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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (COM(83) 559 final - Doc. 1-1000/83 - Part II) for a regulation amending Regulation (EEC) No. 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed and Regulation (EEC) No. 1820/80 on the stimulation of agricultural development in the less-favoured areas of the West of Ireland

- Part B: Explanatory statement

Rapporteur: Mr G. VITALE

PE 88.802/fin./B
Or. It.

Explanatory StatementIntroduction

Regulation 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed now expires at the end of 1984.

Its period of validity was extended by the Council until 31 December 1984¹. The European Parliament delivered an opinion² endorsing a Commission proposal extending the validity of the Regulation for one year, i.e. until 31 December 1983.

This proposal was approved by Parliament primarily because it ensured that the renewal of Regulation 355/77 would coincide with that of the three socio-structural directives - 72/159, 72/160 and 72/161.

This would have provided an opportunity of bringing more consistency to almost the whole of the Community's agricultural structures policy.

However, the Council decided on an extension of two years, since it rightly foresaw that there was a risk of work being brought to a standstill for an entire year pending adoption of the new regulation.

Parliament is now required to give its views on a motion for a resolution tabled by Mr BARBAGLI and others on the revision of Regulation 355/77 with a view to its renewal.

Essentially, this involves highlighting the problems encountered in the course of its implementation and seeking effective solutions so that the new regulation will be adapted to the changed economic conditions of the 1980s.

An own-initiative report by the European Parliament cannot, of course, pretend to be an academic study, but, since a report is to be drawn up before the Commission submits its proposal for a new regulation, it must try to identify the real problems met by the operators concerned - and, above all, by farmers - during the implementation of the present Regulation so that the Commission and the Council of Ministers can be advised on the modifications needed to ensure that the processing and marketing of agricultural products are more in tune with the requirements of the 1980s.

¹ Regulation No. 3073/82, OJ No. L 325, 20.11.1982

² Working document 1-678/82, adopted on 29 October 1982, OJ No. C 304, 22.11.1982

Since the rapporteur wished to obtain a clear and realistic picture of the practical problems raised by the application of the Regulation, a hearing was held of representatives of national and Community professional organizations, the processing industry and the banks.

This hearing succeeded in calling attention to the real problems at issue and elicited from those directly involved a number of ideas and recommendations as to the general approach needed to any revision of Regulation 355/77.

Many of the points discussed during the hearing are taken up in this document.

1. The objectives of Regulation 355/77

It is perhaps appropriate to examine the background to Regulation 355/77, the reasons that led to its adoption and the manner in which it has evolved in the five years since it entered into force.

The objective of improving the conditions under which agricultural products are processed and marketed touches on many aspects of economic policy, regional policy, agricultural policy and consumer policy, with the result that it is an especially difficult objective to achieve. A broad understanding of these aspects is accordingly essential. The 1980s have seen a still more dramatic rise in the consumption of processed products and a correspondingly marked fall in the consumption of unprocessed agricultural products.

Furthermore, agriculture and the food-manufacturing industry are assuming an increasingly important role in the economy and together represent 7.5% of the Community's gross domestic product.

In these circumstances, it is normal that Community structural policy should try not only to take account of production requirements, but also to exert a positive influence on the conditions under which products are marketed and processed by applying selective measures of aid, coordinated on the basis of specific programmes.

Regulation 355/77 was introduced with the aim of cutting marketing and processing costs, reducing wastage and making structural policy more transparent in the processing and marketing sectors, thereby increasing the value added of agriculture on the market.

A Community aid policy in this area is necessary to ensure that the relevant structures can cope with the rapid development of new techniques in processing, storage, transport and marketing in both the wholesale and the retail trades, while taking account of the variability of consumer tastes.

Regulation 355/77 was introduced, then, to support the agricultural products processing industry in its attempts to take the fullest possible advantage of existing demand and to encourage more agricultural producers to become involved in the post-production stages, which would give them a firmer guarantee of a fair income and at the same time benefit the consumer.

Notwithstanding the harsh criticisms levelled against it - some more justified than others - the common agricultural policy has at least guaranteed the availability of food supplies for the Community's 270 million consumers. The situation could be improved, however, by creating supra-regional markets, so that regional surpluses could be more evenly spread and the range of products obtained within the Community extended by exploiting to the full its different climates.

Moreover, there is an increasing need to market products at ever greater distances from the place of production and to face up to the problems of tougher intra-Community competition resulting from the greater vitality of a larger market. It was in response to these extra pressures that the Commission drew up Regulation 355/77.

It is worth stressing that one of the fundamental objectives of the Regulation is to improve basic agricultural production by guaranteeing for producers 'an adequate and lasting share in the resulting economic benefit' (Article 9).

A further objective is to lighten the burden on the intervention mechanisms of the common market organizations by creating new production outlets and, above all, by diversifying production, which involves, inter alia, encouraging the man of new products and adapting production to consumer tastes (Article 11(b)).

Article 11(e) calls attention to the need to help to improve the quality and the presentation of products for the benefit of the regions producing them. While marketing structures are economically sound in some regions, they are less so in others, whose diseconomies have an adverse effect on farmers' incomes.

The advantage of reducing marketing costs is that it increases a product's competitiveness. Hence, in addition to providing a firmer guarantee of a reasonable income for producers, a reduction in marketing costs will benefit both consumers and exports.

It is hoped that the above account, though brief, gives a satisfactory idea of the objectives of Regulation 355/77.

2. The application of Regulation 355/77.

The choice of the regulation - which is directly applicable, as against the directive - the form adopted for the socio-structural measures of 1973 - as the legal form for the instrument with which we are concerned has been fully vindicated by the results achieved.

Indeed, the success of the Regulation is amply borne out by the response of those at whom it is directed. So many applications for financial aid have been received that, given the limited resources available, it has been impossible to pay the full contribution requested for all the projects approved. The situation is well illustrated by the following table.

