCE	69.9 %	43.0 %	11.5 %	24.5 %	54.5 %	85.8 %	5.4 %	2.3 %	4.5 %
IRELAND	28.2 %	9.4 %	-	71.8 %	90.5 %	-	0.1 %	0.0 %	-
ITALIA	65.8 %	42.5 %	36.7 %	11 %	42.9 %	49.5 %	23.1 %	14.4 %	13.7 %
LUXEMBOURG	-	43.9 %	-	-	54.8 %	-	-	1.1 %	-
NEDERLAND	44.2 %	-	-	54.3 %	-	-	1.4 %	-	-
PORTUGAL	61.7 %	64.5 %	57.7 %	3.5 %	13.8 %	11.8 %	33.4 %	20.7 %	28.9 %
UNITED KINGDOM	65.9 %	14.5 %	-	33.6 %	85.4 %	-	0.6 %	0.0 %	-
EUR 12	64.6 %	42.3 %	40.9 %	26.2 %	48.3 %	43.4 %	9.1 %	9.3 %	15.4 %

(1) - Local plots not included

Source: Eurostat 1987 - Survey of farm structures

The opposite is true of meadows and permanent pastures, the importance of which is much greater in less-favoured areas than in normal areas, which serves to explain why the less-favoured areas are characterized by extensive livestock farming. The presence of permanent crops is very marked in the countries of the Mediterranean Basin, in particular vines and olives. The use of the land in relation to the types of areas is less marked here because of the variability of the agricultural systems.

Table 11 shows the average numbers of livestock per farm, by types of area. In spite of the fact that it is a dominant form of production in the less-favoured areas, cattle farming is characterized there by smaller herds than in normal areas. In the case of sheep and goat farming, on the other hand, which allow pasture of low nutritional value to be put to good use, a situation approaching equilibrium between the areas is observed, although not in the United Kingdom, where the average number of animals on a sheep farm in a less-favoured area was 537 in 1987. Pig farming is the sector in which the greatest disparities are observed between normal and less-favoured areas, because this activity today is independent of the land factor, but is highly dependent on raw materials purchased outside the farm. This form of farming also takes place in farms without land located close to centres for the import of raw materials and major consumer centres, which are often situated in normal areas.

A general tendency towards an increase in the numbers working in livestock farming has been noted during the 1980s, irrespective of the type of area or country.

The SGM³⁰⁾ serves as an important indicator for estimating the economic potential of farms, given its excellent correlation with final production³¹⁾. The less-favoured areas contribute to an extent which, in terms of the value of their production, is less than proportional to their share of the useful agricultural area, which points to a clearly more extensive approach to production. Although they occupy about 45% of the total agricultural area, they supply 30% of final agricultural production. Their share of the output has risen between 1985 and 1987 (it was 25% in 1985). It is not possible to conclude that productivity has improved in these areas, since this increase is essentially the result of the enlargement of the Community to include Portugal and Spain; these are countries where less-favoured areas predominate.

By calculating the SGM per hectare of UAA, it can be established that normal areas are characterized throughout the Community by a potential for intensification which is twice as high as in the less-favoured areas (Table 12).

30) Standard Gross Margin

31) The SGM is calculated for each product and each area and represents the difference between the value of production and the specific costs. It thus provides a more universal indicator than the criterion of surface area, as it permits the comparison of farms with different technico-economic approaches.

Table 11 - AVERAGE NUMBERS OF LIVESTOCK PER FARM

1987	BEEF			DAIRY CATTLE			SHEEP			GOATS			PIGS		
	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA
BELGIQUE	46	62	-	24	28	-	21	23	-	6	8	-	235	34	-
DANMARK	58	-	-	30	-	-	19	-	-	-	-	-	246	-	-
DEUTSCHLAND	40	34	25	18	15	14	30	27	17	-	-	-	91	46	8
HELLAS	9	8	8	4	4	3	39	41	42	9	19	20	14	9	7
ESPANA	12	-	11	7	-	6	124	-	115	19	-	16	27	-	15
FRANCE	44	37	-	22	16	-	42	100	-	17	15	-	84	22	-
IRELAND	56	26	-	33	13	-	146	89	-	4	2	-	202	166	-
ITALIA	29	13	11	14	6	6	52	44	33	7	13	11	43	8	7
LUXEMBOURG	-	73	-	-	31	-	-	22	-	-	6	-	-	78	-
NEDERLAND	70	-	-	40	-	-	48	-	-	14	-	-	405	-	-
PORTUGAL	6	5	1	4	3	2	11	25	13	4	7	6	13	5	3
UNITED KINGDOM	83	73	-	68	48	-	288	537	-	-	-	-	453	126	-
EUR 12	35	27	10	18	12	6	92	97	54	15	15	15	72	19	-

1985	BEEF			DAIRY CATTLE			SHEEP			GOATS			PIGS		
	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA
BELGIQUE	43	56	-	21	25	-	18	19	-	5	4	-	190	28	-
DANMARK	57	-	-	28	-	-	16	-	-	-	-	-	206	-	-
DEUTSCHLAND	38	30	25	17	14	13	30	22	20	-	-	-	74	31	7
HELLAS	7	7	8	3	3	4	36	40	40	8	17	17	16	6	7
ESPANA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FRANCE	42	35	28	21	15	15	41	96	102	13	13	-	66	19	17
IRELAND	56	26	-	31	12	-	115	80	-	3	3	-	140	117	-
ITALIA	27	12	11	14	6	6	51	44	32	6	14	11	48	7	7
LUXEMBOURG	-	70	-	-	30	-	-	18	-	-	5	-	-	63	-
NEDERLAND	69	-	-	41	-	-	41	-	-	6	-	-	343	-	-
PORTUGAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNITED KINGDOM	82	74	-	65	46	-	269	519	-	-	-	-	414	111	-
EUR 12	43	29	16	22	12	8	72	111	46	9	16	15	100	17	8

1983	BEEF			DAIRY CATTLE			SHEEP			GOATS			PIGS		
	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA	NA	LFA	MA
BELGIQUE	-	-	-	-	24	-	-	15	-	-	7	-	-	24	-
DANMARK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEUTSCHLAND	27	27	23	12	12	12	21	21	19	-	-	-	27	27	6
HELLAS	6	6	6	3	3	3	38	38	38	-	-	-	9	9	7
ESPANA	-	-	-	-	-	-	-	92	-	-	-	-	-	-	-
FRANCE	33	33	26	14	14	14	92	79	100	-	11	11	16	16	14
IRELAND	-	25	-	-	11	-	-	31	-	-	3	-	-	99	-
ITALIA	11	11	10	5	5	5	37	13	29	-	10	10	7	7	6
LUXEMBOURG	-	66	-	-	27	-	-	-	-	-	-	-	-	51	-
NEDERLAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PORTUGAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNITED KINGDOM	70	76	-	-	-	-	-	560	-	-	3	-	-	88	-
EUR 12	-	29	15	-	11	8	-	100	45	-	12	12	-	15	8

Source: Eurostat 1983, 1985 and 1987 - Survey of farm structures

Table 12 - PRODUCTION POTENTIAL OF 1 HECTARE

SGM/ha 87	NA	LFA	MA
BELGIQUE	1.81	0.85	-
DANMARK	1.08	-	-
DEUTSCHLAND	1.13	0.86	0.66
HELLAS	1.41	0.82	0.78
ESPAÑA	0.44	0.31	0.34
FRANCE	0.90	0.52	0.50
IRELAND	0.47	0.29	-
ITALIA	1.85	0.85	0.82
LUXEMBOURG	-	0.66	-
NEDERLAND	2.95	-	-
PORTUGAL	0.39	0.58	0.87
UNITED KINGDOM	1.20	0.27	-
EUR 12	1.05	0.46	0.60

Source: Eurostat 1987 - Survey of farm structures

2. AGRICULTURAL INCOMES

The most recent complete data supplied by RICA³²⁾ for 1987, 1988 and 1989 permit an analysis to be made of agricultural incomes at the micro-economic level in normal areas and less-favoured areas.

The most commonly used indicator of economic performance is the NAV/AUW³³⁾, which corresponds to the amount available to remunerate all the production factors: land, work and capital. The NAV/AUW analysis is performed at Community level and is expressed in ECU; the results are stated in relation to the Community average for normal areas. The index is calculated by the Member States, taking into account the PPP³⁴⁾; values corresponding to the less-favoured areas are stated in relation to those for the normal areas of a given country. The income is calculated as a third stage in IFF/UFW³⁵⁾.

In global terms, farms in less-favoured areas generate an agricultural income which is only half that achieved in a normal area. Furthermore, the results for farms in mountain areas are below those for farms in less-favoured areas away from the mountains, and are about 40% of those obtained in a normal area (Table 13)

It is possible to produce a classification for the countries in terms of their agricultural incomes. Thus, the heavily populated countries of Northern Europe, in which plains predominate and which enjoy favourable natural conditions, such as the Netherlands, Belgium and Denmark, achieve average results close to double the Community average for normal areas. The less-favoured areas in these countries cover only a small area or are even totally absent. Denmark does not apply Directive No. 268/75, and, in the Netherlands, where it is applied, only 2% of the agricultural area, or 48,000 ha, are classified and are not represented by the NAAI network. In the south of Belgium, which is classified as a less-favoured area, agricultural incomes are close to those of the normal areas and have even managed to exceed them in certain financial years. It may also be noted that the less-favoured areas in Belgium enjoy levels of income which are almost twice the Community average recorded in normal areas.

The countries in which agricultural incomes in normal areas lie at a level of between one and one and a half times the Community average include Member States such as Germany, France, the United Kingdom, Luxembourg and Ireland. As in the case of Belgium, the situation affecting agricultural incomes in these areas may best be described as favourable

³²⁾ Farm Accountancy Data Network.

³³⁾ Net Added Value per Annual Unit of Work.

³⁴⁾ Parity of Purchasing Power.

³⁵⁾ Income of the Farmer and his Family by Unit of Family Work.

Table 13 - PRODUCTIVITY OF THE AGRICULTURAL WORKFORCE (EUR 12 NA = 100)

NAV/AUW		1987	1988	1989	Average
BELGIQUE	NA	165	193	207	188
	LFA	173	189	187	183
	MA	-	-	-	-
DANMARK	NA	167	183	223	191
	LFA	-	-	-	-
	MA	-	-	-	-
DEUTSCHLAND	NA	100	117	122	114
	LFA	81	99	103	95
	MA	66	72	74	71
HELLAS	NA	42	40	39	40
	LFA	34	39	37	36
	MA	33	34	36	34
ESPAÑA	NA	72	64	51	61
	LFA	57	51	47	51
	MA	54	45	46	48
FRANCE	NA	134	133	140	136
	LFA	90	79	85	85
	MA	82	77	76	78
IRELAND	NA	84	126	96	102
	LFA	63	77	61	67
	MA	-	-	-	-
ITALIA	NA	82	75	70	75
	LFA	58	54	51	54
	MA	54	53	48	52
LUXEMBOURG	NA	-	-	-	-
	LFA	131	132	149	138
	MA	-	-	-	-
NEDERLAND	NA	215	231	243	230
	LFA	-	-	-	-
	MA	-	-	-	-
PORTUGAL	NA	19	19	22	20
	LFA	18	15	18	17
	MA	24	13	17	18
UNITED KINGDOM	NA	145	146	152	148
	LFA	119	134	106	120
	MA	-	-	-	-
EUR 12	NA	100	100	100	100
	LFA	54	52	53	53
	MA	44	41	42	42

Source RICA 1987, 1988 and 1989

Incomes in the less-favoured areas of Luxembourg are relatively high, although more or less the whole of the Grand Duchy is classified as less-favoured. Only the areas intended for wine growing are considered as normal

Classification as a less-favoured agricultural area, which covers one half of agricultural land in the United Kingdom, guarantees farmers a high income thanks, on the one hand, to the average size of the farms and, on the other hand, to the system of substantial direct aids paid to sheep producers in the context of the organization of the market in this sector, with a premium being payable at the time of slaughter corresponding to 85% of the basic price, which differs from that of the other countries of the Community³⁶⁾.

Although the income indicators for France, Germany and Ireland are acceptable to farmers in normal areas, major disparities characterize the situation of the less-favoured areas or mountain areas

Countries in which the Mediterranean influence predominates lie below the Community average, as in the case of Italy and Spain, or at levels 50% below it, as in the case of Greece and Portugal. These countries are characterized not only by low agricultural incomes, but especially by a difference approaching zero between the incomes of normal areas and those of less-favoured areas.

The differences between Member States with regard to agricultural incomes expressed in PPP are more limited and present a less contrasting image (Table 14); this shows, on the one hand, the almost generalized fall in available incomes in the countries at the centre and in the north (with the exception of Luxembourg and the United Kingdom, which are strengthening their position) and, on the other hand, the increase in these incomes noted in the countries in the south

Another indicator which is frequently used to measure the economic efficiency of farms is the IFF/UFW, which lends itself particularly well to farms of the family type; it is equivalent to the reduced net added value of the costs of the primary external factors (salaries, farm rent and interest payments on external capital), which gives an indication of the total value which may be utilized without reducing the production capacity of the farm. In general terms, the results expressed in IFF/UFW exhibit the same orders of magnitude as an index as the NAV/AUW and confirm the differences noted previously, either between normal areas and less-favoured areas in the same country, or between different countries (Table 15). The only exception is Denmark, where agriculture is highly capital-intensive and where the costs of indebtedness impose a high burden on the farmers' available income by reducing it.

³⁶⁾

This system was valid for the years to which the data relate. Today, the United Kingdom no longer offers an exemption scheme for the sheep meat COM

Table 14 - PRODUCTIVITY OF THE AGRICULTURAL WORKFORCE IN TERMS OF PURCHASING POWER (*)

NAV/AUW		1987	1988	1989	Average
BELGIQUE	NA	157	179	191	177
	LFA	105	98	90	97
	MA	-	-	-	-
DANMARK	NA	134	146	177	154
	LFA	-	-	-	-
	MA	-	-	-	-
DEUTSCHLAND	NA	85	104	118	103
	LFA	81	85	84	84
	MA	66	62	60	62
HELLAS	NA	68	79	93	80
	LFA	82	88	93	88
	MA	79	84	91	85
ESPAÑA	NA	103	99	89	97
	LFA	78	79	94	83
	MA	75	71	92	79
FRANCE	NA	121	129	149	133
	LFA	68	59	61	62
	MA	61	58	55	58
IRELAND	NA	81	130	110	107
	LFA	74	61	64	65
	MA	-	-	-	-
ITALIA	NA	93	94	98	95
	LFA	71	72	74	72
	MA	67	70	69	69
LUXEMBOURG	NA	-	-	-	-
	LFA	128	136	169	145
	MA	-	-	-	-
NEDERLAND	NA	190	215	243	216
	LFA	-	-	-	-
	MA	-	-	-	-
PORTUGAL	NA	46	53	71	56
	LFA	94	78	81	84
	MA	122	68	80	90
UNITED KINGDOM	NA	146	163	193	167
	LFA	82	92	88	87
	MA	-	-	-	-

(*) LFA and MA expressed as a percentage of national NA

Source: RICA 1987, 1988 and 1989

Table 15 - INCOME OF THE FARMER AND HIS FAMILY (EUR 12 NA = 100)

NAV/AUW		1987	1988	1989	Average
BELGIQUE	NA	186	220	235	214
	LFA	189	206	197	198
	MA	-	-	-	-
DANMARK	NA	23	57	129	70
	LFA	-	-	-	-
	MA	-	-	-	-
DEUTSCHLAND	NA	87	113	120	114
	LFA	75	100	101	93
	MA	69	75	75	73
HELLAS	NA	50	47	46	48
	LFA	41	42	42	42
	MA	40	41	42	41
ESPAÑA	NA	98	80	54	76
	LFA	71	62	56	62
	MA	68	58	54	59
FRANCE	NA	123	122	132	126
	LFA	90	72	80	80
	MA	86	78	77	80
IRELAND	NA	92	141	97	110
	LFA	73	89	69	77
	MA	-	-	-	-
ITALIA	NA	98	88	78	87
	LFA	69	62	57	62
	MA	65	62	54	60
LUXEMBOURG	NA	-	-	-	-
	LFA	141	143	175	153
	MA	-	-	-	-
NEDERLAND	NA	218	246	269	244
	LFA	-	-	-	-
	MA	-	-	-	-
PORTUGAL	NA	25	24	27	26
	LFA	24	19	24	22
	MA	34	16	20	23
UNITED KINGDOM	NA	153	142	167	154
	LFA	134	147	127	136
	MA	-	-	-	-
EUR 12	NA	100	100	100	100
	LFA	62	59	58	59
	MA	53	59	47	50

Source. RICA 1987, 1988 and 1989

3. PART PLAYED BY SUBSIDIES IN AGRICULTURAL INCOMES

Government subsidies³⁷⁾ account for a significant part of farm incomes, both in normal areas and in less-favoured areas (Table 16). In normal areas they may sometimes reach 90% of the IFF.

If the subsidy heading is broken down, it will be found that, both in normal areas and in less-favoured areas, these subsidies consist essentially of operating subsidies (compensatory allowance, start-up premium for young farmers and accounting premiums, etc.), product subsidies (sheep and beef premiums, for example), subsidies on overheads (fuel-oil aid, for example) and investment subsidies. In the case of Luxembourg and Portugal, the latter are larger than the items previously mentioned, a situation which is probably linked to the economy as far as Portugal is concerned and results from the recent accession of this country to the Communities and from the considerable inflow of capital to finance investments in farming.

In less-favoured areas the importance of the subsidies is increasing in relation to normal areas, since they exceed 50% of the IFF in Germany and France and, in the case of the United Kingdom, even account for more or less the entire income of farmers, with an average of 18,300 ECU per year (Table 17). In the United Kingdom, the total amount of subsidies paid in less-favoured areas is 450% greater than the equivalent amount granted in normal areas; moreover, it is three times higher than the average amount of subsidies paid in less-favoured areas of the Community. Nevertheless, in countries such as Spain, Portugal and Italy, including the less-favoured areas, the level of subsidies per farm is distinctly lower than that paid in other Member States, in particular because of the weak economic size of farm units and the relatively low level of the unit premiums paid.

With the exception of Italy and Portugal, global support for mountain areas is higher, in all countries, than that provided for other less-favoured areas, which gives it a greater relative importance given that incomes are lower there.

It can be appreciated from Table 17 that those farms which are located in less-favoured areas receive more aid in the Member States in the north. This poses the problem of causing a wider divergence between incomes within the Community, since the subsidies granted in the countries of the south, where incomes are lower, are less than those paid in the countries of the north, where incomes are higher.

³⁷⁾

These are only direct aids. The implicit support provided by intervention prices is not included in these calculations.