TABLE 1

Regulation 355/77 - Allocation of aid by product

1978-1981

SECTOR	(DM/ECU)																						
	BELGIQUE/BELGIE		DANMARK		DEUTSCHLAND		FRANCE		GREECE		IRELAND		ITALIA		LUXEMBOURG		NETHERLAND		UNITED KINGDOM		TOTAL		% of centers
	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	Number of projects	Aid granted	
I. IR Reproductions	13	3,880,441	13	3,017,410	32	14,672,087	13	7,111,720	-	-	40	10,677,039	40	11,398,910	-	-	30	8,630,481	43	8,744,807	224	88,738,995	
II. Meat	30	5,901,664	25	6,180,748	38	9,753,086	55	29,514,887	-	-	44	18,772,179	20	8,284,426	-	-	24	5,259,028	70	18,747,888	388	162,494,235	16,9
III. Wine	-	-	-	-	105	14,867,360	120	44,184,388	4	1,046,327	-	-	82	46,779,389	2	258,770	-	-	-	-	323	108,137,234	17,7
IV. Fruit and vegetables	25	6,589,291	6	616,002	90	20,842,801	97	29,103,269	15	3,560,486	2	1,406,157	155	108,477,622	-	-	18	8,077,418	38	5,837,268	436	182,548,082	38,1
V. Flowers and plants	-	-	5	1,063,177	15	2,483,830	3	1,687,788	-	-	1	263,517	1	2,244,747	-	-	8	5,181,122	1	15,038	34	12,938,325	2,1
VI. Fishery products	6	269,469	28	2,148,907	7	828,515	7	1,157,315	-	-	10	2,416,839	35	18,394,812	-	-	14	1,194,257	45	4,729,348	152	28,138,688	4,8
VII. Cereals	7	316,306	-	-	67	8,384,866	5	1,452,639	4	10,222,604	9	2,936,028	22	5,058,992	-	-	-	-	28	6,387,754	142	34,788,189	5,7
VIII. Animal feed	2	960,802	2	418,229	-	-	1	152,431	-	-	14	5,738,268	2	3,385,825	1	22,584	-	-	18	1,019,410	48	71,678,849	1,9
IX. Seeds	5	483,086	4	1,034,370	24	6,292,728	17	7,828,162	-	-	-	-	4	1,717,189	1	210,088	2	191,711	7	532,365	84	16,288,319	2,7
X. Eggs and poultry	4	173,328	1	195,463	4	1,638,173	1	454,189	-	-	3	1,395,180	-	-	-	-	1	144,633	23	2,518,085	37	8,522,035	1,1
XI. Olive oil	-	-	-	-	-	-	5	122,758	4	2,527,044	-	-	22	8,688,386	-	-	-	-	-	-	31	9,338,188	1,5
XII. Tobacco	-	-	-	-	1	188,519	-	-	-	-	-	-	18	11,812,888	-	-	-	-	-	-	19	12,881,487	2,8
XIII. Other	-	-	4	1,376,302	5	1,780,794	12	3,844,584	-	-	1	88,736	10	8,055,480	-	-	-	-	1	56,184	33	13,703,088	2,2
TOTAL AID GRANTED	82	18,784,387	88	18,051,808	388	79,873,289	236	126,614,480	27	17,356,443	124	43,694,823	421	228,375,866	4	493,042	87	28,640,648	266	48,088,954	1043	888,733,738	100,0
TOTAL INVESTMENT		111,018,148		97,410,458		411,398,256		514,113,815		75,948,815		188,103,811		708,294,833		2,123,450		214,418,544		248,482,829		2,381,313,235	

Source: 11th Financial Report on the EAGGF - COM(82) 446

With 30% of the aid granted, the fruit and vegetables sector, which accounts for 11% of Community production (23% in Italy), has clearly been the main beneficiary.

There are various reasons for such a large concentration of aid in this one sector.

In the first place, fruit and vegetables are highly perishable products and for that reason alone need to be processed, often close to the place of production.

Secondly, fruit and vegetables are in short supply in the Community and are produced in virtually all the Member States, even though their natural place of production is obviously in the countries of southern Europe.

Thirdly, it should not be forgotten that the fruit and vegetables sector is one of the least protected sectors at Community level and that it is therefore normal that it should be accorded especially favourable treatment by the structural measures it would be just as normal to expect such treatment to restore some semblance of balance to the sector, yet, despite everything, there has been no sign of that happening as yet.

Of the other sectors which benefit from the Regulation, mention should be made of the wine sector (17.7% of the aid granted), in which the objective - also pursued under the common market organization - has been and continues to be to improve quality, since that is the only way of solving the problem of surpluses. The milk and milk products sector has also received a substantial share of the aid (11.3%), which is all the more surprising when one considers that there are large surpluses and that the socio-structural directives prohibit further aid to the sector.

In terms of the economics of European food production, the Regulation has also had significant regional impact, as the following table, which gives a breakdown of the aid by region and by country, demonstrates.

TABLE 2

Breakdown of projects and contributions by region and Member State

BELGIUM/BELGIE			GERMANY			NETHERLANDS			FRANCE			GREECE			IRELAND			ITALY			LUXEMBOURG			NETHERLANDS			UNITED KINGDOM			
Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	Region	Number of projects	Aid granted	
Flandre orientale/ Oost-Vlaanderen	20	2,291	Streek-Normandie	-	-	Schiering-Belstata	10	2,875	Ile-de-France	1	80	West	1	105	Connacht	10	2,007	Piemonte	10	4,000		6	602	Overijssel	2	400	North	13	1,000	
Flandre occidentale/ West-Vlaanderen	20	2,912	F1 for Streek-Normandie	21	2,281	Randburg	7	988	Champagne-Ardenne	5	2,177	Anatolia	-	-	North-West	5	1,719	Valle d'Aosta	4	700		-	-	Friesland	6	2,379	Yorkshire	13	1,000	
Leviers/ Leuven	12	1,607	F2 for Streek-Normandie	-	-	Blodern-cochean	22	8,364	Picardie	2	505	Orléans	2	101	North-East	15	5,437	Liguria	2	2,374		-	-	Brabant	1	38	Northside	25	1,000	
Liegeburg/ Liege	2	574	F3 for Streek-Normandie	-	-	Brasen	-	-	Alsace	10	1,905	Stora	2	101	West	10	5,282	Lombardia	9	6,477		-	-	Guelfland	1	1,207	East-Midlands	17	2,000	
Brabant	10	2,762	F4 for Streek-Normandie	67	12,470	Westfalen	30	8,120	Normandie	5	2,370	Poloponissos	6	1,274	Midland	8	4,026	Trentino-Alto Adige	23	16,042		-	-	East-Lothian	10	1,252	East-England	11	1,252	
Walloon/ Waalsewaand	9	912	Multi-regional	-	-	Normandie	22	7,051	Normandie	6	1,412	Thrace	2	200	East	10	4,017	Veneto	20	8,214		-	-	Strathclyde	2	402	South-East	22	5,075	
Roor/Roos	1	2,002		-	-	Normandie	17	2,702	Normandie	11	6,027	Anatolia	3	200	Midwest	10	4,500	Emilia-Romagna	1	600		-	-	North-Holland	10	7,252	South-West	21	4,000	
Liege/Lux	11	1,010		-	-	Rheinland-Pfalz	17	2,702	Normandie	3	1,101	Anatolia	4	1,012	South-East	10	6,000	Emilia-Romagna	23	21,503		-	-	Zuid-Holland	20	10,015	West-Midlands	14	2,200	
Luxembourg/ Luxemburg	2	201		-	-	Rheinland-Pfalz	17	2,702	Normandie	7	2,412	Normandie	4	1,012	South-West	24	5,000	Emilia-Romagna	23	7,502		-	-	Zeeland	11	625	North-West	11	2,212	
Multi-regional	1	100		-	-	Bayern	17	12,430	Normandie	1	300	Normandie	1	274	Multi-regional	6	2,401	Emilia-Romagna	10	12,000		-	-	Zuid-Nederland	20	10,015	East-England	11	2,212	
						Bayern	17	12,430	Normandie	15	4,953	Normandie	1	1,000					Emilia-Romagna	13	12,025		-	-	North-Brabant	6	2,002	Wales	20	2,000
						Bayern	17	12,430	Normandie	10	3,430	Normandie	1	1,000					Emilia-Romagna	1	1,200		-	-	Liegeburg	6	1,020	Scotland	13	10,120
						Bayern	17	12,430	Normandie	7	3,003	Normandie	1	1,000					Emilia-Romagna	16	21,203		-	-	Zeeland	11	625	North-West	11	2,212
						Bayern	17	12,430	Normandie	29	5,004	Normandie	4	1,000					Emilia-Romagna	7	4,470		-	-	North-Brabant	6	2,002	Scotland	13	10,120
						Bayern	17	12,430	Normandie	10	2,952	Normandie	1	202					Emilia-Romagna	20	21,203		-	-	Liegeburg	6	1,020	North-West	11	2,212
						Bayern	17	12,430	Normandie	3	400	Normandie	2	8,020					Emilia-Romagna	24	24,402		-	-	Z.I.A. Polders	1	125	Multi-regional	1	120
						Bayern	17	12,430	Normandie	5	1,770	Normandie	2	8,020					Emilia-Romagna	20	21,203		-	-	Multi-regional	-	-	Multi-regional	-	-
						Bayern	17	12,430	Normandie	11	2,720	Normandie	11	2,720					Emilia-Romagna	20	21,203		-	-	Multi-regional	-	-	Multi-regional	-	-
TOTAL	20	10,700	80	10,000	300	70,000	260	120,015	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700	20	10,700

Source: 11th Financial Report on the EAGGF - COM(82) 446

It will be seen from this table that Italy has benefited most from the provisions of the Regulation, which means that, unlike the socio-structural directives of 1972, it has been well received by Italian producers and by the Italian authorities.

The following table is also interesting, in that it gives a percentage breakdown of the aid granted to the various sectors in each Member State.

TABLE 3

Aid granted to the various sectors in each Member State over the period 1978-1981

Sector	Belgium	Denmark	Germany	France	Greece	Ireland	Italy	Luxembourg	Netherlands	UK
Milk and milk products	21	18	18	5,6	-	24,5	5	-	32,4	17,1
Meat	31	38	12	23,3	-	43,1	3,6	-	18,0	39
Wine	-	-	19	34,8	6,1	-	20,5	52	-	-
Fruit and vegetables	35	3,8	27	22,9	20,4	3,1	47,8	-	27,2	12,6
Flowers and plants	-	6,6	3	1,3	-	-	1	-	17,4	-
Fishery products	1	13	1	1	-	5,5	7,2	-	4	1,8
Cereals	2,6	-	11	1,1	58,9	6,7	2,2	-	-	3,2
Animal feed	5	2	-	0,2	-	14	1,1	6	-	2,1
Seeds	3	6	5	6	-	-	1	42	0,5	1
Eggs and poultry	1	1	2	0,5	-	3,1	-	-	0,5	5,2
Olive oil	-	-	-	0,2	14,5	-	3	-	-	-
Tobacco	-	-	-	-	-	-	5,2	-	-	-
Other	-	8	2	3	-	-	2,6	-	-	-
TOTAL	100	100	100	100	100	100	100	100	100	100

Since we intend that the analysis should be a little more complete, we must not only give details of the number of projects approved and the amount of aid granted, but also consider the payments effected, in other words the actual rate of utilization of the funds allocated.

TABLE 4

Rate of utilization of the aid granted

	1978	1979	1980	1981	average 1978-1980
Belgium	79	75	53	0.6	69
Denmark	49	57	68	22	58
Germany	84	77	44	1	68
France	46	45	22	-	37
Greece	-	-	-	-	-
Ireland	33	28	18	-	26
Italy	26	21	8	0.5	18
Luxembourg	88	95	-	-	61
Netherlands	49	32	24	0.9	35
United Kingdom	73	47	27	1.7	49

Source: Data contained in the 11th Financial Report on the EAGGF

This table clearly shows that, even with substantial variations between the two extremes, the average rate of utilization has been relatively low.

The delays in the granting of the aid revealed by this table cannot be attributed solely to the slowness with which applications are processed in certain countries, since the ponderousness of national or Community administrative procedures is often a contributory factor, making it difficult for users in some countries actually to obtain the money to which they are entitled. This table must be borne in mind when it comes to considering how the Regulation should be modified.