Table 16 - PART PLAYED BY SUBSIDIES IN AGRICULTURAL INCOMES

	NA	LFA	MA
BELGIQUE	15.7 %	34.4 %	-
DANMARK	60.6 %	-	-
DEUTSCHLAND	25.1 %	55.8 %	69.6 %
HELLAS	17.8 %	30.0 %	38.6 %
ESPAÑA	10.7 %	12.7 %	13.0 %
FRANCE	15.8 %	69.3 %	84.6 %
IRELAND	21.3 %	43.5 %	-
ITALIA	10.0 %	14.6 %	11.5 %
LUXEMBOURG	-	21.6 %	-
NEDERLAND	6.6 %	-	-
PORTUGAL	36.4 %	44.0 %	40.9 %
UNITED KINGDOM	20.7 %	87.6 %	-
EUR 12	15.4 %	36.1 %	27.3 %

Source: RICA 1987, 1988 y 1989

Table 17 - AVERAGE LEVEL OF SUBSIDIES

	ECU/FARM			RATIO	
	NA	LFA	MA	LFA/NA	MA/NA
BELGIQUE	5 309	10 877	-	2.0	-
DANMARK	3 774	-	-	-	-
DEUTSCHLAND	3 855	7 694	7 676	2.0	2.0
HELLAS	1 418	2 150	2 668	1.5	1.9
ESPAÑA	696	851	870	1.2	1.3
FRANCE	2 947	8 724	10 796	3.0	3.7
IRELAND	2 888	3 929	-	1.4	-
ITALIA	1 228	1 356	1 039	1.1	0.8
LUXEMBOURG	-	5 437	-	-	-
NEDERLAND	2 475	-	-	-	-
PORTUGAL	1 316	1 524	1 355	1.2	1.0
UNITED KINGDOM	4 127	18 246	-	4.4	-
EUR 12	2 104	3 099	2 035	1.5	1.0

Source: RICA 1987, 1988 and 1989

A comparison of the results obtained in 1989 with those for 1985³⁸⁾ in respect of the proportion of total subsidies in the IFF reveals a significant increase in the part played by subsidies in farmers' incomes. In the environment of the 1980s it is possible to establish, on the one hand, a trend towards a fall in farm incomes and, on the other hand, an effort to compensate for it, at least in part, through the payment of direct aids.

4. EFFECT OF COMPENSATORY ALLOWANCES ON INCOMES

4.1. Methodology

In view of the difficulty in identifying the proportion of the compensatory allowance in the farm incomes of farms in less-favoured areas, a computer model has been developed on the basis of the RICA data for 1989. The calculation is based on TELs³⁹⁾. The TELs for milk, beef, mixed meat-dairy, sheep meat and mixed farming and general agriculture were used, since they correspond to the characteristic productions of less-favoured areas, in an effort to include all types of less-favoured areas within the Community. Starting with a standard list of RICA data spread over the normal area, the less-favoured area and the mountain area of each country, we felt that the technical characteristics which had been indexed in this way represented a typical farm for a given technico-economic initiative in a given area and in a specific Member State. We then calculated the theoretical maximum level of the allowance to which the farm was entitled by virtue of the legislation in force in the country concerned in 1989, for the type of area and in the year in question; finally, we estimated the proportion of the farm income represented by this allowance.

4.2. Results

4.2.1. Beef (TEI No. 42)

In the case of beef, the theoretical maximum compensatory allowance in the United Kingdom could account for more than 70% of farmers' incomes in less-favoured areas, and for 90% in the least-favoured areas⁴⁰⁾; this demonstrates that the compensatory allowance is fundamental to the maintenance of this theory (Table 18).

³⁸⁾ Bertrand, J.M and Hulot, J.F.: (Farms in less-favoured areas and mountain areas of the Community); CEC 1989.

³⁹⁾ Technico-Economic Initiatives, TEI.

⁴⁰⁾ Severely Disadvantaged Areas and the Highlands of Scotland.

Table 18 - THEORETICAL COMPENSATORY ALLOWANCE

MILK (TEI no. 41)	CA as a % of IFF	Total CA (ECU)
DUTSCHLAND (LFA)	10 %	1 720
DUTSCHLAND (MA)	12 %	1 672
FRANCE (LFA)	4 %	587
FRANCE (MA)	21 %	2 892
ITALIA (LFA)	7 %	988
ITALIA (MA)	7 %	954

BEEF (TEI no. 42)	CA as a % of IFF	Total CA (ECU)
FRANCE (LFA)	14 %	1 773
FRANCE (MA)	29 %	3 774
ITALIA (LFA)	21 %	2 104
ITALIA (MA)	16 %	1 367
IRELAND (LFA)	26 %	801
IRELAND (SDA)	30 %	945
UNITED KINGDOM (LFA)	74 %	4 064
UNITED KINGDOM (SDA)	96 %	5 233

MIXED BOVINES (TEI no. 43)	CA as a % of IFF	Total CA (ECU)
DEUTSCHLAND (LFA)	11 %	1 596
ESPAÑA (LFA)	11 %	602
ESPAÑA (MA)	12 %	630
FRANCE (LFA)	9 %	1 138
FRANCE (MA)	30 %	3 239
UNITED KINGDOM (LFA)	14 %	3 823
UNITED KINGDOM (SDA)	19 %	5 010

SHEEP MEAT (TEI no. 44)	CA as a % of IFF	Total CA (ECU)
ESPAÑA (LFA)	5 %	473
ESPAÑA (MA)	16 %	1 550
FRANCE (LFA)	12 %	1 519
FRANCE (MA)	27 %	3 924
UNITED KINGDOM (LFA)	44 %	4 464
UNITED KINGDOM (SDA)	61 %	6 150
UNITED KINGDOM (HIGHLANDS)	73 %	7 310

MIXED (TEI no. 12 + 60)	CA as a % of IFF	Total CA (ECU)
HELLAS (LFA)	1 %	102
HELLAS (MA)	2 %	122
ESPAÑA (LFA)	11 %	722
ESPAÑA (MA)	19 %	1 142
FRANCE (LFA)	1 %	202
ITALIA (LFA)	9 %	703
PORTUGAL (LFA)	9 %	388

Source: Author's calculations based on the RICA average farm

Expressed as an absolute value, it could exceed 4,000 ECU per farm. This state of affairs reflects the relatively satisfactory situation relating to farm structures in the less-favoured areas of the United Kingdom (average size of farm 85 ha), on the one hand, and national legislation which provides for the payment of unlimited compensatory allowances, where the premium is proportional to the number of livestock units held, on the other. This being the case, the compensatory allowance provides significant compensation for the situation of handicaps

In Italy, where the mountain areas represent the main part of the less-favoured areas⁴¹⁾, the conditions for the payment of compensatory allowance are no more favourable in mountain areas than in other less-favoured areas, except for certain regions⁴²⁾, which permits higher amounts to be paid in those areas where the structural situation is more favourable and where the number of animals held per farm is similarly higher.

The theoretical effect of compensatory allowances on the incomes of French and Irish beef farmers in severely disadvantaged areas may be regarded as similar (about 30%). Expressed as an absolute value, they could reach very much higher levels in France.

4.2.2 Milk (TEI No 41)

Because of the existence of structural surpluses, Community legislation has imposed strict limits on the payment of a compensatory allowance for dairy cows. The only cows regarded as being eligible, for the purposes of the payment, are cows in mountain areas or in other less-favoured areas where dairy production represents a major proportion of farm production. Even in the latter case, the number of eligible dairy cows must not exceed 20. Certain Member States apply even more restrictive rules, such as France, which in 1989 only paid a premium for a maximum of 10 dairy cows per farm in foothill areas, and paid no premium in less-favoured areas situated "on the plain"

For this reason, as far as the milk TEI is concerned, the compensatory allowance could represent a proposal of little importance to earnings, except in French mountain areas (21%).

In Germany, compensation for handicaps is aimed first at strengthening incomes in mountain areas; the amounts paid are identical (1,700 ECU), but represent a more significant proportion of earnings in these areas (Table 18)

⁴¹⁾ See Table 1

⁴²⁾ Marche, Abruzzi, Basilicata, Calabria, Sardinia.

4.2.3 Bovine animals, mixed meat-milk (TEI No. 43)

For this type of initiative, the situation in the United Kingdom may be regarded as less satisfactory (Table 18). Even if the theoretical amounts per farm remain high (between 3,800 and 5,000 ECU) because of the large numbers of animals held, their proportion of farm earnings is not as high - this can be attributed to the fact that British legislation excludes dairy cows.

In France, although the situation resembles that of the meat initiative, the restrictions imposed in less-favoured areas away from the mountains, in particular in respect of the amount of allowance allocated per dairy cow, increase the differences between the levels of indemnity paid in mountain areas (ECU 3,200) and in other less-favoured areas (ECU 1,100).

In German less-favoured areas, the effect of the compensatory allowance on earnings is regarded as relatively modest (11%), whereas its amount in absolute value is high (ECU 1,600)

In Spain, compensation for handicaps can be seen to represent about 10% of the IFF, as in Germany, although this is less than half the allowance in absolute value (ECU 600 in Spain and ECU 1,600 in Germany). It is also possible to note a small differential between the allowances paid in less-favoured areas and those allocated in mountain areas.

4.2.4. Sheep meat (TEI No. 45)

In the United Kingdom, the compensatory allowance paid in respect of sheep could represent between 40% and 70% of the producers' income. This amount appears to lie between ECU 4,000 and 7,000 per farm (Table 18), this is due in particular to the size of the herds and the lack of any ceiling.

In the case of France, a system of modulation has been introduced to the benefit of sheep herds kept for meat, and to the detriment of herds kept for milk and profit.

In Spain, compensatory allowances for mountain areas paid by the autonomous communities will be used to strengthen the scheme implemented by central government, although the general level of the premiums is still relatively low.

4.2.5. Mixed farming and general agriculture (TEI Nos. 12 + 60)

Although the system of paying compensatory allowances provides for the payment of an allowance in the crop production sector, it is applicable in particular to less-favoured areas where the dominant activity is livestock.

The theoretical compensatory allowances in favour of crop production actually represent very small amounts (between ECU 100 and 1,100), so that their contribution to farm incomes is of little significance (Table 18).

It is not only in Spain, where the calculation of allowances is based on TLUs⁴³⁾ (involving a weighting between animal and plant crop units), that the system produces a certain effect on farm earnings (ECU 700 in less-favoured areas away from the mountains). In the other Mediterranean countries, allowances granted in respect of plant crops are paid either solely in mountain areas (Portugal), or only in a small number of regions (Italy), and are at any rate not very important in view of the small average area of farms.

5. COMMUNITY CHARACTER

In spite of the fact that, at Community level, about 27% of farms in less-favoured areas benefit from compensatory allowances, this average conceals major disparities between Member States. Thus, in Italy, only 10% of the farms surveyed benefit from the aid, whereas in Ireland they represent 80% (Table 19). Generally speaking, the proportion of farmers receiving aid out of the total number of farmers in the less-favoured areas is lower in the countries of the south (Italy, Portugal, Greece and Spain) than it is elsewhere.

On the one hand, the property structure of these countries is based on a large number of farms, each covering a very small area. As a result, many farms are not of a sufficient size to achieve the eligibility threshold, in spite of the fact that, as far as these countries are concerned, the minimum limits for the granting of aid have been lowered. One example of this is Italy, where 29% of farms are less than one hectare in size.

On the other hand, the system was based initially on a subsidy, the amount of which was proportional (within certain limits and, if necessary, with degressivity and thresholds) to the number of livestock units kept; this corresponded in the mid-70s to the dominant technico-economic initiatives in the less-favoured areas of the Europe of the nine, whether in the humid mountain areas of France and the North of Italy, or on the meadows and pastures of Ireland and the North of the United Kingdom, areas which centred around extensive livestock farming.

⁴³⁾ Total Liquidatable Units

Table 19 - PERCENTAGE OF NUMBER OF RECIPIENT FARMS

	1982	1983	1984	1985	1987
BELGIQUE	62	60	57	67	66
DANMARK	-	-	-	-	-
DEUTSCHLAND	26	26	29	46	59
HELLAS	55	57	56	47	36
ESPAÑA	-	-	-	-	17
FRANCE	34	34	34	38	40
IRELAND	70	52	52	69	77
ITALIA	18	-	6	5	10
LUXEMBOURG	61	57	56	74	72
NEDERLAND	2	-	-	-	-
PORTUGAL	-	-	-	-	22
UNITED KINGDOM	75	74	74	58	59
EUR 12	35	28	30	27	27

Source: Eurostat 1987, CEC DG VI FII-1

Table 20 - COMMITMENTS UNDER EAGGF GUIDELINES

MECU	Article 15 of Reg. (EEC) 797/85					Variation 87-91
	1987	1988	1989	1990	1991	
BELGIQUE	2.5	2.4	2.3	2.3	2.2	-11.7 %
DANMARK	-	-	-	-	-	-
DEUTSCHLAND (1)	65.3	74.6	84.5	86.1	88.0	34.8 %
HELLAS (1)	11.6	24.6	36.0	57.2	62.9	442.1 %
ESPAÑA	10.0	32.3	24.6	58.9	62.5	525.4 %
FRANCE (1)	34.1	43.8	5.8	107.3	73.3	114.9 %
IRELAND (1)	32.0	36.9	42.8	38.0	63.7	99.1 %
ITALIA	-	2.4	23.5	11.9	29.8	1143.3 %
LUXEMBOURG	2.9	1.6	1.8	2.4	2.3	-20.0 %
NEDERLAND	-	0.1	0.1	0.3	0.2	118.0 %
PORTUGAL	-	19.4	24.6	35.2	29.9	54.2 %
UNITED KINGDOM	37.4	41.1	36.8	42.3	44.2	18.1 %
EUR 12	195.8	279.2	282.8	441.9	459.1	134.5 %

(1) - Significant extension during the period under consideration

Source: CEC DG VI FII-1

In the course of the 1980s, as the Community has grown larger, initially to include Greece and then Spain and Portugal, the production model for less-favoured areas has changed considerably, and mixed approaches, or simply crop production, have emerged as more important in Mediterranean areas

The smallness of the number of recipients results in a lack of data, given that not all national administrations pay the same degree of attention to the application of the Directive, and that efforts to promote the scheme in the countries of the south are less intense than those made in other countries, although the rate of co-financing often reaches 65%.

The adoption of eligibility ceilings, both in Community regulations (as units of cattle) and in national legislation, did not take place initially in order to concentrate the aids on farms which had the greatest need, and so as not to exclude large farm units. It can also be seen that farms of very small size were excluded because the amount of compensatory allowance would not have been sufficient to maintain them. Nevertheless, a number of Member States have introduced conditions which limit the amounts from which large farms may benefit:

- maximum amount per farm⁴⁴⁾;
- maximum number of units entitled to premium⁴⁵⁾;
- modulation of the premium according to successive sections of livestock, with a steep degressivity for the upper sections⁴⁶⁾.

The guidelines for the measure underwent significant modification in 1989 through the introduction of two new restrictions:

- the granting of the compensatory allowance by Member States is limited to 1.4 livestock units/ha of land under fodder crops;
- the maximum eligible amount for co-financing by the Community is limited to the financial equivalent of 120 units per farm⁴⁷⁾.

The first restriction thus marks the intention of the Commission not to encourage the development of production and to protect the environment. The purpose of the second is to control expenditure. It is still too early to measure the real impact of these two new restrictions and, in particular, the second platform of 120 units, which seems too high to have a significant effect on a sufficient number of large farms.

⁴⁴⁾ Belgium, Ireland, Greece, Germany, Calabria and Sardinia.

⁴⁵⁾ France, Luxembourg, Greece and Sicily.

⁴⁶⁾ Spain, Portugal and 16 Italian regions.

⁴⁷⁾ See page 10.

In certain regions, the system of granting public subsidies, and in particular that relating to compensatory allowances, has operated effectively by ensuring a high level of compensation for natural handicaps. Thus, according to the results of the RICA, farm incomes in less-favoured areas are almost identical to those obtained in normal areas in both the United Kingdom and Belgium

In the United Kingdom, the correlation existing between the amount of the aid and the number of head of cattle has encouraged an increase in the number of animals per farm. In certain areas of low production, this trend has led to the practice of over-pasturing. It is for this reason that consideration is being given at the present time to the introduction of increased compensatory allowances to the benefit of farms operated along more extensive lines, by application of Article 19 of Regulation (EEC) No 2328/91⁴⁸⁾.

5 1. Administration of the measure

In accordance with their administrative structure, Member States lay down national provisions which limit or supplement the general criteria defined by Community legislation. The Commission, for its part, must ensure the conformity of national provisions with regard to Community legislation. Like the other measures provided for by Regulation (EEC) No. 2328/91, national provisions are discussed and voted on within the STAR⁴⁹⁾ Committee, in line with the procedure laid down for management committees

The data submitted to the Commission by Member States reveal that an average of 12% of farms in the Community benefit from a compensatory allowance. The number of recipient farms had reached 1.16 million in 1989. The principal problems which characterize the measure derive from its application on a large scale and from the fact that the granting of aid is not subject to requirements to keep land under crops or to maintain it, which must be satisfied by the beneficiary. The decision whether to pay compensatory allowance is reached on the basis of a declaration completed by the applicant. The success of a system of this kind, under which the number of beneficiaries is high, rests upon the confidence of the administration in the declarations, backed up by random checks, in conjunction with which some Member States have pointed out that the introduction of a more systematic means of checking would involve high costs in excess of any economies which may be achieved. Only Ireland and the United Kingdom have a system in place for the regular checking of declarations and farms, the frequency of which is between one and four years.

⁴⁸⁾ See page 9

⁴⁹⁾ Agricultural Structures and Rural Development Committee

5.2. Budgetary considerations

The compensatory allowance represents the most important socio-structural measure in the budgetary sense from amongst those financed by the EAGGF initiative. The recent development of repayments effected under the EAGGF initiative to Member States has revealed a considerable increase in expenditure, which has moved from about ECU 200 million in 1987 to 460 million ECU in 1991; this represents an increase of 135% in five years (Table 20). In 1991, repayments to Member States represented 19% of the total expenditure of the fund for the initiative. This figure was to work out at 35% for the period 1987-1990. On the basis of an indirect action, Member States incur the expenditure first; the Commission then verifies the eligibility of the expenditure and pays a refund to the Member State in accordance with differentiated rates of co-financing:

- 65% : Greece, Ireland and Portugal;
- 60% : Overseas *Départements* (France);
- 50% : Corsica, Spain (objective 1⁵⁰⁾, severely disadvantaged areas⁵¹) and Italy;
- 30% : Northern Ireland;
- 25% : Belgium, Germany, France (excluding objective 1), Netherlands, Luxembourg, United Kingdom (excluding objective 1), and the rest of Spain

Unlike the premiums provided by the common organizations of agricultural markets, which are paid in their entirety under the EAGGF guarantee, compensatory allowances are largely financed from the national budget in the majority of countries, which could encourage Member States to impose restrictions on the conditions under which they grant aid.