3. The revision of Regulation 355/77

As we have already said, the large number of projects submitted is proof enough that the application of the Regulation has in large measure been successful. On the other hand, it should be remembered that, on the whole, the rate of utilization has not been particularly high, and that in some cases - notably in the two countries with the highest inflation rates - it has been quite unacceptable.

These two factors, to which attention was also drawn at the hearing of 2 December 1982, are central to the criticisms and recommendations which the Committee on Agriculture is asked to consider in connection with the revision of the Regulation.

A. The role of the programmes

The programmes undoubtedly represent the most significant change made by Regulation 355/77.

Even though aid continues to be granted to the individual projects, these must now be included in the specific multiannual programmes which determine the long-term investment needs and production guidelines in any given sector.

All the Member States - and even the administrative regions (in Germany and in Italy) - have submitted more or less detailed programmes and, as at 31 December 1981, out of the 128 programmes submitted, 114 had been approved by the Commission, a further 11 were being considered and 3 had been withdrawn by the Member States.

This brings us to our first criticism: although the programmes are assessed by a technico-political body, the Standing Committee on Agricultural Structures, and subjected to detailed examination by the relevant Commission services, the fact that such a high proportion is approved suggests that approval has almost become a bureaucratic formality.

In the absence of any clear indication of the rate of implementation of the various programmes, or of the number of projects submitted on the basis of the programmes, we are persuaded that the link between programmes and projects is often very tenuous: so tenuous, in fact, that, notwithstanding the amount of research that goes into many of the programmes, it almost seems as if the programme is merely a convenient bureaucratic peg on which to hang the individual projects.

This suggests that the programmes are losing their effectiveness as a means of rationalizing investment. In the revised version of the Regulation, therefore, the real function of the programmes should be restored so that the meagre resources available can be used in the most effective manner possible.

Possible ways of increasing the effectiveness of the programmes must, then, be considered. But first a few comments on the financial situation. As has been shown by the large number of eligible projects which have remained uncompleted owing to insufficient funds, the financial endowment of Regulation 355/77 has up to now fallen far short of requirements. An increase in the financial endowment is of prime importance and must be insisted upon.

However, it would be politically shortsighted to expect that a decision could be taken to substantially increase the financial endowment before key problems concerning the Community's financial resources - the 1% ceiling on VAT, for example - have been resolved.

Consequently, although a better definition of the programmes is needed, it would be both advisable and realistic not just to take account of the fact that the financial resources are limited, but to accept it as inevitable.

The new regulation on the marketing and processing of agricultural products should establish a whole range of criteria for the programmes. The programme - whether sectoral or regional - must be seen to play a far more precise role within a coherent Community structural policy.

This is necessary even if the number of programmes must be reduced, although in that event the aim must be to increase expenditure commitments for the improvement of processing and marketing conditions in those sectors which really are structurally weaker and to ensure that those commitments are adequate and effective.

Finally, the Commission's existing programme criteria should be made more precise so that, allowing for the limited budget, the programmes are better able to fulfil the planning function assigned to them within well defined structural and agricultural policy guidelines which the Community must develop further.

The programme criteria should not only dovetail with the entire structural policy to be adopted by the Community at the beginning of 1984, but also take due account of the differing market situations and hence of the prices policy applied to the different products.

B. Project selectivity and effective investment

If the objectives of the programmes are to be made more coherent - though they should not necessarily be too detailed or binding - then there must be a more selective approach to the projects submitted and, hence, the adoption of priority criteria for the granting of aid.

Furthermore, given the present shortage of funds, there must be more selectivity in the allocation of public resources to ensure that they continue to be used reasonably effectively.

This might be done by establishing, for financing purposes, an order of priority among the different regions of the Community.

A further possibility, closely allied to a selective financing scheme, would be for the Commission to introduce in the new regulation a system of advances, which is of decisive importance for the proper implementation of any measure designed to assist the structurally weaker areas.

If projects are to be worthwhile and of appreciable benefit to the regions, the bureaucratic and financial obstacles to the payment of advances have to be removed. The problem here becomes especially serious when we consider that interest rates can be well in excess of 20%.

Another way of enhancing the effectiveness of investments would be to arrange for some of the contributions to be used to offset interest payments, i.e. to grant interest subsidies. This would have two objectives: to reduce interest rates and to increase the amount of investment generated by Community aid.

Given the importance of introducing some such credit arrangements, provision could at least be made for the States to grant a proportion of the aid set aside for individual beneficiaries at a reduced rate of interest.

C. Strengthening Article 9

One of the fundamental objectives of the present Regulation is to ensure that producers have an adequate share in the benefits obtained from processing and marketing improvements.

The benefit to the producer may be direct (increase in the value added when a product is first marketed after processing) or indirect (increase in the value of the basic product resulting from the conclusion of long-term contracts).

Although Regulation 355/77 has undoubtedly helped agricultural producers despite the limited resources available, it has to be pointed out in this report, which also takes account of the budget problems, that the Commission has not so far produced - either officially or unofficially - a clear and comprehensive report listing the beneficiaries and the benefits obtained by producers.

This is a particularly serious omission and, unless evidence to the contrary is forthcoming, it might be taken as an indication that Article 9 has not been applied as effectively as expected.

We therefore take the view that some thought should be given to the precise scope of Article 9 of Regulation 355/77 when it comes up for renewal.

Since the Regulation is a full and integral part of the agricultural structures policy, its purpose must be to improve the role of agriculture and the income of farmers.

Consequently, just as it is essential for the Commission to provide Parliament with all the relevant facts and figures concerning the recipients of aid during the period of application 1978-1982, so it is essential for the provisions of Article 9 to be reinforced to the advantage of the agricultural producers concerned.

If all the economic operators - individual farmers or associations of farmers and private operators - who are directly involved or have a business interest in the sector concerned, are to be allowed a share in the benefits accruing from the Regulation, then the authorities should be prompted by the inadequacy of its financial endowment to improve the relevant procedures to ensure that they are applied more effectively.

They must, however, be improved in such a way as to guarantee that individual farmers or associations of farmers are accorded priority over other applicants. Furthermore, the Commission must in future take greater care to ensure that each project is of positive benefit to the producers.

Only if such action is taken can the objective of Article 9 of the Regulation be fully achieved.

D. Procedures and the problem of revising costs

An analysis of the different procedures has shown that the system used for the payment of the national contribution is one of the main causes of the delays experienced in applying the Regulation.

Let us consider what actually happens. A project and an application for aid are prepared and submitted for approval to the intermediate authority (region, Land or Department) and to the Ministry of Agriculture, which then forwards them to the Commission.

Once approval has been given by the Commission (and this can take up to a year), the project is returned to the applicant, who must then apply for the national contribution, which entails yet another procedure. When the project can at last be started, two to three years will have elapsed and, obviously, the value of the aid granted will have diminished appreciably, especially in those countries with high rates of inflation.

It was for this reason that the European Parliament, in its opinion on the proposal to extend the Regulation for one year, requested the Commission and the Council to change the procedures so that applicants would not be penalized by the many delays.

In this connection, it would be desirable for the provisions of the new regulation to be more binding, especially where the procedure for the allocation of the national contribution is concerned. This would make it easier to achieve those objectives which would otherwise be frustrated by the slower and more muddled procedures followed by certain Member States.

The time problem could be solved by providing that the applications for aid to the Commission and the national authorities must be submitted simultaneously. Alternatively, the national authorities - or, where appropriate, the regional authorities - should be required to make their contribution before the Community's contribution is applied for. Either way, the time spent in applying for aid, which could adversely affect the implementation of a project, would effectively be halved.

Directly related to the problem of delays is the problem of revising costs. At the time when the application is submitted, the Commission should specifically request a preliminary estimate of the cost of the project and then apply a weighting - for example, the average rate of inflation - to the year in which it approved the project.

The application of such a weighting would remove any uncertainty about the amount of expenditure to be entered in the budget.

In this connection, it should not be forgotten that other key instruments of the Community's structural policy are also due for revision in the next few months.

It is not the task of this report to stress how important it is not to waste such an opportunity of establishing uniform and consistent objectives - we simply hope that others will do so. Nevertheless, we feel compelled to point out that it is important to seize the chance offered by the revision of a large number of the structural measures to standardize the different procedures.

Since the objectives and the means of achieving them differ from one measure to the next, we believe it essential that an effort should be made to standardize the various procedures of all the new structural instruments that are to enter into force in the next few years.

Standardization of the procedures, and their simplification, would undoubtedly be to the benefit of the applicants, while easing the task of the authorities responsible for processing the applications. It would also save a great deal of time and thus ensure that the measures concerned were applied more effectively.

E. Extending the Regulation's field of application

Regulation 355/77 was drawn up in the mid-1970s. Almost ten years have since elapsed and it is only normal that the need should be felt to review and to enlarge the Regulation's field of application.

It should not be forgotten, moreover, that one of the aims of the structural measures is to ensure that market situations are to some extent complementary.

As far as the processing and marketing measure is concerned, encouragement should be given to the production of products - including new products - which can expect to be well received on the market.

With this in mind, the list of sectors covered by the present Regulation should be extended so that the consumption requirements of the 1980s can be better satisfied.

However, bearing in mind the objective of Article 9 of the Regulation, the basic products should continue to be those listed in Annex II. On the other hand, in view of the changed pattern of consumer tastes, final products ought not necessarily to be included in Annex II.

This is already allowed by Regulation 355/77, but the procedure is complicated, requiring a decision to be taken by the Council. Consequently, when the Regulation is renewed, it would perhaps be desirable to alter the procedure so that the exclusion of final products from Annex II can be authorized by a simple decision of the Commission. The Commission should be required, however, to conform strictly to the objectives of the Regulation and, in particular, the objective of guaranteeing for producers 'an adequate and lasting share in the resulting economic benefits'.

The following are examples of the new products for which Community financial assistance is justified, not least with a view to increasing the earnings of certain producers:

- oenocyanine, a colouring agent obtained from grape skins after the first stage of the wine-making process,
- essential oils, obtained from the processing of by-products of citrus fruit and used as basic oils for the manufacture of perfumes.

Record of the hearing of professional organizations on the revision of
Regulation (EEC) 355/77

Introduction by Mr Vitale

This hearing was organized in connection with the report that I am instructed to draw up on the revision of the Community Regulation on the processing and marketing of agricultural products, on the basis of a motion for a parliamentary resolution tabled by Mr Barbagli and others. In view of the considerable importance of this Regulation within the framework of the Community's structural policy, we saw that there was a need to sound out the views of the professional organizations concerned on the way it has been applied over the years and to invite suggestions as to how it might be modified.

The first problem is to establish how to adapt the Regulation to the changes that have occurred in the common agricultural policy and to the new policies that are taking shape, especially with the prospect of Spain's entry into the Community and a consequent increase in the volume of processed products on its markets. The second problem is to determine how to rectify a number of practical difficulties and shortcomings inherent in the procedure for granting aid. It has been found that long delays occur between the submission of applications for aid and the actual financing of projects, which creates very serious problems in those countries with high rates of inflation. Could this problem be solved by allowing advances to be paid by the national authorities or by granting favourable credit terms to the producers concerned? Would it be desirable to broaden the Regulation's field of application? These are just some of the issues on which I would welcome your comments.

Mr BARBAGLI

I should like to point out that, in tabling our motion for a resolution, we were guided by three considerations: the need to adapt production to market requirements, the need to strengthen the contractual powers of agricultural producers and the need to increase the earnings of agricultural producers. Article 9 of the present Regulation must, I feel, be modified or at least clarified. The funds available must be reserved for organized agricultural production, since we cannot otherwise achieve the objective of increasing the income of producers by ensuring that they play a prominent part in the market process. We do not rule out the possibility

of granting aid to other operators, provided that there are arrangements with agricultural producers which ensure that they actually do exercise a decisive influence on the market.

I should also like to call attention to the need to increase the financial resources earmarked for structural measures, and to the need to reinstate the provision of Regulation 17/64 which authorizes the Member States to assist beneficiaries with their interest payments.