The EAGGF initiative provides total co-financing for the Member State up to a maximum of the first 60 units per farm and, above that number, is reduced by one half up to a limit of 120 units per farm, on the basis of the aforementioned rates of co-financing. Beyond 120 units per farm, all expenditure is borne by the Member State.

The budgetary funds available to Member States play a major role in the national modulations of the aid. The majority of countries in the south apply levels of premium per unit which are on the whole below the maximum authorized by Community legislation.

According to estimates, the expenditure generated by the measure should be of the order of ECU 500 million in 1992 and ECU 600 million in 1997 (at 1992 prices). This trend will make it necessary to rethink the measure in order to make it more efficient and better suited to the objectives which led to its creation.

⁵⁰⁾ To promote the development and the structural adjustment of regions whose development is lagging behind

⁵¹⁾ Regulation (EEC) 1941/90.

5.3. Classification

The classified agricultural area has increased from 43.5% of the total agricultural area in 1984 to 55.1% in 1991⁵²⁾ (Table 21). This progression is explained by the accession of Portugal and Spain to the Community during this period, countries in which the proportion of less-favoured areas is very high, as well as by the numerous reclassifications which have taken place. It is appropriate to draw attention to the development which has taken place in Ireland (55% to 71%) and in Germany (from 33% to 54%). It is only in Luxembourg, Portugal and Belgium that the area covered by the less-favoured areas has not increased during the period in question, which, in the case of the first of these countries, can be explained by the fact that the entire agricultural area was classified as less-favoured in 1984.

Political circles and the agricultural professional associations in the Member States are able to justify the classification of areas of land as less-favoured areas on the basis of new restrictions introduced into the CAP and the reductions in market prices which have produced negative consequences for farm incomes.

The 1970s was a decade marked by the slipping of market support policy due to the accumulation of surpluses in most sectors, and to the inflation of export refunds and the corresponding budgetary costs. The decade of the 80s was characterized, for its part, by the creation of budgetary stabilization mechanisms for the majority of common organizations of the market, with the aim of containing the increasing costs resulting from the application of previous policy. Milk quotas in 1984, the coresponsibility levy on cereals in 1986, and the maximum guarantee amounts extended to the majority of products in 1988 may thus be quoted as examples. By extending these areas, the Member States sought to obtain compensation for farmers on the basis of the multiple advantages granted in less-favoured areas, such as the compensatory allowance, the increase in the levels of co-financing for investments, the increase in premiums for sheep and goats, and the partial (1977) and then total (1989) exemption from payment of the milk coresponsibility levy, thereby counteracting the falls in farm incomes suffered as a consequence of the application of stabilizing mechanisms.

Certain countries also propose to compensate for losses in income resulting from the revaluation of their currency by enlarging the less-favoured areas and by granting direct income support in non-classified areas.

These massive transfers of areas previously considered as normal into the category of less-favoured areas are leading to a readjustment of the parameters which permit the definition of these zones (crop yields, agricultural incomes, and the ratio of active agricultural population and total active population, etc.), by weakening the concept of the "less-favoured area".

⁵²⁾

See page 11

Table 21 - DEVELOPMENT OF THE PERCENTAGE OF LESS-FAVOURED AREAS IN THE TOTAL AREA

Directive 75/268	1 10.84	20 2.85	3.6.85	1 11 85	23.5.86	22 10.87	23.9.8	1 1 89	16 10.89	18.12.90
BELGIQUE	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9
DANMARK	-	-	-	-	-	-	-	-	-	-
DEUTSCHLAND	33.1	33.1	33.1	33.1	50.9	50.9	50.9	50.9	53.6	53.6
HELLAS	67.7	67.7	78.2	78.2	78.2	78.2	78.2	78.2	78.3	78.3
ESPAÑA	-	-	-	-	62.4	62.4	62.4	62.4	63.0	63.0
FRANCE	36.7	36.7	37.1	38.5	38.5	40.0	40.0	40.0	45.1	45.1
IRELAND	55.4	55.4	58.0	58.0	58.0	58.0	58.0	58.0	58.0	58.0
ITALIA	47.0	50.5	51.1	51.1	51.1	51.1	51.1	51.9	51.9	51.9
LUXEMBOURG	99.0	99.0	99.0	99.0	99.0	99.0	99.0	99.0	99.0	99.0
NEDERLAND	0.9	0.9	0.9	0.9	0.9	1.6	2.4	2.4	2.4	2.4
PORTUGAL	-	-	-	-	75.6	75.6	75.6	75.6	75.6	75.6
UNITED KINGDOM	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.6
EUR 12	43.5	44.6	44.7	45.4	51.6	51.9	51.9	52.0	53.6	53.6

Source: CEC DG VI FII-1 based on national data

It is difficult to apply the concept of "homogeneous area from the point of view of natural production conditions" to very extensive agricultural areas, in view of the fact that farms cover a multitude of very different situations and the area in question includes, in increasing proportions, systems of farming which do not require to be supported by a policy with the objective of compensating for permanent natural handicaps. The effects of such a policy continue to diminish in terms of equity.

Once a particular area has been classified as "less-favoured", it is difficult to change its status. The major proportion of the less-favoured areas was defined 17 years ago. A fair number of the socio-economic indicators which served as the basis for classification as less-favoured areas have improved in some of these areas, yet no Member State has proposed to the agencies of the Commission that they should be declassified. In fact, the entire approach is one which considers the status of less-favoured area is a right which, once acquired, cannot be withdrawn.

C. THE FUTURE OF MEASURES FOR LESS-FAVOURED AREAS

Socio-structural policy and, in particular, the specific measures provided for less-favoured areas provide Member States with considerable latitude with regard to their implementation. The principle of subsidiarity applies, based on the idea that a measure is administered more efficiently at the level of the Member State. The criteria for the definition of a less-favoured area away from the mountains, which are above all of a socio-economic type and are not simply defined on the basis of physical characteristics, have previously been specific to each Member State. In those States which have a decentralized administrative structure, the handicap is defined on a regional scale.

An analysis of agricultural incomes reveals that, according to the Member States, the concept of the less-favoured area covers very different socio-economic situations, and that, in the majority of countries, an attempt is being made, via the policy implemented in their favour, to provide compensation for these handicaps by bringing the financial results of the farms in less-favoured areas closer to those of the farms which enjoy normal conditions. When examined at Community level, this may lead to the granting of compensatory allowances to farmers whose farm incomes exceed even the Community average in normal areas.

It is possible to identify a certain sideways movement in the application of the instrument which includes the following factors:

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- the increase in the budgetary charge for the measure, an annual rate of progression of expenditure, and reduced opportunities for the Commission to control its evolution.
- The current vast extent of the classified areas, which, although they satisfy the parameters which permit them to be regarded as such, cover a very wide range of socio-economic situations for which the same form of support may serve only to reinforce existing disparities, and which the various national methods may further accentuate.
- During the last decade, it was possible to observe the systematic recourse to classification procedures on the part of the national authorities, with a view to profiting from the available advantages, in these areas, in order to make up for losses in income which derive from the restrictive price policy.
- A limited effect on the maintenance of the agricultural population and the conservation of natural species, of such a kind as to prevent the decline of rural areas
- The inadequacy of the application of this type of support to the production structures of Mediterranean Europe.

In order to produce a more effective instrument in the interest of economic and social cohesion, it would be appropriate to revise support policy in favour of the less-favoured areas.

Delors Package II⁵³⁾ provides for a re-examination of the measures aimed at the achievement of Objective 5a), so as to ensure greater coherence in relation to the accompanying measures of the CAP and to rural development activities, in particular Objective 5b)⁵⁴⁾. The principal horizontal measures⁵⁵⁾ concerning production structures would be integrated into the accompanying measures of the CAP, with the necessary financial means being guaranteed within this new framework. Other measures, such as the processing and marketing of agricultural products would have a ceiling imposed on their allocation and would be aimed at the areas covered by Objectives 1 and 5b).

The reform of the CAP and the commercial agreements of the Community within the context of the GATT⁵⁶⁾ will also determine the socio-structural policy of the Community and, in particular, the policy for the support of less-favoured areas.

The proposals by the Commission for the reform of the common organization of the market for beef envisage a reduction of 15% in the intervention price compensated by premiums per head of cattle for livestock farms where the feeding system is based on grass. The maximum rate of charge for the granting of aid will fall progressively to 2 livestock units per ha of area under fodder crops (in 1996). This fall in the production price is intended to make beef produced by an extensive system competitive in relation to that meat which is produced intensively and to white meats, such as pig meat or poultry, which, since they make use of concentrated feeds, will benefit from the reduction in the price of cereals.

The objectives of the reform of the CAP in the sheep meat sector are aimed at the adoption of a system of restriction of supply, with a view to re-establishing market prices, which have exhibited a tendency to fall over recent years. With an increase of 10 million head of cattle between 1987 and 1990, the degree of self-sufficiency of the Community reached 83% in 1991. The aim of the aid paid according to a system of the deficiency payment type is to supplement the market price received by farmers and to maintain it in the face of fluctuations in the price of sheep meat. The application of a system of this kind is intended to limit payment, at the end of the third year of application of the reform, of the premium to 500 eligible animals in a normal area and to 1000 in a less-favoured area.

The proposal by the Commission in respect of the reform of the CAP transforms a new concept into an environmental question. On the one hand, it may be imagined that the principal modifications made to the common organization of the market will produce favourable effects in this sense, since the reduction in prices and the granting of guarantees which are not directly linked to the quantities produced should

⁵³⁾ Common Organization of the Market (92) 2000 of 11.2.1992

⁵⁴⁾ To promote the development of rural areas

⁵⁵⁾ Objective 5a) - Adaptation of production structures, processing and marketing of agricultural and forestry products

⁵⁶⁾ General Agreement on Tariffs and Trade

encourage the adoption of practices which are more economical in terms of inputs and more extensive, along the lines of those which are generally conducted in the least-favoured areas; the difference which exists between yields should thus be attenuated.

On the other hand, accompanying measures will be introduced. These differ from the market-related measures in that they are co-financed by the Member State and the Community. In spite of the fact that they are already the subject of Community regulations, these accompanying measures (aids for the environment, afforestation and early retirement) have been strengthened in relation to other horizontal measures.

Increasingly, alongside his production function, the farmer sees himself carrying out an environmental conservation function; this is a function which he fills in the less-favoured areas in particular. He will receive compensation, not just because of the existence of natural and structural restrictions on his production, but also for the performance of services for the local community for the protection of the environment. In addition, the ceiling applicable to the payment of aids in favour of ecological agriculture can be combined with the compensatory allowances; this permits a considerable increase in the level of Community aid payable per hectare. Furthermore, as far as Member States with more severe budgetary problems are concerned, the accompanying measures will be co-financed to the tune of 75%.

In the context of the GATT negotiations, according to the DUNKEL⁵⁷⁾ document drawn up in December 1991, the support measures for agriculture quantified in GSM⁵⁸⁾ are divided into two groups: measures which are subject to a reduction in support, which should fall by 20% during the period 1993-99 in relation to the 1986-88 reference period, and measures which are not affected by the reduction in support, on condition that they do not involve a distortion in competition at the level of trade, that they are neutral with regard to production, and that they do not bring about any transfer of load at the level of the consumer⁵⁹⁾. The conditions imposed by the GATT for entitlement to aid with income are as follows:

- eligibility for these aids must be determined in relation to well-defined criteria (income, type of farm);
- the amounts must not be applied according to the type of volume of production (or in relation to livestock units);
- the amounts must not be set in relation to the use of production factors during the years preceding the basic period;
- production must not constitute a required condition for obtaining the subsidy.

The conditions imposed by the GATT, which are considered unacceptable by the Commission on the grounds that support measures must not be reduced, give rise to problems of compatibility which remain to be examined in more detail, not

⁵⁷⁾ Name of the Secretary-General of GATT

⁵⁸⁾ Global Support Measures

⁵⁹⁾ Measures contained in the "green box"

only with the current method of determining compensatory allowances, but also with the reform of the CAP adopted on 30.06.1992. The entitlement to aids for income is subject to respect of the absence of any correlation between these and production.

The compensatory allowance, which involves the granting of aid per unit of livestock, and which is highly dependent in certain countries on the type of production, may appear incompatible in its present form with the proposals of the GATT. The same is true of certain proposals for the reform of the CAP, more specifically in the animal production sector.

In conclusion, and to the extent that it is possible to make a number of suggestions in order to improve policy in favour of mountain areas and less-favoured areas, the essential choices should not be too far removed from the following guidelines:

- 1 The granting of compensatory allowances has been and remains one of the essential elements of Community policy in favour of these areas. Its continued existence appears to be entirely justified in view of the enlarged scope of this measure (12% of European farmers benefit from it) and its importance for maintaining the level of income of farmers and their families.
2. The reformulation of support policy in favour of less-favoured areas should be the subject of examination at Community level in order to define, in particular, new criteria for the granting of the status of less-favoured area. It should be possible to verify the existence of natural handicaps at regular intervals by updating the socio-economic indicators. This redefinition of the areas could lead to a re-allocation of resources and their concentration in the areas which exhibit the most severe handicaps, which would permit those Member States with fewer financial resources to increase the amount per unit entitled to receive the premium.
- 3 The programming and the partnership applied to the measures which were taken in the context of the realization of Objective 5a)⁶⁰⁾ should lead to the adaptation of support policy for less-favoured areas to specific regional requirements, with a view to making them more efficient, more particularly with regard to the establishment of amounts per unit entitled to receive the premium.

All the work into redefining the areas and adapting the aids should permit the compensatory allowance to be brought into line more easily with the aids permitted by the GATT. Given these partners, the Community must defend the specificity of the compensatory allowances in less-favoured areas where support for agriculture is indispensable for the preservation of the countryside and the maintenance of the population in rural areas.

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See Delors Package II

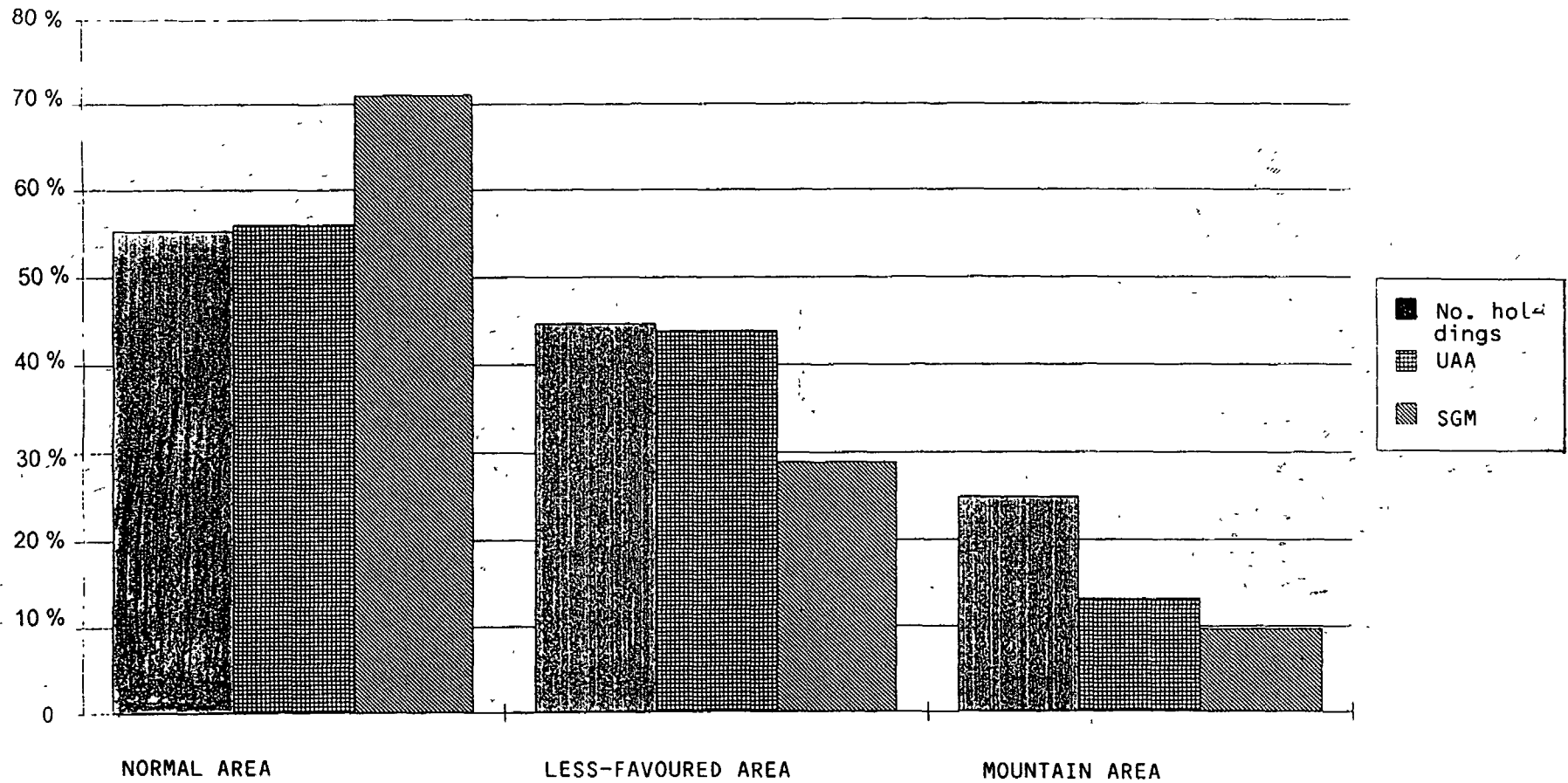
4. In order to ensure the same compensation, irrespective of the type of production, the basic unit of the premium should be reviewed. It would also be appropriate, in parallel, to establish a system of equivalences between animal and plant units, taking as the basis the existing practice in certain countries, in particular in Spain, in order to arrive at a certain equity in the distribution of the amounts.
5. It would be appropriate to provide for greater differentiation between the least-favoured areas (high mountains and small islands, etc.) and the other less-favoured areas. The physical and structural problems in these regions would justify at least the raising of the fixed Community ceiling, if not the introduction of a specific policy, for the granting of aids (fixed at ECU 121.5 since 1987).

In order to take into account not only the disparities deriving from the handicaps from which these areas suffer, but also the specific national characteristics, the raising of the ceiling for the compensatory allowance should be accompanied, above a certain threshold, by a steep degressivity in the amounts paid and the rates of Community co-financing. It would then be possible, on the one hand, to offer a significant compensation to the farms situated in the most difficult areas and, on the other hand, to draw on a useful defence argument for negotiations within the GATT, since the foundation for future modulation of the compensatory allowances will still be linked to additional costs, due to the permanent natural handicaps with which farms situated in less-favoured areas are confronted.