All the organizations represented at the hearing considered that the common measures aimed at improving the conditions under which agricultural products were processed and marketed to be a fundamental element of the Community's agricultural structures policy. Furthermore, they all deplored the inadequacy of the financial resources earmarked for those measures and called for immediate action to endow Regulation 355/77 with sufficient funds. In view of the considerable interest which the Regulation had aroused among agricultural producers and their organizations, and of the need to ensure the continuity and effectiveness of investment programmes in the sectors concerned, it was unanimously proposed that the Regulation should be renewed as soon as possible. The COPA-COGECA representatives urged the European Parliament to do all it could to persuade the Commission to submit its proposal at the earliest opportunity. Since it was essential to safeguard the medium-term interests of the processing industry, it was suggested that the period of validity of the new regulation should perhaps be longer than five years.

Although the meagre financial endowment had clearly been an impediment, it was generally thought that the relevant measures had been applied satisfactorily over the years. The League of Cooperatives considered that Regulation 355/77 had taken account of programming requirements and achieved some encouraging results, notably in revitalizing specific sectors in the weaker areas of the Community. Even though it realized that the aim was to stimulate the economic development of agriculture, it was less happy, however, about the criteria for selecting projects with a view to improving basic agricultural production. It was necessary for Article 9(1) of the Regulation to be applied more rigorously and for more rigid criteria to be established for checking that the requirements of the Regulation had been met. Consideration might also be given to the introduction of a different set of provisions for financial contributions to farmers grouped together in cooperatives or associations or, at least, to the possibility of a Community contribution being made to help meet the indirect expenditure incurred by producers' organizations (for technical assistance, etc.).

The Confederation of the Agri-Foodstuffs Industries of the EEC took a completely different line, maintaining that the objective of the Regulation was to maximize agricultural production and that, to that end, it was necessary to consider the economic requirements of industrial development. Regulation 355/77 was not an agricultural regulation since it was designed to 'develop or rationalize the treatment, processing or marketing of one or more agricultural products'. These were the operations that had to be assessed and the extent of the improvement to agricultural production would depend on how effectively they were carried out. Finally, the content of the programmes and the granting of aid should depend on the effectiveness of the investment project and not on the way funds were apportioned nationally, which was always somewhat arbitrary.

All the professional organizations represented at the hearing welcomed the introduction of sectoral programmes in Regulation 355/77, but were in some doubt about the link between the individual project and the programme itself, both in terms of the choice of products and as regards the amount of aid. It was pointed out that in some Member States the programme was drawn up only after details of the investment project were known. In others, on the other hand, the programme and precise financial estimates were first submitted to the Commission and, once these had been approved, a search was made for operators who were prepared to submit projects on the basis of which the programme could be implemented. The representative of the agri-foodstuffs industries considered that it was important to clarify the link between programme and project, but that this should not encourage certain types of operator or certain areas to disregard the definition of economic and productive criteria. According to COPA-COGECA, a great deal of confusion was created by the Commission's practice of publishing 'guidelines' for the application of Regulation 355/77 each year, whereas the duration of the national programmes was from three to five years. The Commission should establish the priorities and production targets on a Community basis before the national programmes were drawn up. Moreover, they should be applicable for the duration of the programme. Operators would then be left in no doubt about the criteria underpinning the programme (a point also made by the Association of Savings Cooperatives). It was not necessary for the criteria to be more detailed, since there was a risk that they would simply 'sum up' the individual projects, which was illogical. COPA-COGECA did not consider it essential for the geographical scope of the programmes to be established once and for all: in some cases a programme could be approved which transcended national boundaries (such a possibility was not ruled out by the existing Regulation), while in others there might be good reasons for considerably extending the scope of a regional programme.

The League of Cooperatives considered that, in view of the paucity of the resources allotted to the Regulation, it was more than ever necessary for the programmes to establish an order of priority for the granting of aid. In addition to the existing programmes, within which the individual projects should be properly integrated, provision should be made in the new regulation for programme-projects embracing a variety of sectors or a variety of initiatives and therefore eligible for financial assistance from other Community funds (Social Fund or the ERDF). In view of their greater importance, they should also be given priority in the allocation of resources from the Regulation's financial endowment.

Another point discussed concerned the consequences for the application of Regulation 355/77 of interest rates and the availability of credit facilities. It was no accident that of the projects approved the number actually completed was lower in the countries with higher rates of inflation. This had heavily penalized the weaker areas, i.e. those areas which were most in need of structural aid. The League of Cooperatives considered that the new regulation should include machinery which could reduce the severity of this problem. In particular, it should introduce a system of advances, such as had been provided for in other Community regulations. In the opinion of COPA-COGECA, however, it was not possible to grant advances unless it was known for sure that the project would be carried out. Even after the project was declared eligible by the Commission, it was by no means certain that it would be completed. Conditions on the market and the financial situation of the operator could easily change and there was no guarantee for the Commission. A possible solution might be to grant advances only if the Member State concerned agreed to act as guarantor of the funds advanced and to reimburse the Community if the project was not completed. The argument behind the proposal - that there was too long a delay between the submission of applications and the granting of aid - did not, in the opinion of the COPA-COGECA representatives, carry much weight. The essential requirement was that the project should be feasible and capable of completion whether or not it received financial assistance. And, in any case, the delays had been much reduced. The more complex problem of high inflation and interest rates certainly existed, but for the time being there was no solution. The Commission decided that a given amount should be set aside for the financing of a certain number of projects. No more money could then be made available to cover any revised estimates of expenditure, unless the number of projects qualifying for aid under the next instalment was reduced, and that could not be countenanced.

The Association of Savings and Credit Cooperatives of the EEC agreed that the problem of interest rates was very serious, but felt that something could be done to solve it.

The first step should be to speed up the administrative procedures for processing the applications submitted. As for the problem of advances, it was necessary to agree on the most suitable criteria. A possible solution might be to request a bank to guarantee reimbursement of the aid if the project was not completed. The banks could be counted upon to agree to such an arrangement, provided that the rules governing the payment of advances were acceptable.