Appendices

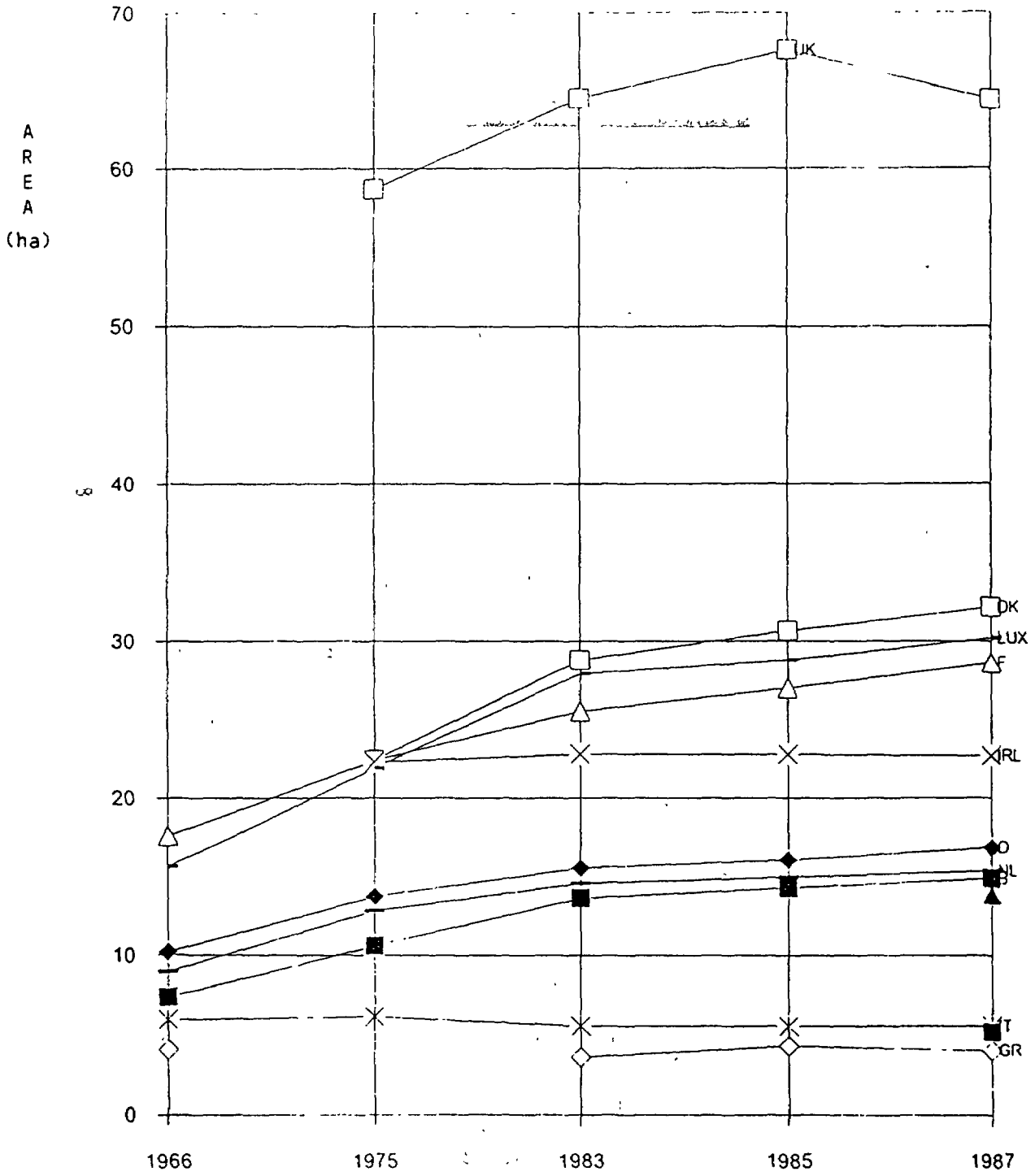
1. GRAPHS

Number of holdings, UAA and production by type of area - EUR 12 - 1987



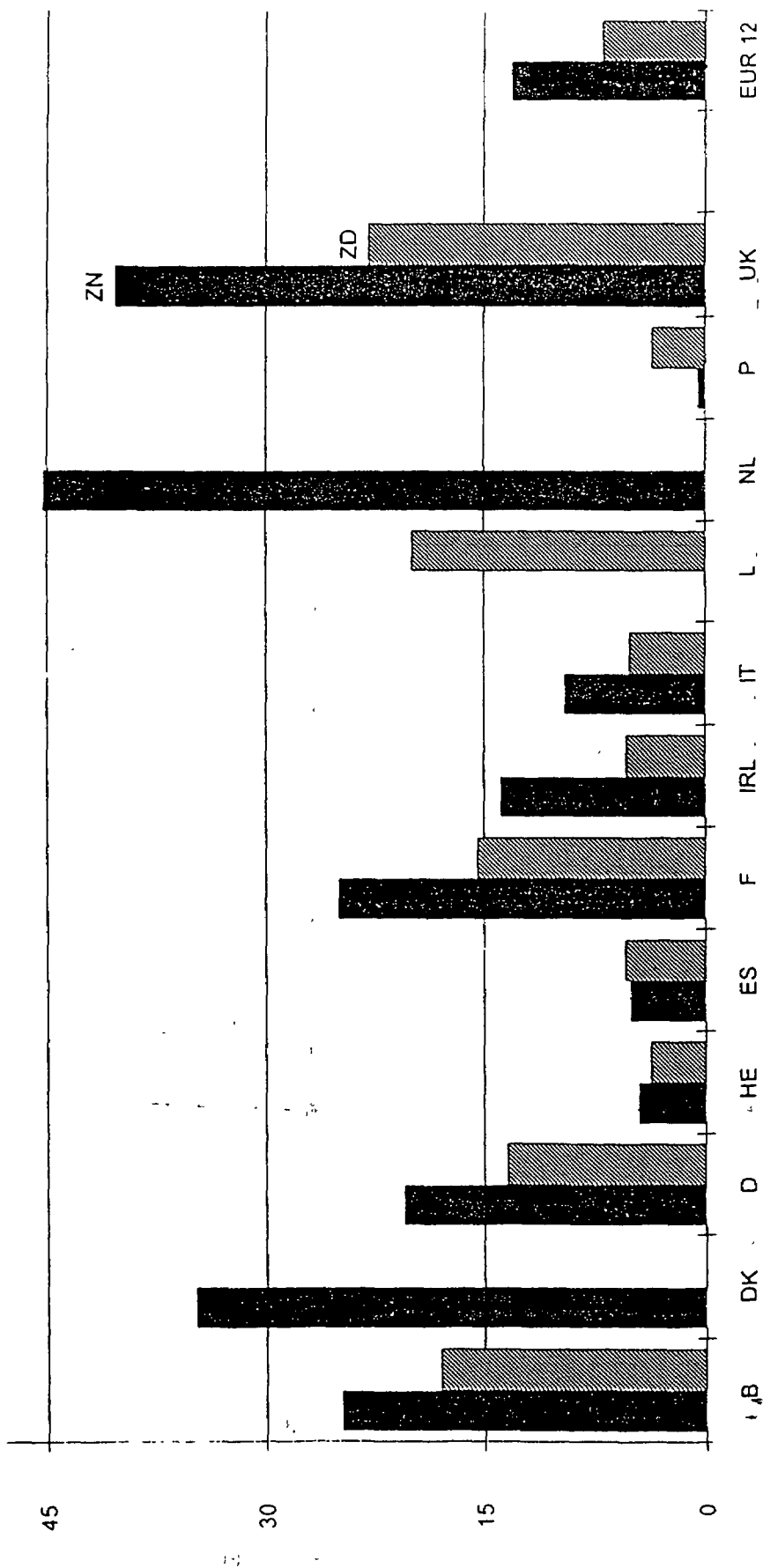
SOURCE : EUROSTAT 1987

Average area per holding 1966-87



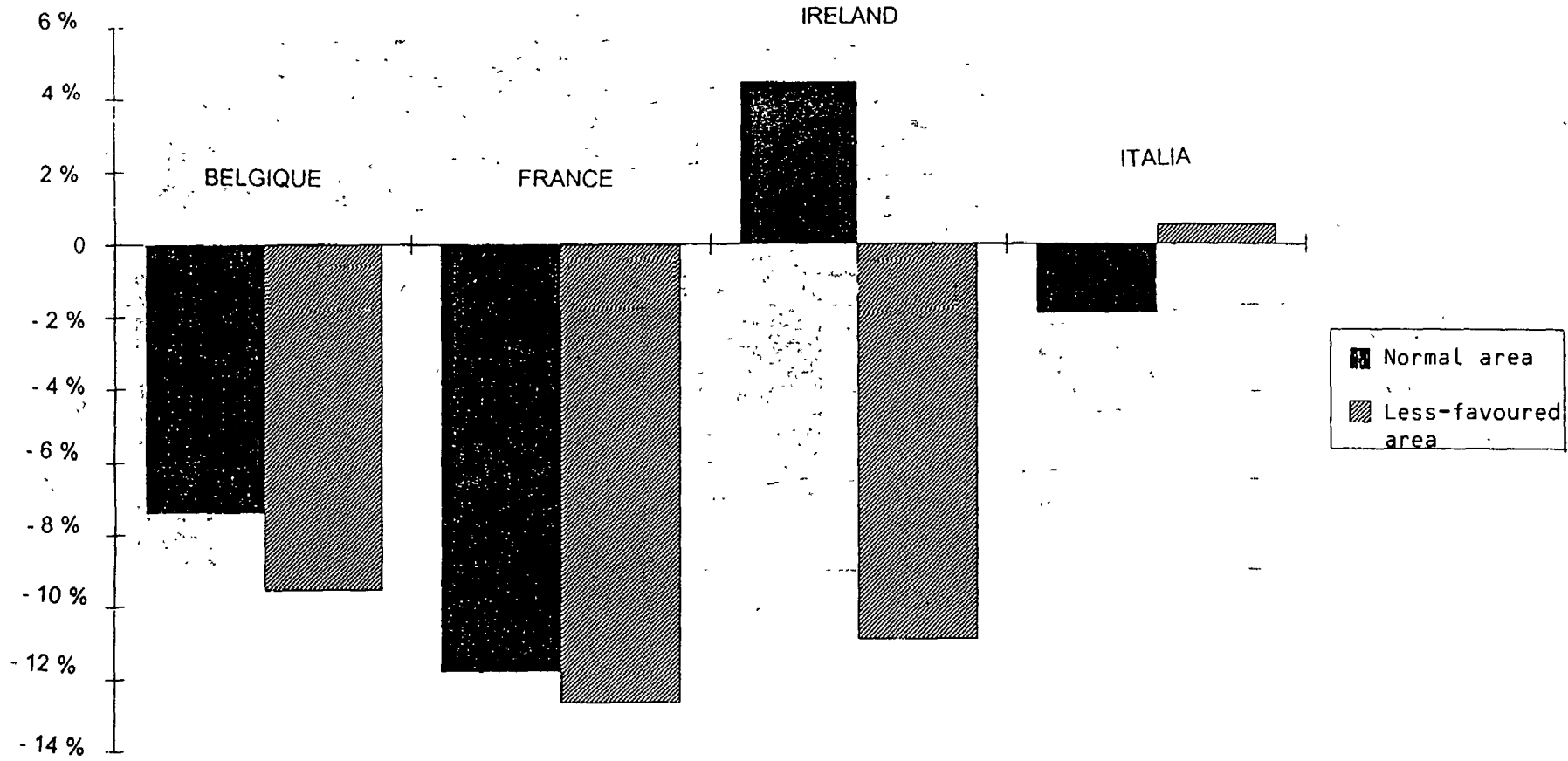
SOURCES: EUROSTAT 1987, EEC DG VI A3

Average Economic Size - 1987



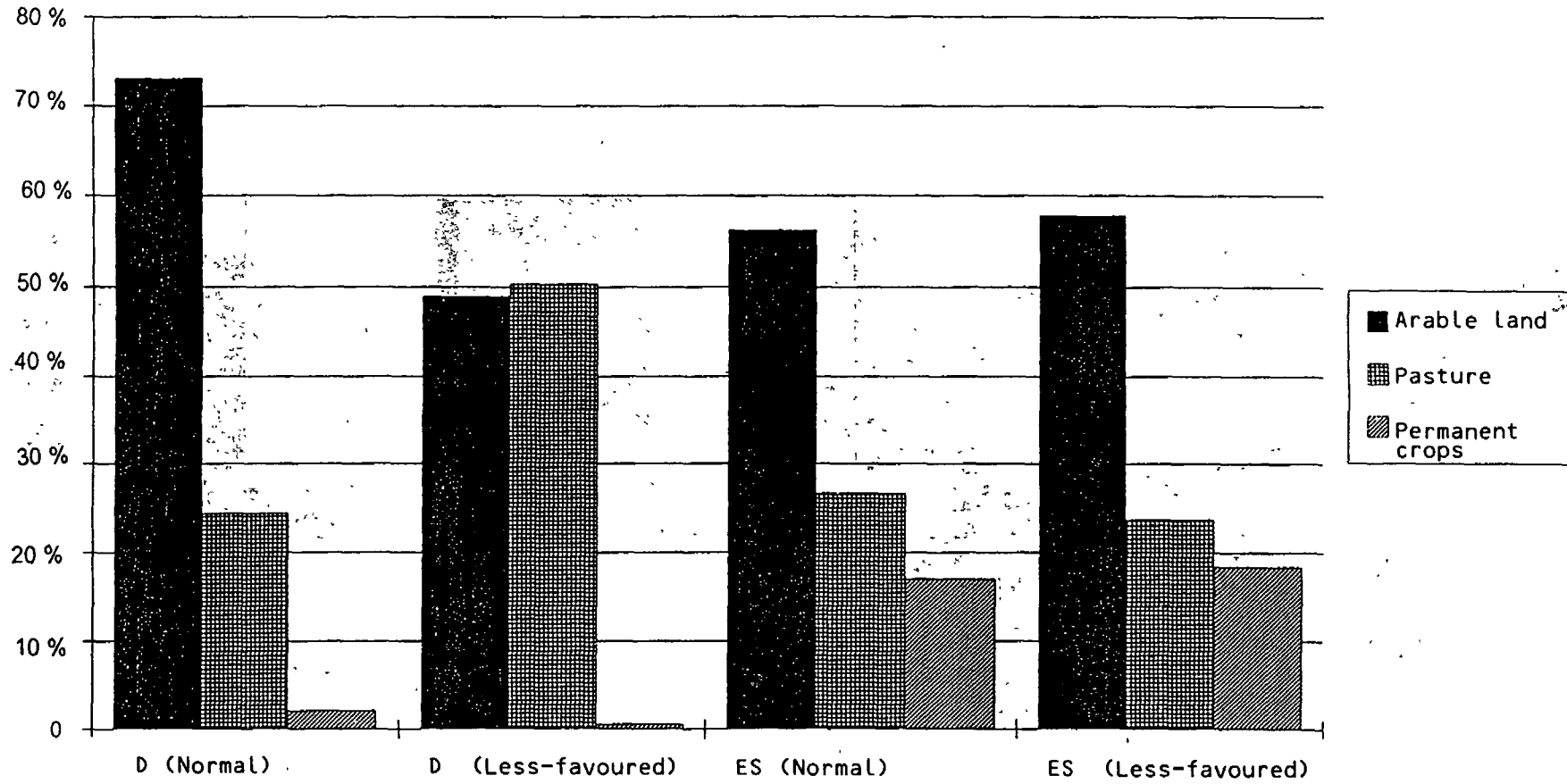
SOURCE: EUROSTAT 1987

Variation in agricultural activity 1983-1987



Sources : Eurostat 1983, 1985 and 1987

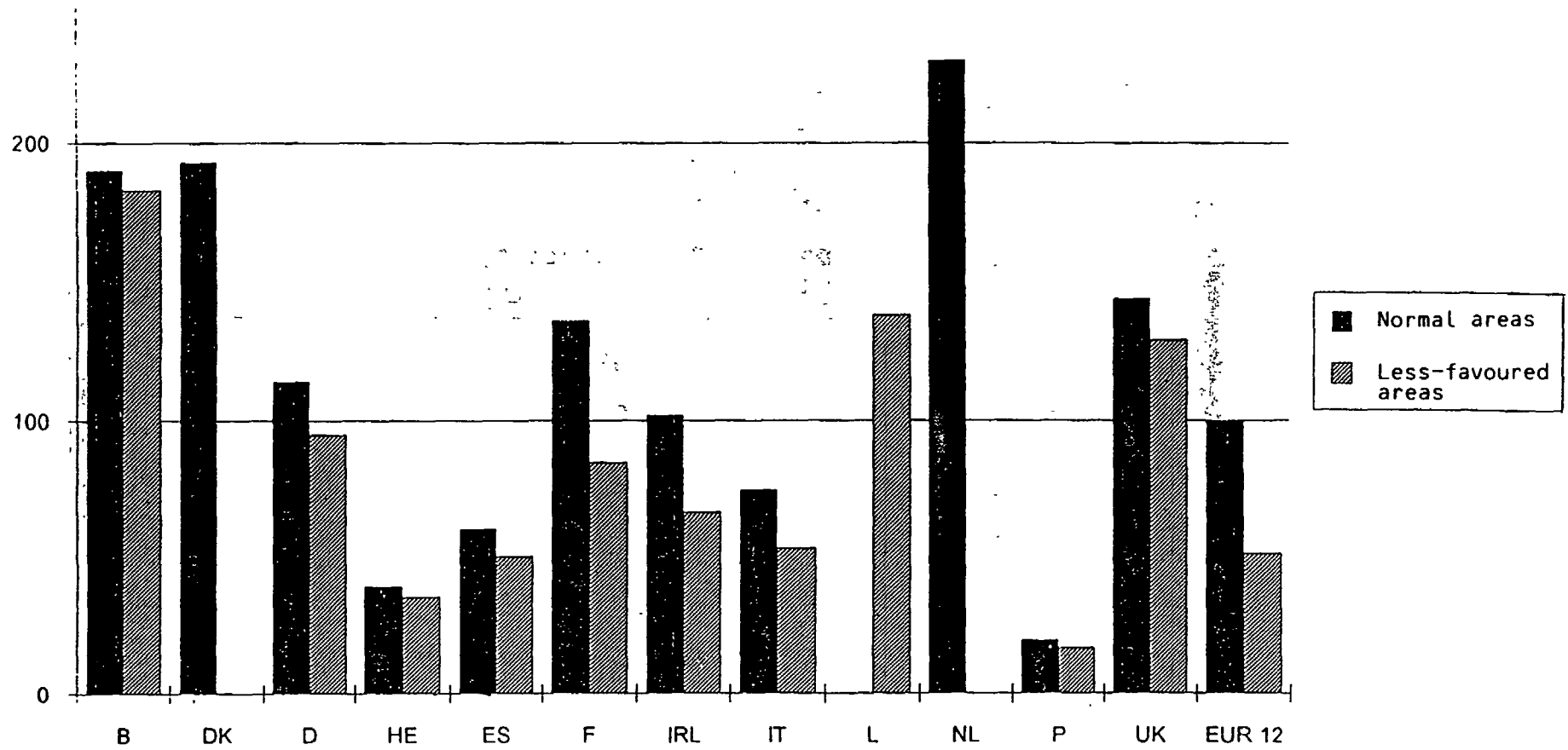
Land use - Germany and Spain - 1987



Source : Eurostat 1987