While recognizing that there were bureaucratic and financial obstacles to any system of advances, Mr Diana considered that in some areas projects would invariably run into difficulties from the start unless some means were found of advancing the necessary funds. The fact that in some areas the delays were worse than in others was attributable not just to bureaucratic obstructiveness, but also to the more difficult conditions under which the projects had to be carried out. If the objectives of Regulation 355/77 were to be achieved, difficulties or obstacles should not be placed in the way of projects planned in those areas. In addition, it was essential to find a way of reducing the delays and of countering the effects of inflation. In particular, it ought to be possible to make up the difference between the estimated cost and the actual cost of a project in the course of its implementation.

Record of attendance at the hearing of professional organizations on the revision
of Regulation 355/77 - 2 December 1982

Present: Mr VITALE (rapporteur), Mr VERNIMMEN, Mr DIANA, Mrs LIZIN, Mr BARBAGLI
and Mr MAHER

Experts: Mr TYERNEY, Chairman of the Working Party on General Economic Affairs
of COGECA
Mr FRAGNER, Vice-Chairman of the Working Party on General Economic
Affairs of COGECA and coordinator of the work on
Regulation 355/77
Mr PILLOT, Chairman of the Working Party of General Experts of COPA
Mr HERLITSKA, Secretary-General of COPA and COGECA
Mr BOUREL, General Delegate of the Confederation of the Agri-Foodstuffs
Industries of the EEC
Mr BOUTIDOU, representative of the Association of Savings and Credit
Cooperatives of the EEC
Mr ZAMPAGLIONE, Head of the International Affairs Section of the
League of Cooperatives

Political group secretariats:

Mr ROSA, Group of the European People's Party
Mrs OLIVI, Communist and Allies Group

Directorates-General:

- Research and Documentation

Mr KILLEEN and Mr DE FEO

Secretariat of the Committee on Agriculture

Mr COMINI

MOTION FOR A RESOLUTION - Doc. 1-786/81

tabled by Mr BARBAGLI, Mr COLLESELLI, Mr DIANA, Mr LIGIOS, Mr COSTANZO,
Mr GIUMMARRA, Mr BERSANI and Mr DALSASS

pursuant to Rule 47 of the Rules of Procedure

on the revision of Regulation 355/77 on common measures to improve the
conditions under which agricultural products are processed and marketed

THE EUROPEAN PARLIAMENT,

- having regard to the objectives of Article 39(1)(a) of the Treaty of Rome namely to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production,

- WHEREAS:

- (a) the Commission has already undertaken pursuant to the Mandate of 30 May to devote greater emphasis to the possibilities for improvement in the quality of agricultural products and to the creation of a more modern system for processing and marketing such products to improve their distribution on Community and world markets;
- (b) the need, which has become increasingly apparent in recent years, for greater recourse to an agricultural structures policy and thus for adequate funds to increase the outlets for agricultural production through the rationalization of processing and marketing as well as improvement in the quality and presentation of such products, will be to the clear advantage of both agricultural producers and consumers;
- (c) the accession of Spain is likely to increase the imbalance between the financial appropriations of the Guidance Section of the EAGGF and the requests for Community aid, taking into account the fact that the current total of schemes submitted is twice as high as the resources available;
- (d) the lines of action for the Mediterranean regions proposed by the Commission in the Mandate of 30 May recognize the need for a balanced development of the Community through vigorous action enabling these least developed regions to minimize the extent to which they are lagging behind other regions of the Community;
- (e) Regulation 355/77 expires at the end of 1982 and should therefore be renewed at the beginning of 1983; it is essential for an increase to be made at that time in the funds allocated together with a review of intervention measures;
- (f) only the coherent and balanced coordination of marketing and production structures and the regular adjustment of resources made available can guarantee satisfactory long-term results for a global policy on agricultural structures;
- (g) the distribution of grants already made available has encountered the greatest delay in Italy and Ireland, due to slowness in starting and carrying out projects, administrative delays and particularly to the difficulties facing the beneficiaries in

these States in obtaining the credits necessary to finance their share of the projects and paying high interest rates, with the result that almost all the projects approved in 1978 have yet to be completed;

- (h) apart from the problems of implementing their projects, the farmers in some Member States are in serious financial difficulties due to the wide disparities between rates of inflation, interest rates and the different credit policies applied in the Member States of the EEC;

I. CONSIDERS THAT:

- (a) it is imperative that Regulation 355/77 be extended at the end of 1982 in order to have a more decisive impact in developing and improving the conditions for processing and marketing agricultural products,
 - (b) the funds allocated in 1977, having proved totally inadequate for the purposes of an effective market policy, must be proportionately increased to meet current demands,
 - (c) in order to ensure a suitable level of bargaining power for farmers together with a fair share of the added value accruing from marketing and processing operations, the beneficiaries of grant aid, as laid down in Regulation 355/77, should be primarily individual farmers or groups thereof; only in the absence of initiatives from these categories will aid to joint undertakings be considered, on condition that in such undertakings the agricultural partner is not in the minority,
 - (d) in certain disadvantaged areas the subsidies provided for in Regulation 355/77 should wherever possible be included in integrated programmes for regional development or in more organic programmes for specific sectors,
2. Stresses the need for simpler administrative processing of the projects proposed within the scope of Regulation 355/77 at both national and Community level in order to overcome the current distortions which are becoming increasingly serious in those Member States with high levels of inflation and high interest rates.

Further considers that:

- (a) Regulation 1361/78 which increases aid granted by the Fund to a maximum of 50% and of 35% respectively for projects carried out in the Mezzogiorno and in Languedoc-Rousillon, should be extended and expanded to include the other disadvantaged areas of the Community,

- (b) the price adjustment laid down in Regulation 355/77 should be raised from its present inadequate 5% to the level of the average Community rate of inflation so as to compensate for different rates of inflation in the Member States,
 - (c) interest rebates should be granted on the section of the investment project for which the beneficiary is responsible through contributions supplementary to those already made by way of capital grants, the aim being to align national interest rates on the Community average,
 - (d) the availability of loans needed for investment should be guaranteed to the beneficiary through national and regional legislation harmonized at Community level,
 - (e) once a project has been approved, the EAGGF should authorize advance payments for work to be carried out, as already laid down in Regulation 1760/78 on the improvement of the infrastructure in certain rural areas, which provides for the allocation of advance payments equivalent to a maximum of 80% of the Community contribution,
 - (f) intervention by the Fund should be extended to include other products such as wool, leather, wood and silk.
3. Considers it essential, moreover, that in order to realize the full potential of Community exports, a suitable marketing policy be devised for both agricultural products and the agri-foodstuffs industry, to which end Regulation 355/77 should provide for measures to finance the creation and improvement of an information network which would clearly indicate the needs of foreign markets and communicate the information in good time, and for setting up ad hoc courses to train specialized personnel.