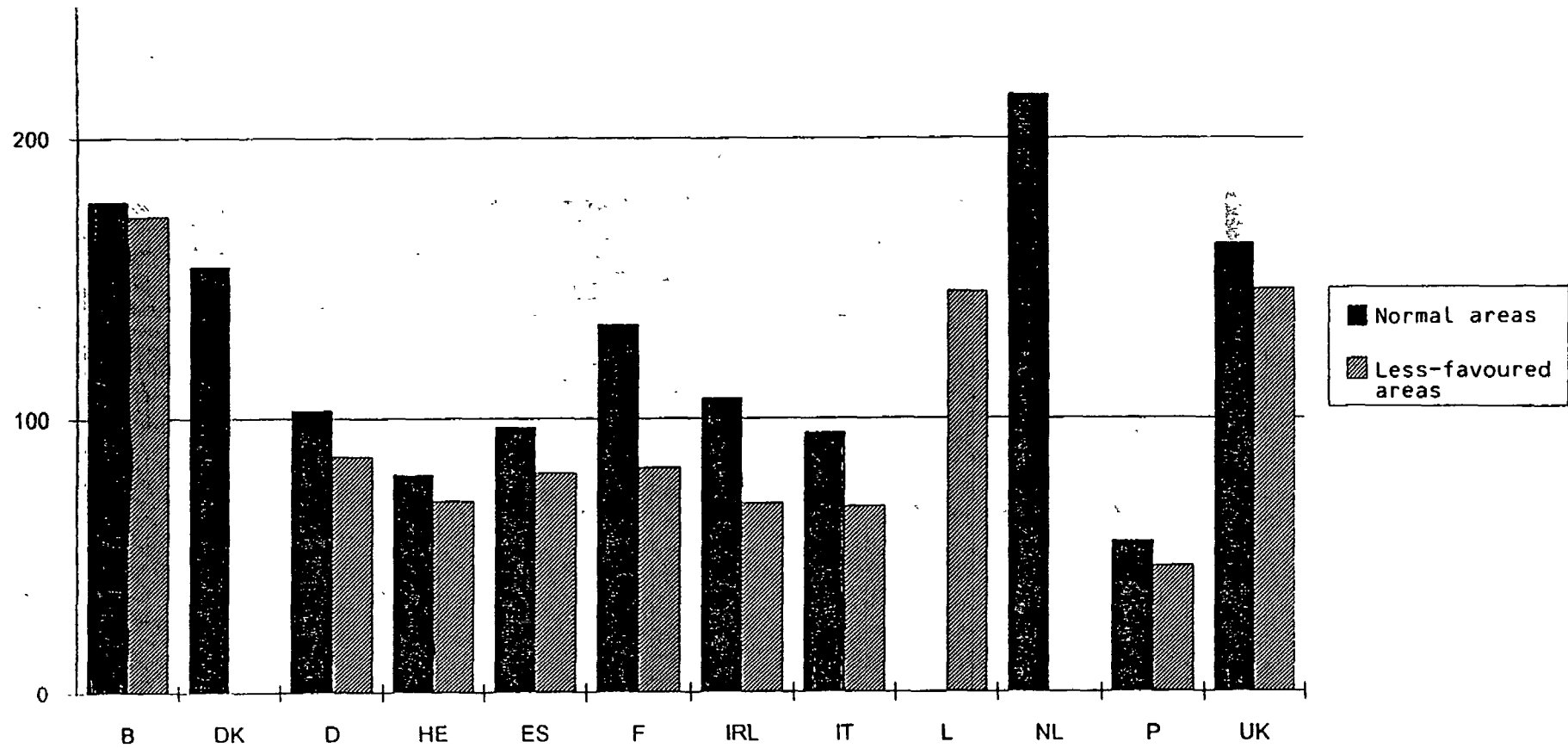
Agricultural Income - FNVA/AWU - Average for the years 1987-88-89

ES



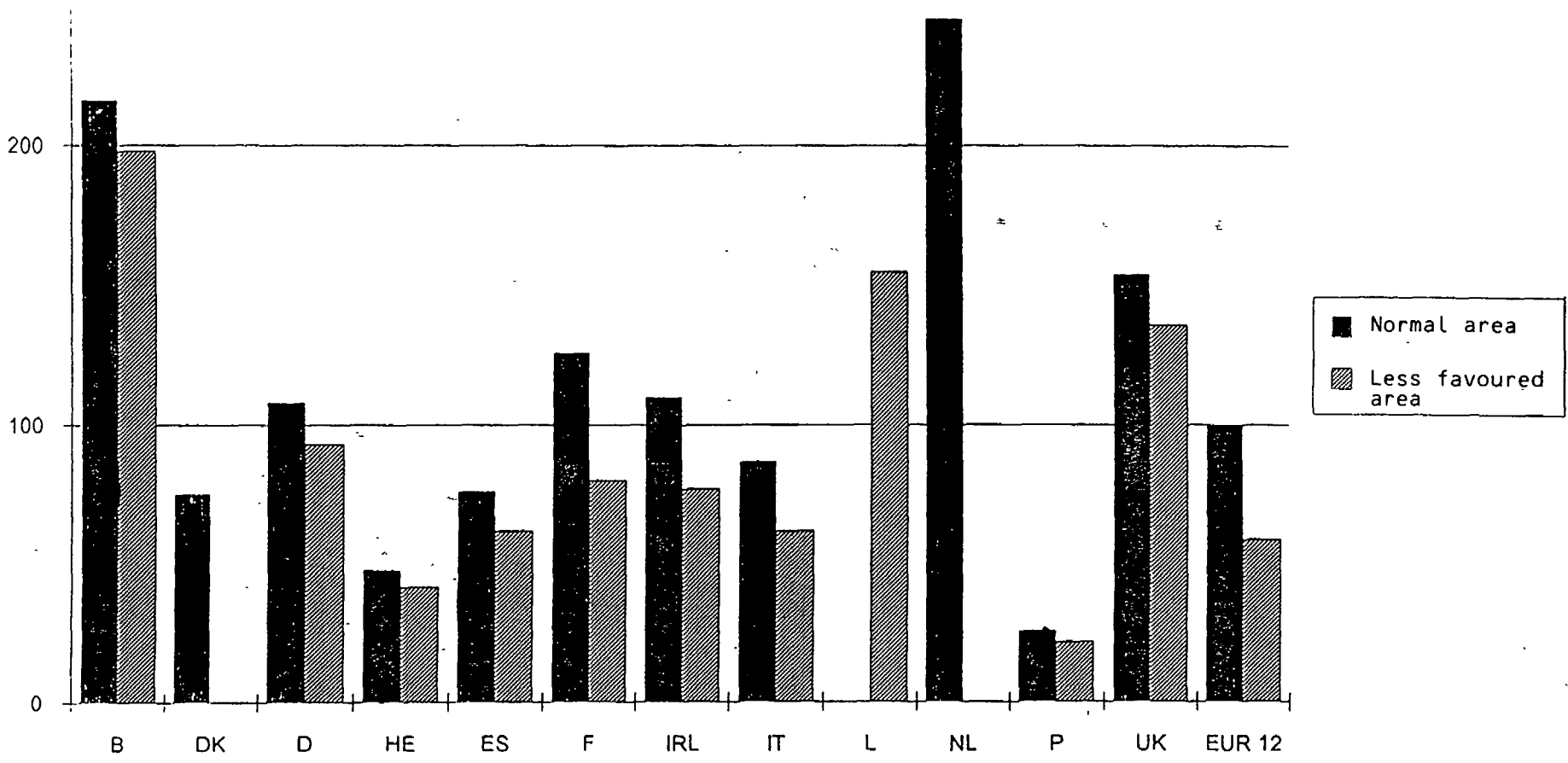
Source : FADN

Agricultural Income - PPP - Average for the years 1987-88-89



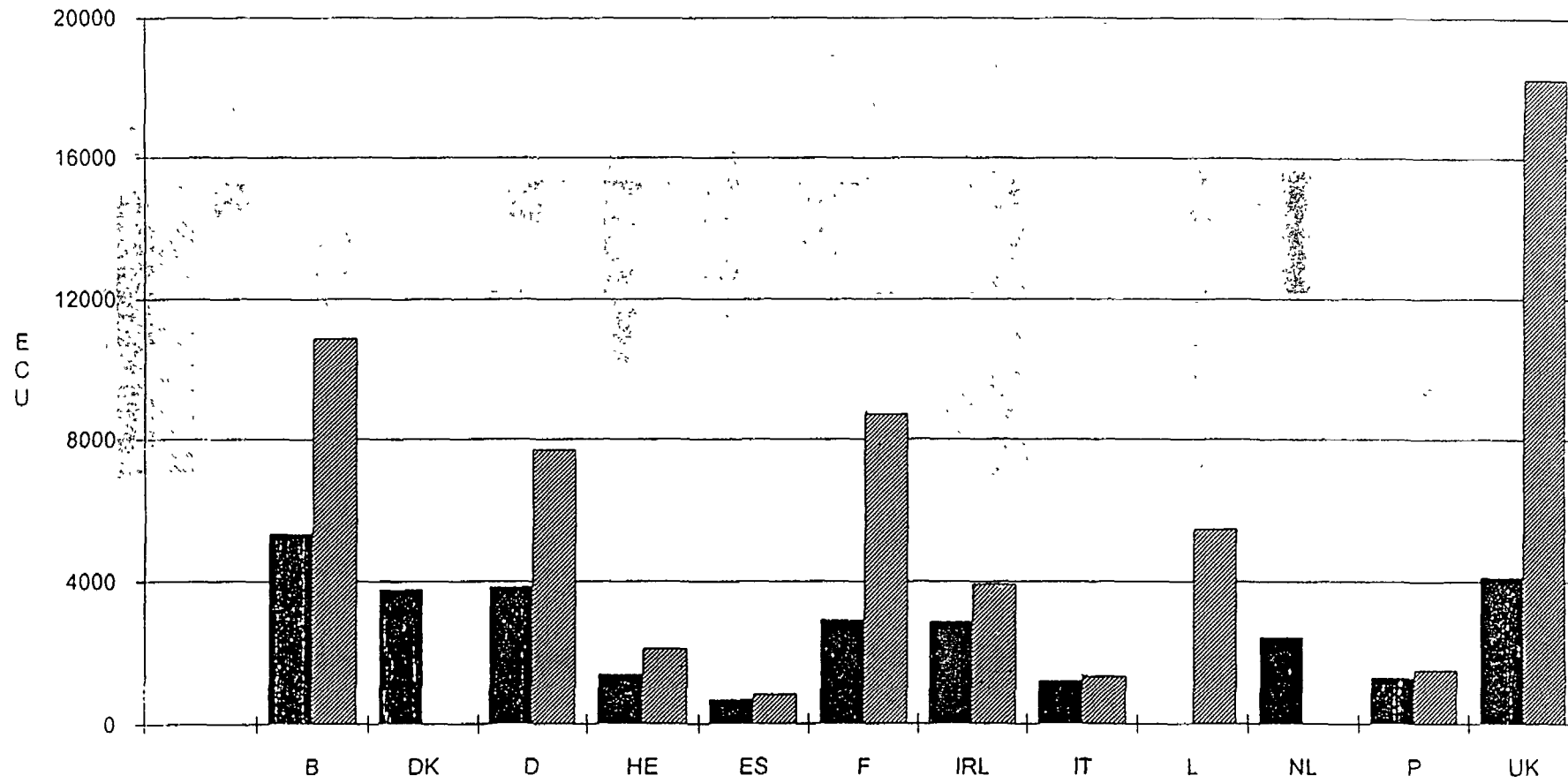
Sources : FADN, Eurostat

Agricultural Income FII/FWU - Average for the years 1987-88-89



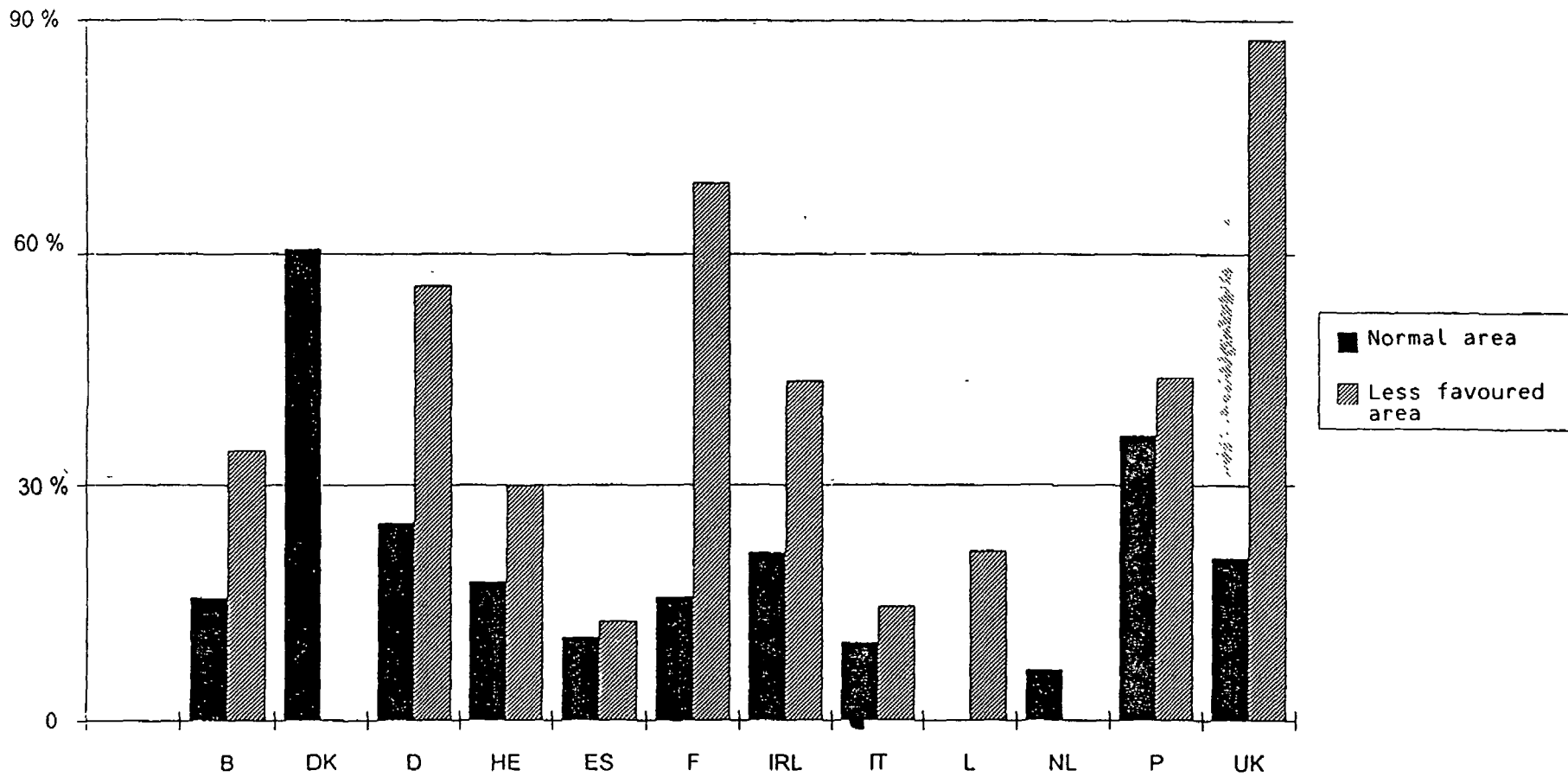
Source : FADN

Total subsidies - Average for the years 1987-88-89



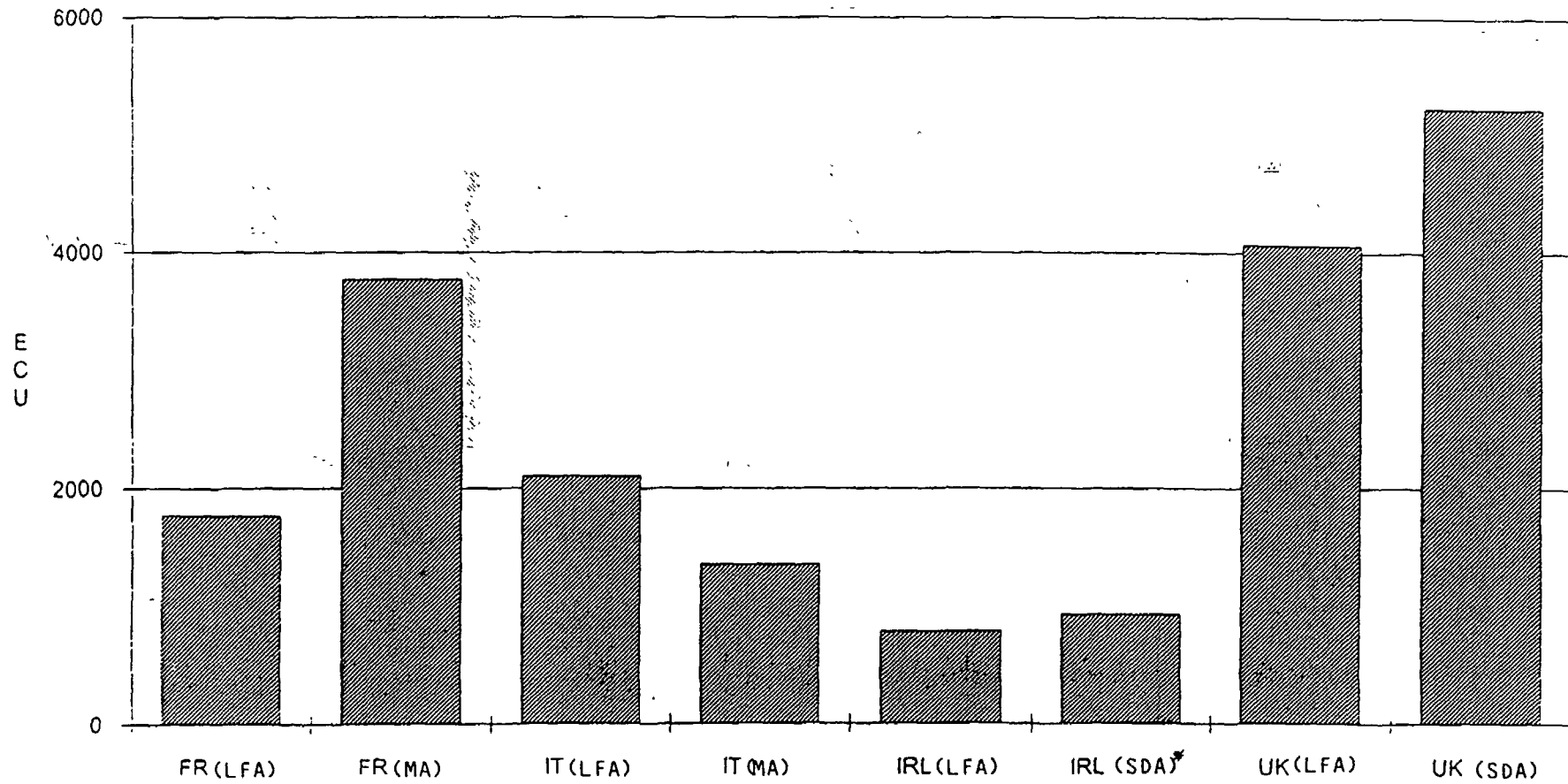
Sources : FADN, EEC DG VI FII-1

Importance of subsidies in agricultural income - Average for the years 1987-88-89



Source : FADN

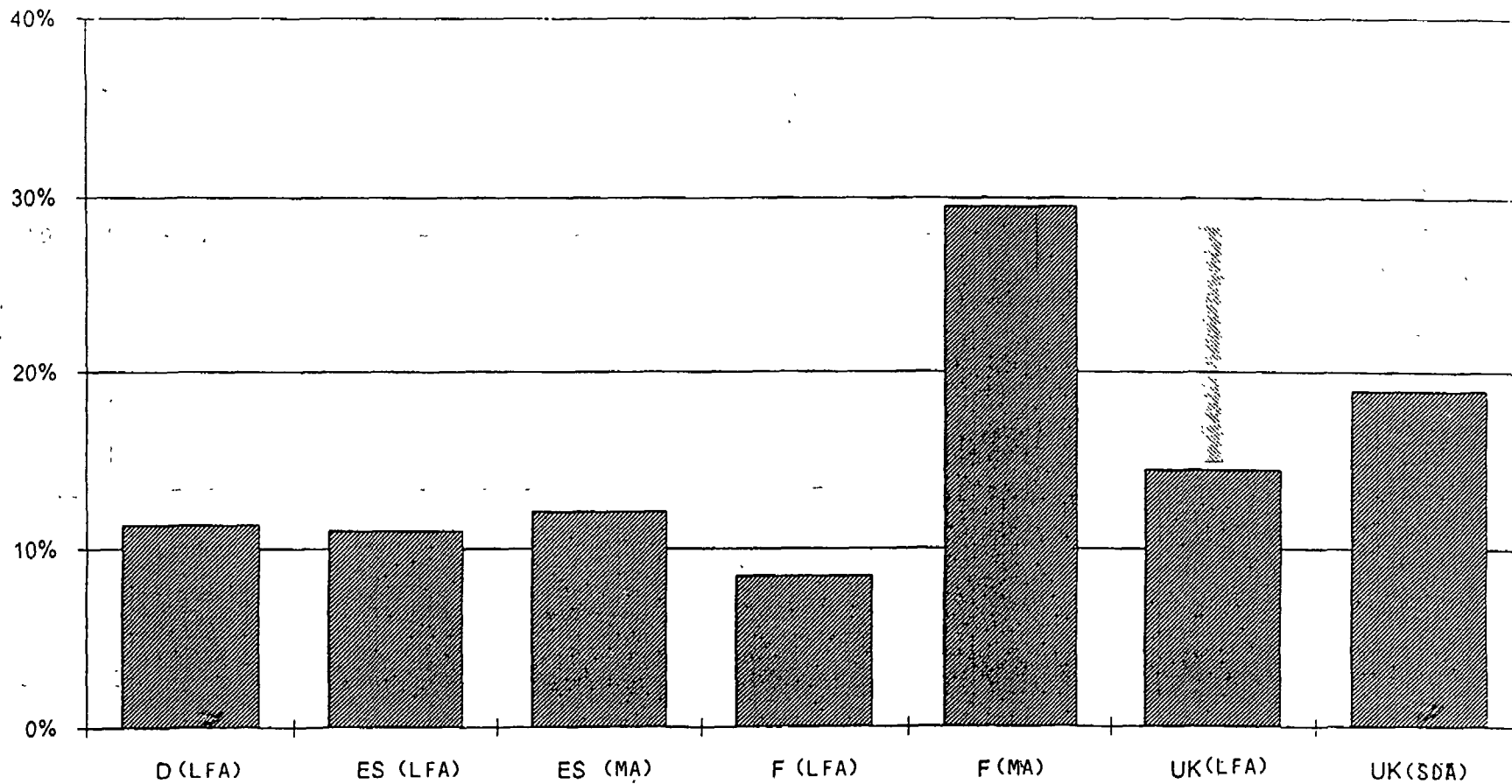
Total compensatory payment - TF: Beef and veal - 1989



*severely disadvantaged area

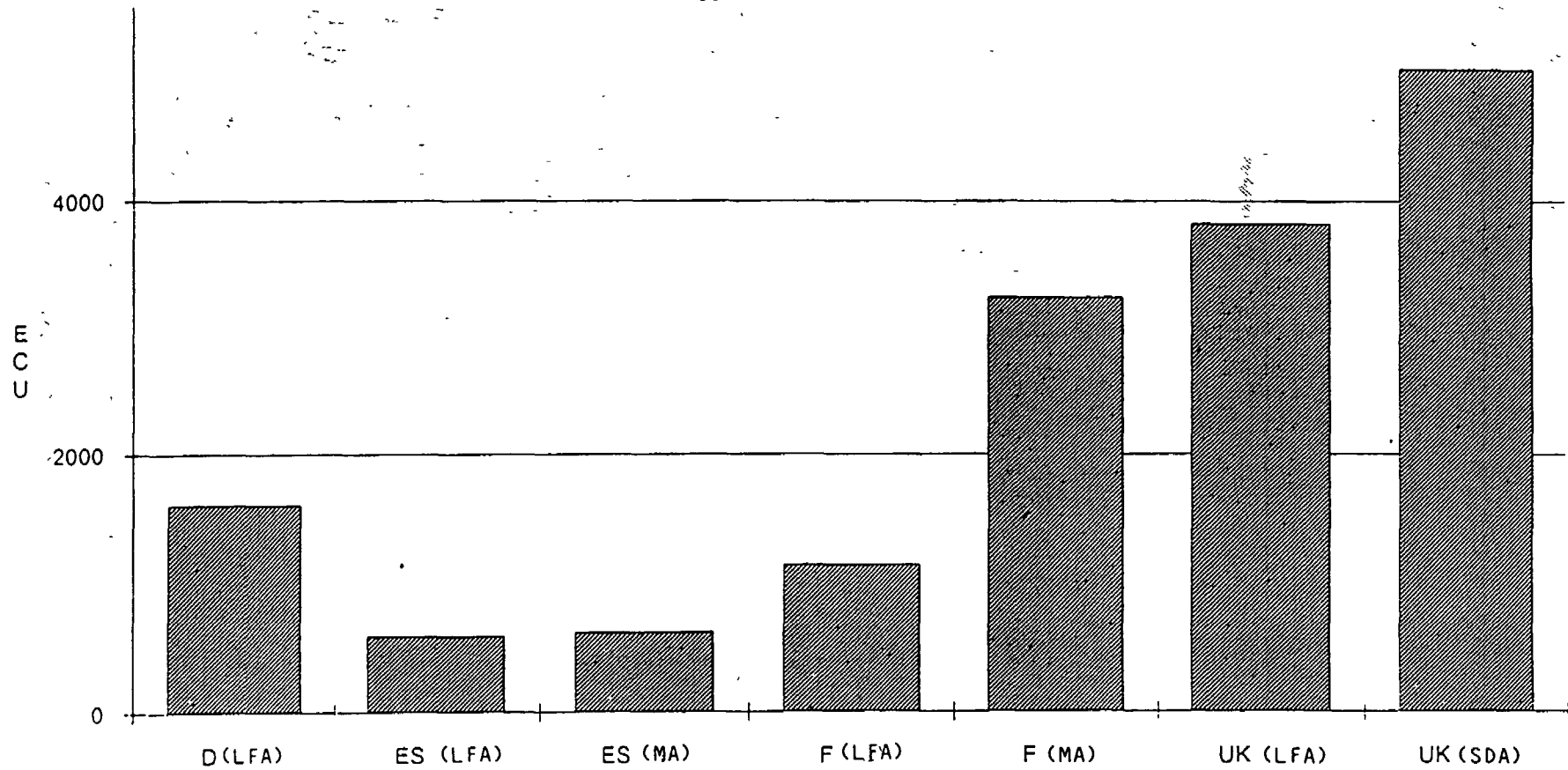
Sources : FADN, EEC DG VI FII-1

Compensatory payment as proportion of agricultural income - TF - Cattle Mixed - 1989



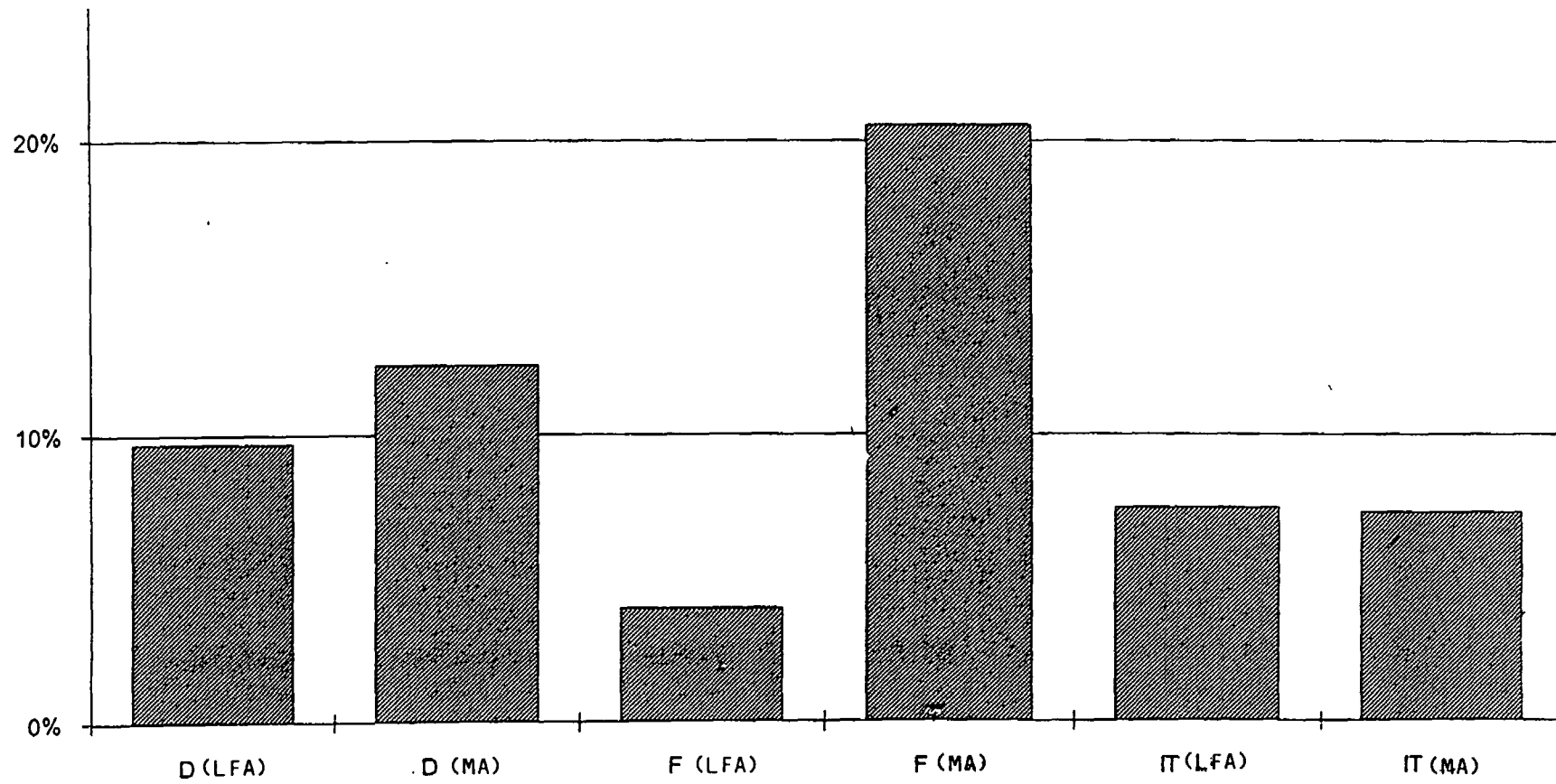
Sources: FADN, EEC DG VI FII-1

Total compensatory payment - TF Cattle Mixed - 1989



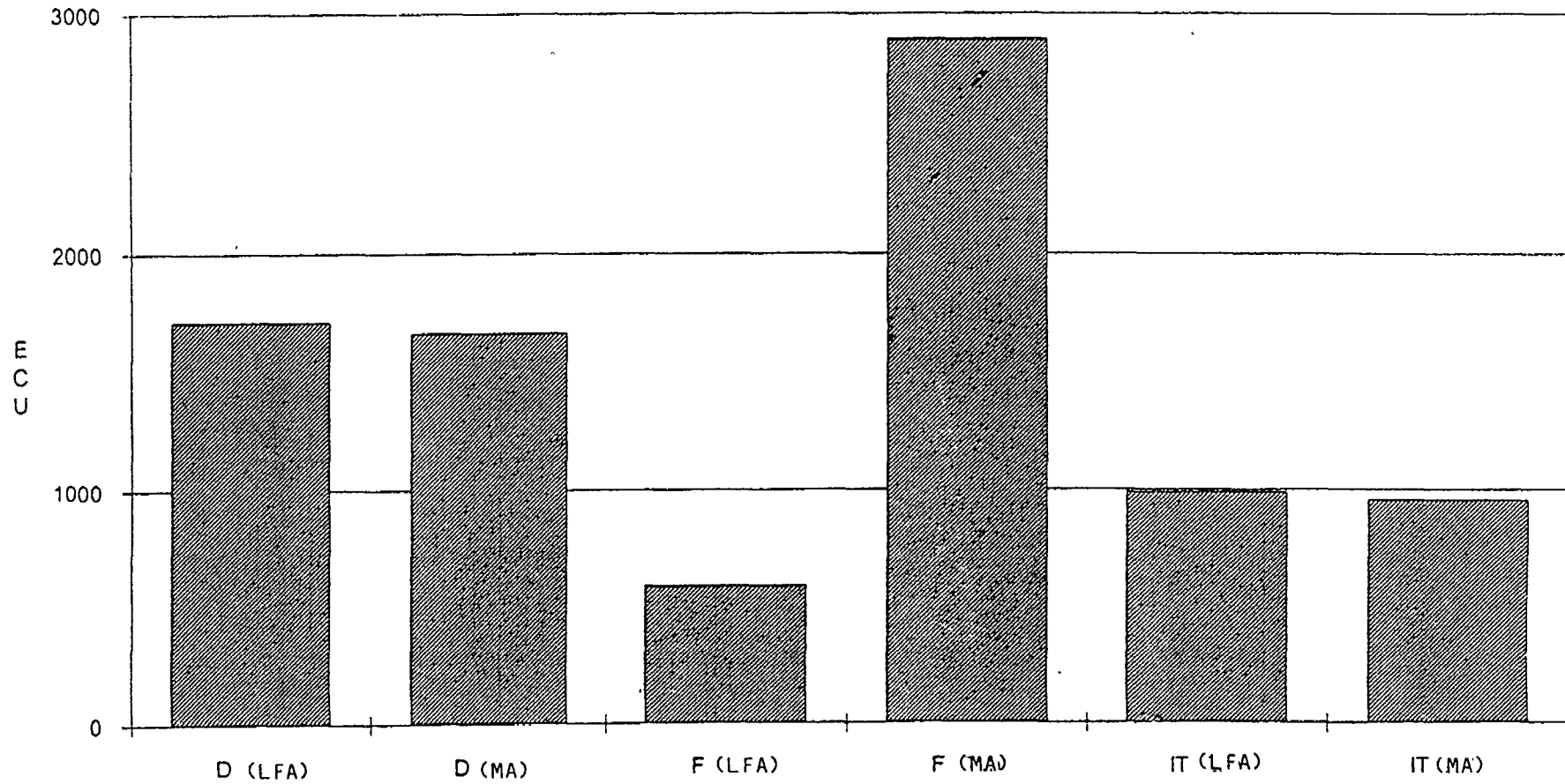
Sources: FADN, EEC DG VI FII-1

Compensatory payment as a proportion of income - TF Milk 1989



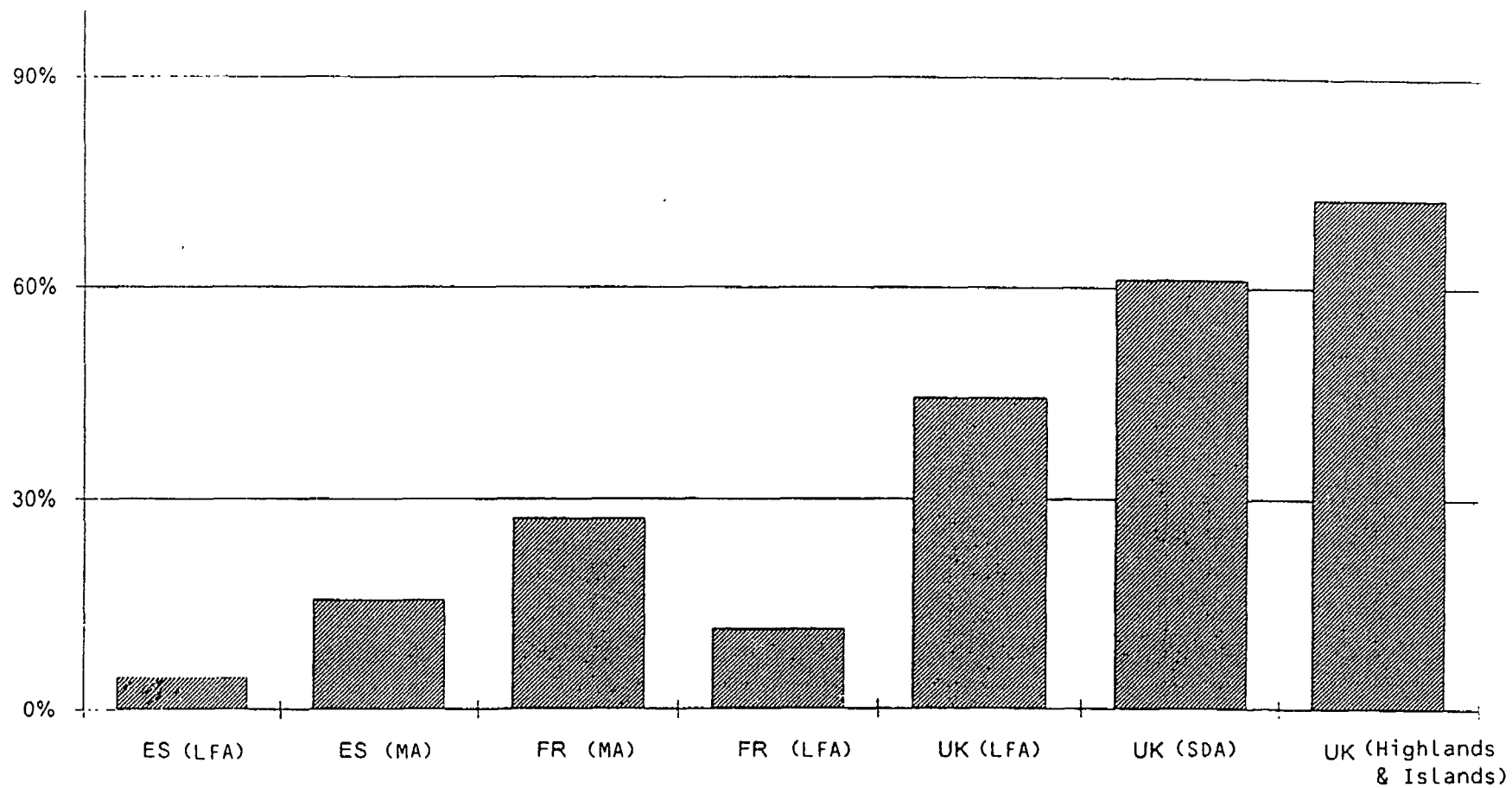
Sources : ERDF, EEC DG VI FII-1

Total compensatory payment - TF - Milk - 1989



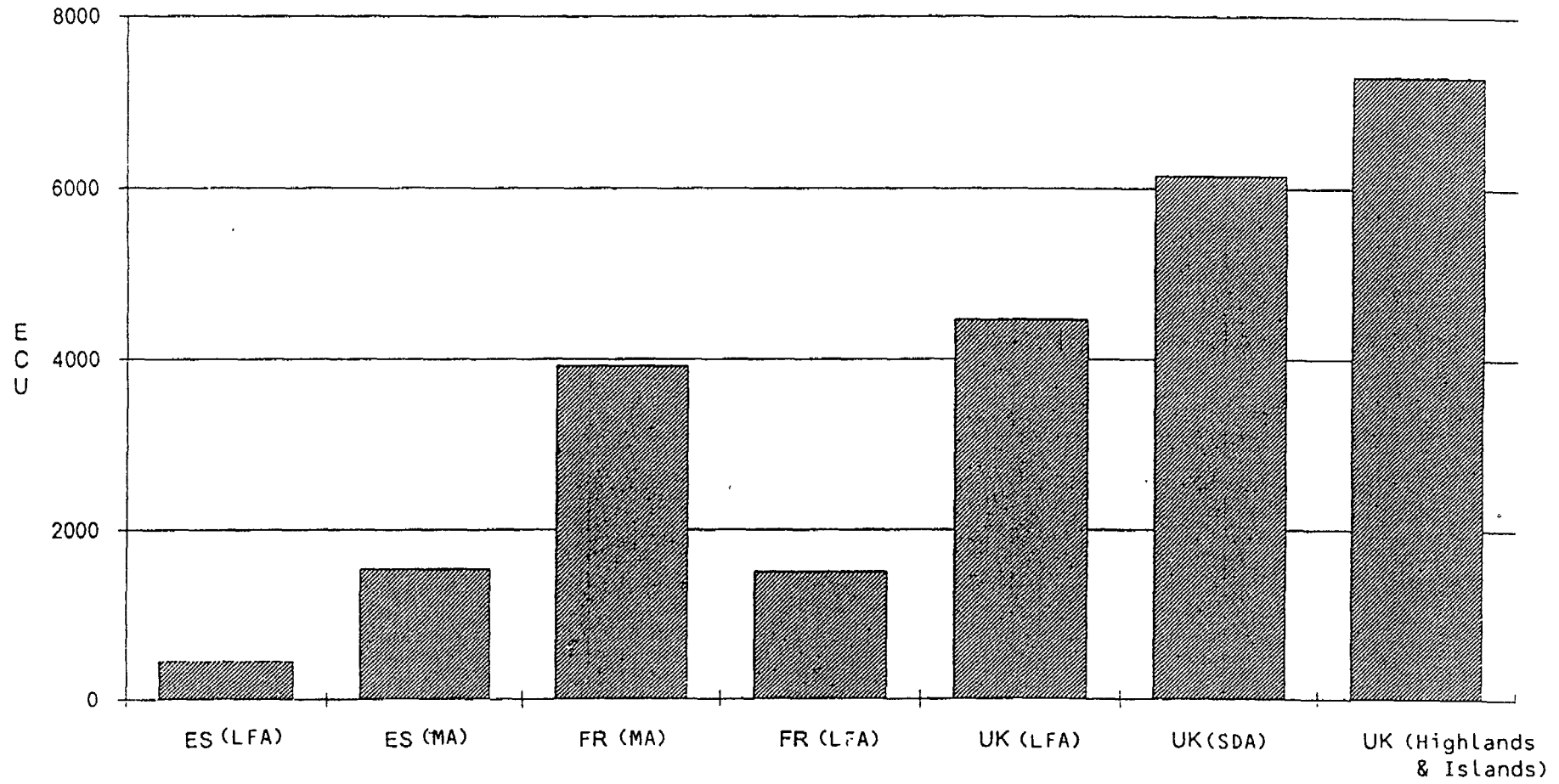
Sources : FADN, EEC DG VI FII-1

Compensatory payment as a proportion of agricultural income - TF - Sheepmeat - 1989



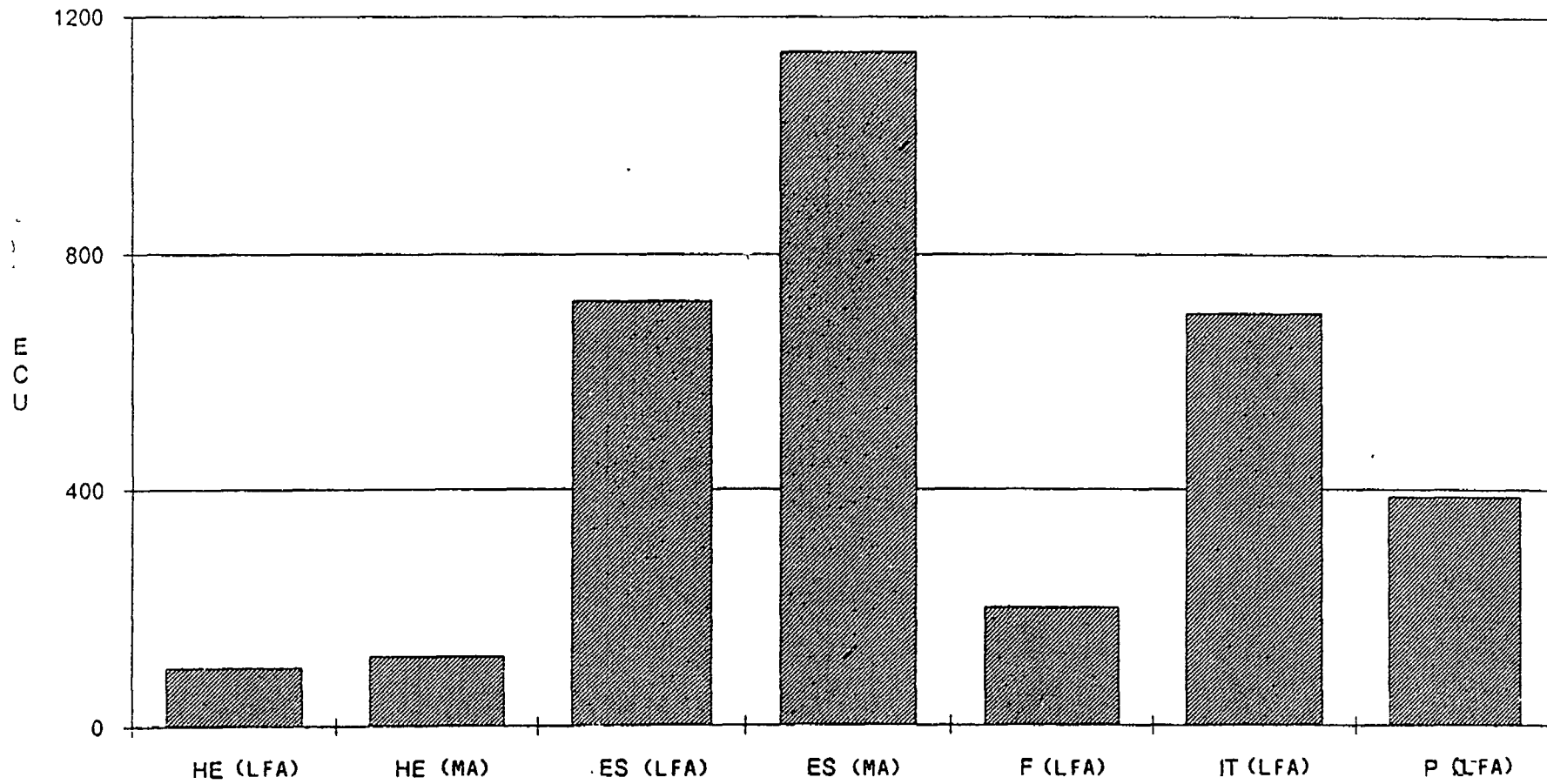
Sources : FADN, EEC DG VI FII-1

Total compensatory payment - TF Sheepmeat - 1989



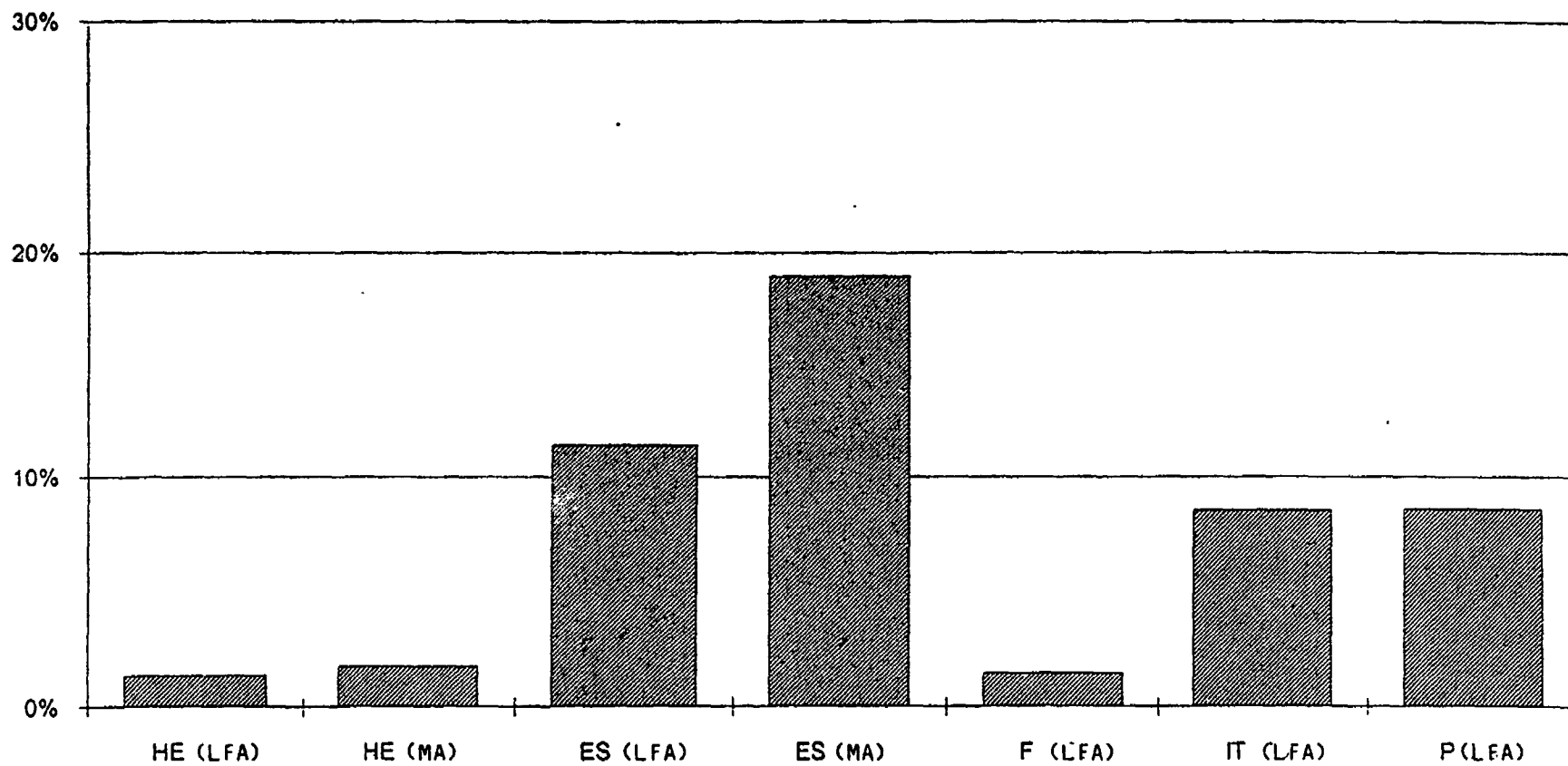
Sources : FADN, EEC DG VI FII-1

Total compensatory payment : Mixed cropping and field crops 1989



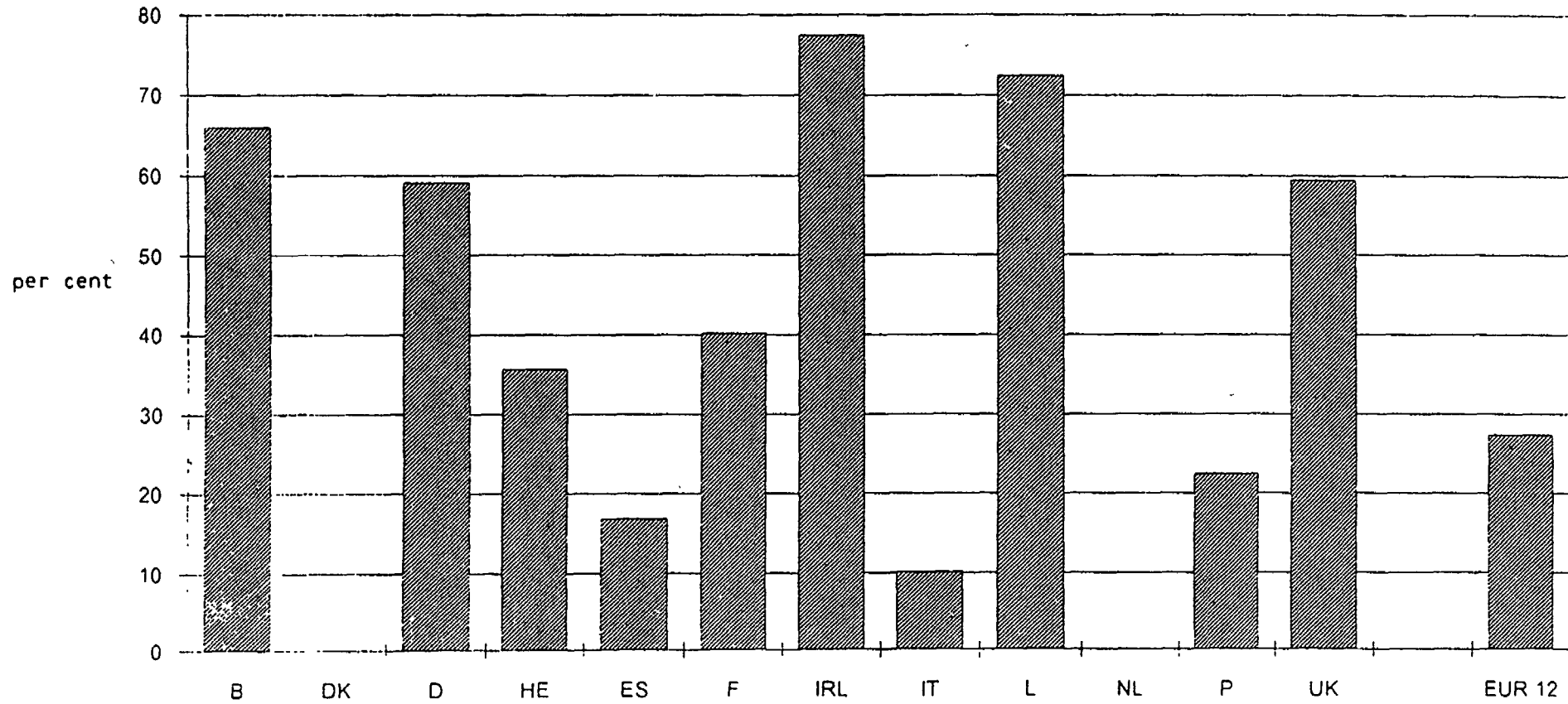
Sources : FADN, EEC DG VI FII-1

Compensatory payment as a proportion of agricultural income - TF Mixed cropping and field crops - 1989



Sources : FADN, EEC DG VI FII-1

Beneficiary holdings as a proportion of total holdings in less-favoured areas - 1987



Sources : Eurostate 1987, EEC DG VI FII-1

2. DELIMINATION CRITERIA FOR LESS-FAVOURED AREAS

DIRECTIVE 75/268/EEC - DELIMITATION CRITERIA FOR LESS-FAVOURED AREAS

A. Mountain and hill areas within the meaning of Article 3(3) of Directive 75/268/EEC

Directive 75/268/EEC	Mountain and hill areas shall be made up of local government districts or parts thereof characterized by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it, due:		
Article 3(3)	- either to the existence, because of the altitude, of very difficult climatic conditions the effect of which is a substantially shortened growing season	- or, at a lower altitude, to the presence, over the greater part of the district in question, of slopes too steep for the use of machinery or requiring the use of very expensive special equipment	- or to the combination of these two factors, where the handicap resulting from each taken separately is less acute, provided that this combination gives rise to a handicap equivalent to that caused by the situation referred to in the first two indents
Interpretation used in the explanatory memorandum to the Commission proposal for the classification of areas (COM(74) 2222 final)	- concerning the existence, by reason of altitude, of very difficult climatic conditions the result of which is a substantially shortened growing season, the Commission considers that such conditions occur at altitudes above 600-800 m (for each commune or part thereof) according to the situation of the area. In Germany a major handicap exists for farms situated above 600 m. On the other hand, the Commission considers that a comparable handicap exists in the south of Italy at an altitude of 800 m.	- Concerning the slopes, since by their presence mechanization is not possible or necessitates the use of very expensive special machinery, the Commission is of the opinion that such slopes must be greater than 20% (average slope/km).	- When the natural handicap resulting from one of the factors referred to in the two preceding indents is less severe, that which results from the other must be proportionately more acute in such a way that the sum of the two handicaps is not less than that resulting from each of the factors taken separately.

Directive 75/268/EEC	Mountain and hill areas shall be made up of local government districts or parts thereof characterized by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it, due:		
Article 3(3)	<ul style="list-style-type: none"> - either to the existence, because of the altitude, of very difficult climatic conditions the effect of which is a substantially shortened growing season 	<ul style="list-style-type: none"> - or, at a lower altitude, to the presence, over the greater part of the district in question, of slopes too steep for the use of machinery or requiring the use of very expensive special equipment 	<ul style="list-style-type: none"> - or to the combination of these two factors, where the handicap resulting from each taken separately is less acute, provided that this combination gives rise to a handicap equivalent to that caused by the situation referred to in the first two indents
<u>GERMANY</u> Directive 86/465/EEC	<ul style="list-style-type: none"> - Average altitude of 800 m (at the central point of the district or the average altitude of the district) 	<ul style="list-style-type: none"> - Not applicable 	<ul style="list-style-type: none"> - A minimum altitude of 600 m and, at the same time, a slope of at least 18%
<u>FRANCE</u> Directive 76/401/EEC Directive 76/631/EEC	<ul style="list-style-type: none"> - For each commune, an average minimum altitude of 800 m on slopes facing the Mediterranean and in the overseas departments 600 m in the Vosges 700 m in the other mountain regions 	<ul style="list-style-type: none"> - Steep slopes are defined as being greater than 20% 	<ul style="list-style-type: none"> - A minimum altitude of 500 m and, at the same time, an average slope of 15% (and/or 400 m and 16% in the overseas departments). Only a very few of the communes proposed do not fully satisfy the conditions required but nevertheless fully satisfy those of Article 3(4) of Directive 75/268/EEC; since their economies are closely linked with those of their neighbouring communes and, in most cases, their areas are enclosed within those communes and clearly smaller, it is nevertheless possible to classify these communes within the mountain areas.

Directive 75/268/EEC	Mountain and hill areas shall be made up of local government districts or parts thereof characterized by a considerable limitation of the possibilities for using the land and an appreciable increase in the cost of working it, due:		
Article 3(3)	- either to the existence, because of the altitude, of very difficult climatic conditions the effect of which is a substantially shortened growing season	- or, at a lower altitude, to the presence, over the greater part of the district in question, of slopes too steep for the use of machinery or requiring the use of very expensive special equipment	- or to the combination of these two factors, where the handicap resulting from each taken separately is less acute, provided that this combination gives rise to a handicap equivalent to that caused by the situation referred to in the first two indents
<u>ITALY</u> Directive 75/273/EEC Council Decision 76/557/EEC	- For each commune, a minimum average altitude of 700 m in central and northern Italy and 800 m in southern Italy.	- Steep slopes are defined as being greater than 20%.	- A minimum altitude of 600 m in central and northern Italy, 700 m in southern Italy, and, at the same time, a slope of more than 15%. - Communes affected by earthquake in May 1976
<u>GREECE</u> Directive 81/645/EEC	- A minimum altitude of 800 m. As a rule, at least 80% of the area of a commune should satisfy at least one of these criteria; this percentage may be lowered to a minimum of 50% in exceptional cases where communes are located in the same mountain formation with identical climatic and topographic conditions and with relatively low yields and incomes.		
<u>SPAIN</u> Directive 86/466/EEC	- A minimum altitude of 1 000 m.	- A minimum slope of 20%.	- A minimum altitude of 600 m and a slope of at least 15%, with the exception of a limited number of villages totally surrounded by mountainous regions for which the slope percentage can be reduced to 12%
<u>PORTUGAL</u> Directive 86/467/EEC	- A minimum altitude of 700 m in the area north of the Tagus, and 800 m in the area south of the Tagus.	- A minimum slope of 25%.	- Between 400 and 700 m altitude and a slope of at least 20% in the area north of the Tagus, and between 600 and 800 m of altitude with a slope of at least 15% in the area south of the Tagus.

**B. Less-favoured areas in danger of depopulation
within the meaning of Article 3(4) of Directive 75/268/EEC**

Directive 75/268/EEC	Less-favoured areas in danger of depopulation and where the conservation of the countryside is necessary, shall be made up of farming areas which are homogeneous from the point of view of natural production conditions and must simultaneously satisfy all following characteristics :		
Article 3(4)	a) the presence of infertile land, unsuitable for cultivation or intensification, with a limited potential which cannot be increased except at excessive cost, and mainly suitable for extensive livestock farming	b) because of this low productivity of the environment, results which are appreciably lower than the average as regards the main indices characterizing the economic situation in agriculture	c) either a low or dwindling population predominantly dependent on agricultural activity, and the accelerated decline of which would jeopardize the viability of the area concerned and its population
Interpretation used in the explanatory memorandum to the Commission proposal for the classification of areas (COM(74) 2222 final)	<p>Yields of grass, or where the occasion arises, of cereals, below 80% of the national average and not above the Community average; low stocking density, below 1 LU/forage hectare; a high percentage of the utilisable agricultural land or of all land in permanent pasture made up of rough grazing; low value of the land or of an index of land values considerably below the national average.</p> <p>In the opinion of the Commission the expression "appreciably less than" average means less than 80% of the national average.</p>	<p>One of the following economic indicators which refer to national statistics and are comparable with the national average: value added, gross farm income, net farm income, labour income, etc. ... or by more complex indicators made up of several indicators characterizing the economic situation of farms.</p>	<p>The Commission holds that the population density of an area must not be greater than 50% of the national average, without, at the same time, being greater than 75 persons per km². When it is a question of substituting the criterion of density by a rate of regression, the latter must not be less than 0.5% per annum. In addition, in the opinion of the Commission, the percentage of the active population engaged in agriculture must not be less than 15%.</p>

Directive 75/268/EEC	Less-favoured areas in danger of depopulation and where the conservation of the countryside is necessary, shall be made up of farming areas which are homogeneous from the point of view of natural production conditions and must simultaneously satisfy all the following characteristics :		
Article 3(4)	a) the presence of infertile land, unsuitable for cultivation or intensification, with a limited potential which cannot be increased except at excessive cost, and mainly suitable for extensive livestock farming	b) because of this low productivity of the environment, results which are appreciably lower than the average as regards the main indices characterizing the economic situation in agriculture	c) either a low or dwindling population predominantly dependent on agricultural activity, and the accelerated decline of which would jeopardize the viability of the area concerned and its population
GERMANY			
Directive 75/270/EEC Directive 86/465/EEC	LVZ. (Landwirtschaftliche Vergleichszahl - "Agricultural comparability index") at a maximum of 28 (70% of the national average index: 40). Or maximum LVZ. 32.5 where permanent grassland covers more than 80% of the UAA.		130 inhabitants per km ² (national average 247). Minimum proportion of the working population engaged in agriculture: 15% with the exception of two areas: 7.7% and 12.1% (national average 5.1%).
FRANCE			
Directive 77/178/EEC	Final agricultural production per hectare of utilized agricultural area not exceeding 80% of the national average, or livestock density less than one livestock unit per forage hectare, this latter index being used only when the proportion of forage area in relation to the utilized agricultural area is greater than 50%.	Gross farm income per annual family labour unit less than 80% of the national average.	Population density per km ² less than 50% of the national average (94) and a proportion of at least 15% of the working population engaged in agriculture as a percentage of the total working population.
ITALY			
Directive 75/273/EEC	Wheat yields not more than 16.5 q/ha, while the national average is 25 q/ha, or rough grazing occupying more than 50% of the utilisable forage area, with hay yields below 20 q/ha.	Livestock density below 0.65 livestock units per forage hectare (national average: 0.98).	Population density not greater than 75 inhabitants per square kilometre (national average 181) or an annual decline greater than 0.8%. Minimum proportion of 15% of the working population engaged in agriculture as a percentage of the total working population.

Directive 75/268/EEC	Less-favoured areas in danger of depopulation and where the conservation of the countryside is necessary, shall be made up of farming areas which are homogeneous from the point of view of natural production conditions and must simultaneously satisfy all the following characteristics:		
Article 3(4)	a) the presence of infertile land; unsuitable for cultivation or intensification, with a limited potential which cannot be increased except at excessive cost, and mainly suitable for extensive livestock farming	b) because of this low productivity of the environment, results which are appreciably lower than the average as regards the main indices characterizing the economic situation in agriculture	c) either a low or dwindling population predominantly dependent on agricultural activity, and the accelerated decline of which would jeopardize the viability of the area concerned and its population
BELGIUM Directive 75/269/EEC	<ul style="list-style-type: none"> - Permanent meadow and pasture less than 80% of the UAA: more than half of the area of an altitude greater than 400m; - number of days without frost not greater than 150 per annum (220 days per annum in the more favourable Belgian regions); - production per hectare from bovines not above 70% of the national average (Bfrs 30 600 and Bfrs 43 900 respectively); - cereal yields below 80% of the national average (34 and 42 q/ha respectively). 	Earned income per work unit below 77% of the national average (Bfrs 150 400 and Bfrs 195 300 respectively)	Population density not more than 76 inhabitants per km ² (national average: 319); the lowest proportion of the working population engaged in agriculture as a percentage of the total working population is fixed at 15% (national and Community averages 4.17% and 9.58% respectively).
LUXEMBOURG Directive 75/274/EEC	90% of land devoted to forage production with a livestock density not greater than 1.19 livestock units per forage hectare and 0.95 livestock units per forage hectare if the heavy costs caused by the purchase of supplementary feeding are taken into account; wheat yield 31 q/ha (Community average 37 q/ha); unfavourable drainage conditions and uneven character of the area as shown by maps.	Net value added at factor cost per agricultural worker less than 80% of the Community average.	Population density of 75 inhabitants per km ² , which represents 57% of the national average but only 45% of the Community average; minimum proportion of the working population engaged in agriculture as a percentage of the total working population 15.10% (national average 9.27%).

Directive 75/268/CEE	Less favoured areas in danger of depopulation and where the conservation of the countryside is necessary, shall be made up of farming areas which are homogeneous from the point of view of natural production conditions and must simultaneously satisfy all the following characteristics:		
Article 3(4)	a) the presence of infertile land, unsuitable for cultivation or intensification, with a limited potential which cannot be increased except at excessive cost, and mainly suitable for extensive livestock farming	b) because of this low productivity of the environment, results which are appreciably lower than the average as regards the main indices characterizing the economic situation in agriculture	c) either a low or dwindling population predominantly dependent on agricultural activity, and the accelerated decline of which would jeopardize the viability of the area concerned and its population
<u>UNITED KINGDOM</u> Directive 84/169/EEC	Grassland accounting for more than 70% of the total UAA; a stocking rate of less than one livestock unit per forage hectare and farm rents not exceeding 65% of the national average.	Labour income per man-work unit not exceeding 80% of the national average.	Population density not more than 55 inhabitants per km ² , excluding the population of urban and industrial centres (national average 229); minimum percentage of the total working population engaged in agriculture 30%, excluding the urban and industrial centres.
<u>IRELAND</u> Directive 75/272/EEC	Percentage of ploughed area less than 7.8% and a stocking rate of less than one adult bovine livestock unit per forage hectare.	Family-farm income per male farm worker not exceeding 80% of the national average.	Population density not more than 27 inhabitants per km ² (national average 49); minimum percentage of the total working population engaged in agriculture 30%.
<u>GREECE</u> Directive 81/645/EEC Directive 85/148/EEC	Yield not exceeding 80% of the national average; rough grazing occupying at least 30% of the UAA.	Farm income per labour unit not exceeding 80% of the national average.	Population density not exceeding 45 inhabitants per km ² (national average 74) or an annual decrease in the population of at least 2%; percentage of the total working population engaged in agriculture at least 50%.

<p>Directive 75/268/CEE</p>	<p>Less favoured areas in danger of depopulation and where the conservation of the countryside is necessary, shall be made up of farming areas which are homogeneous from the point of view of natural production conditions and must simultaneously satisfy all the following characteristics:</p>		
<p>Article 3(4)</p>	<p>a) the presence of infertile land, unsuitable for cultivation or intensification, with a limited potential which cannot be increased except at excessive cost, and mainly suitable for extensive livestock farming</p>	<p>b) because of this low productivity of the environment, results which are appreciably lower than the average as regards the main indices characterizing the economic situation in agriculture</p>	<p>c) either a low or dwindling population predominantly dependent on agricultural activity, and the accelerated decline of which would jeopardize the viability of the area concerned and its population</p>
<p><u>SPAIN</u> Directive 86/466/EEC</p>	<ul style="list-style-type: none"> - In the wet region of the north: productivity index of 'L.Turc' less than 30 - Arid and semi-arid areas: arable land less than 50% of the productive area. 	<ul style="list-style-type: none"> - In the wet region of the north: SGM/farm worker not more than 80% of the average of the region and less than the national average for the UAA and number of hectares per plot; - arid and semi-arid regions: irrigated area less than 20% of the arable land and fallow area greater than 20% of the grassland. 	<p>Population density less than 37.5 inhabitants per km² (national average 75) or an annual regression in the population of at least 0.5%.</p> <p>At least 18% of the working population employed in farming in the "Comarca".</p>
<p><u>PORTUGAL</u> Directive 86/467/EEC</p>	<p>At least 50% of the utilized agricultural area of the "Concelho" made up of soil with accentuated limitations.</p>	<p>Livestock density below 0.2 livestock unit per hectare forage area in the "Concelhos" or in the region.</p>	<p>Population density less than 56 inhabitants per km² or an annual regression in the population of at least 0.5%.</p> <p>At least 30 % of the working population engaged in agriculture.</p>

C. Areas which may also be considered to be less-favoured within the meaning of Article 3(5) of Directive 75/268/EEC

<p>Directive 75/268/EEC Article 3(5)</p>	<p>Less-favoured areas within the meaning of this Article may include: small areas affected by specific handicaps and in which farming must be continued in order to conserve the countryside and to preserve the tourist potential of the area or in order to protect the coastline. The total extent of such areas may not in any Member State exceed 4% of the area of the state concerned.</p>
<p>Interpretation used in the explanatory memorandum to the Commission proposal for the classification of areas (COM(74) 2222 final)</p>	<p>As regards small areas, the Commission is of the opinion that the specific handicaps which they suffer, must arise principally from natural conditions unfavourable for production such as for example poor soil, poor drainage, the presence of excessive salinity in coastal areas or small islands etc. At the same time the handicap can equally be constituted, in part, by constraints on farming due to public regulations relating to the preservation of the landscape or coastal protection, or due, in a more general way, to environmental regulations. The high cost of sea transport, which farming in certain islands must bear, can equally be taken into consideration.</p>
<p><u>GERMANY</u> Directive 88/465/EEC</p>	<p>Occurrence of unfavourable natural production conditions due to poor drainage and poor soil quality, and of handicaps resulting from the constraints of the preservation of the countryside.</p>
<p><u>FRANCE</u> Directive 77/178/EEC</p>	<p>The existence of unfavourable natural conditions of production - namely poor soil potential, poor drainage conditions, presence of steep slopes, excessive levels of salinity - and of handicaps resulting from constraints relating to conservation of the countryside, preservation of the tourist potential and the insular nature of certain areas. In the overseas departments: climatic phenomena of an adverse nature and of frequent occurrence such as cyclones, prolonged periods of drought and of very irregular rainfall, and often very rugged land surfaces - and, on the other hand, handicaps resulting from insularity and remoteness from the mother country giving rise to an increase in the cost of products, especially production materials.</p>
<p><u>ITALY</u> Directive 75/273/EEC</p>	<p>Existence of unfavourable natural production conditions: unstable water table, excessive levels of salinity and the presence of ground liable to periodic flooding and, on the other hand, of handicaps resulting from constraints imposed by laws aimed at the preservation of the countryside.</p>

<p>Directive 75/268/EEC Article 3(5)</p>	<p>Less-favoured areas within the meaning of this Article may include: small, areas affected by specific handicaps and in which farming must be continued in order to conserve the countryside and to preserve the tourist potential of the area or in order to protect the coastline. The total extent of such areas may not in any Member State exceed 4% of the area of the state concerned.</p>
<p><u>IRELAND</u></p> <p>Directive 91/466/EEC</p>	<p>Existence of unfavourable natural production conditions (island position, excessive ambient salinity, violent winds, low soil potential and poor soil water movement) and the handicaps arising from constraints imposed by measures for the protection of the countryside.</p>
<p><u>NETHERLANDS</u></p> <p>Directive 75/275/EEC</p>	<p>Existence of unfavourable natural production conditions due to poor drainage conditions and to the poor soil quality, and, on the other hand, of handicaps resulting from restrictions prescribed for the preservation of the countryside.</p>
<p><u>LUXEMBOURG</u></p> <p>Directive 75/274/EEC</p>	<p>Existence of unfavourable natural production conditions due to heavy clay and excessively wet soils (short period of time suitable for cultivation) and, on the other hand, of handicaps resulting from constraints due to numerous leisure activities.</p>
<p><u>UNITED KINGDOM</u></p> <p>Directive 84/169/EEC</p>	<p>Existence of both adverse natural production conditions (steep slopes, very strong winds, poor drainage) and handicaps resulting from the geographical situation (island location).</p>
<p><u>GREECE</u></p> <p>Directive 81/645/EEC</p>	<p>Existence of naturally unfavourable conditions reflected in low yields and incomes and the existence of constraints resulting from the fact that such areas are located near frontiers or on islands.</p>
<p><u>SPAIN</u></p> <p>Directive 91/465/EEC</p>	<p>Severe damage as a result of the existence of mining and quarrying activities Island location, soil salinity, high winds, wet marshy soils, soils suffering from desertification through drought and the need to conserve pine forests formerly used for resin production in order to protect the environment.</p>

<p>Directive 75/268/EEC Article 3(5)</p>	<p>Less-favoured areas within the meaning of this Article may include: small areas affected by specific handicaps and in which farming must be continued in order to conserve the countryside and to preserve the tourist potential of the area or in order to protect the coastline. The total extent of such areas may not in any Member State exceed 4% of the area of the state concerned.</p>
<p><u>PORTUGAL</u> Directive 86/467/EEC</p>	<p>Isolation giving rise to heavy transport costs both from the mainland and between individual islands and lack of unity in the small local markets; in the Azores more than 50% of the islands above 300 m, and fragmented relief, strong winds, high humidity but lack of water retention; in Porto Santo, soil salinity, very low rainfall (less than 380 mm per year), lack of water reserves which together with the broken relief leads to soil erosion problems; on the mainland calcareous soils associated with very rocky outcrops.</p>