MOTION FOR A RESOLUTION Doc. 1-288/83

tabled by Mr KYRKOS

pursuant to Rule 47 of the Rules of Procedure

on the development of the agricultural products processing sector in Greece

The European Parliament,

- A. having regard to the low level of development in the agricultural products processing sector in Greece,
 - B. whereas in very many regions there is no processing industry whatsoever for certain agricultural products,
 - C. having regard to the pressing need to modernize Greek agriculture up to the levels of development attained by the other member countries of the Community,
 - D. whereas such modernization entails the creation of a number of jobs in sorting, processing, standardizing and marketing agricultural products,
 - E. having regard to the inability of the financial credit system in Greece to meet in the near future investment requirements in the agricultural sector,
 - F. having regard to the contribution of the agricultural products processing industry to agricultural and regional development,
 - G. whereas the growth of investment in the sorting, processing and standardization of agricultural products
 - (a) will increase the opportunities for marketing these products,
 - (b) will help to provide employment for the rural population not employed in farming,
 - (c) will increase the incomes of producers,
 - (d) will help to alleviate underemployment and reduce unemployment,
 - H. whereas investments in the above sectors need to be made by producer cooperatives and producer groups,
1. Calls on the Commission, within the framework of the Mediterranean Programmes:
- (a) to increase the aid available from the EAGGF (Guidance Section) to cooperatives and producer groups for investments provided for under Regulation 355/77/EEC,
 - (b) to increase the capital granted to Greece under Regulation 355/77/EEC so that more programmes can be given support,
 - (c) to grant, through the European Investment Bank, financial resources on more favourable terms to the Agricultural Bank of Greece so that the latter may finance investment in the sorting, processing, standardization and marketing of agricultural products in Greece;
2. Instructs its President to forward this resolution to the Commission, the European Investment Bank and the Council of Ministers.

OPINION

of the Committee on Budgets for the Committee on Agriculture

Draftsman: Mr H. J. LOUWES

On 25 January 1984, the Committee on Budgets appointed Mr H. J. LOUWES draftsman of the opinion.

The committee considered the draft opinion at its meeting of 23 February 1984 and adopted the conclusions unanimously.

The following took part in the vote: Mr LANGE, chairman; Mr LOUWES, draftsman; Mr ABENS, Mr ADAMOU (deputizing for Mr GOUTHIER), Lord DOURO, Mr LANGES, Mr NEWTON DUNN, Mr NIKOLAOU, Mr K. SCHÖN, Sir James SCOTT-HOPKINS (deputizing for Mr BALFOUR), Mr SIMONNET and Mr PROTOPAPADAKIS.

1. The common policy for agricultural structures has been due for an overall review for a number of years. The main socio-structural directives expired at the end of 1983. In fact, they had already been extended several times pending an overall review. In November 1983, Parliament delivered an opinion approving a further extension. (OJ No. C 342, 19.12.1983, p. 98).

2. In document COM 500 (Common agricultural policy: Commission proposals) of 28 July 1983, the Commission concluded that:

'It would be an error to consider the price and markets policy in isolation from the other efforts of the Community to contribute to solving the problems of rural areas; indeed, if the Community is to find enduring solutions to these problems, it must put relatively more emphasis on long-term structural action, rather than on market intervention and price support'.

At the same time as the above-mentioned document, the Commission also submitted a report on ways of increasing the effectiveness of the Community's structural funds (COM(83) 501). This document drew attention to the positive aspects of the EAGGF Guidance Section as well as to the need to monitor its economic effectiveness. The Commission also proposed an increase in the funding available for structural measures, doubling the amount over five years.

3. The document under consideration (COM(83) 559) set out proposals for legislation aimed at giving practical effect to the measures proposed in previous documents.

4. The current policy has not succeeded in attaining its objectives. In areas where the average size of farms is very small, there is no chance of creating a viable agricultural sector. In areas where agriculture has prospered, productivity has risen considerably, not as a result of the land mobility which the EAGGF Guidance Section was intended to generate, but primarily as a result of increased investment in livestock and farm machinery, which has contributed in turn to the production of surpluses. The directive on socio-economic information has been successful in only two Member States. On the other hand, the directive on hill and mountain farming and farming in less-favoured areas has been a great success. The measures designed to assist the processing and marketing of agricultural produce stimulated the development of the agri-foodstuffs industry throughout the Community.

5. The current economic situation is characterized by stagnation and a shortage of employment. Farm incomes are growing less rapidly, while the economic disparities between the various regions of the Community are becoming wider. The increasingly large surpluses of the main agricultural products make a restrictive price policy inevitable. Cost inflation in agriculture and high interest rates in certain Member States make investment in agriculture expensive and risky. The new policy on agricultural structures must endeavour to respond to these challenges.

6. The Commission is now proposing to adapt the existing measures in order, within the constraints imposed by the market situation, to encourage a conversion to production which satisfies market requirements. This policy is also designed to help to improve the regional economic situation, in particular in areas where agriculture is the main activity. Drastic changes are proposed in the share of aid allocated for farm development to make it more accessible to a larger number of farmers and to place greater emphasis on Community criteria. Farmers in the lowest income groups have received particular attention. Provision has also been

made for specific measures to assist young farmers to become established. The proposals on conversion to forestry are designed to help remove incentives to overproduction in other sectors.

7. The regulation covers five specific categories of measures (Article 1(2)) each under a separate title:

- (a) System of aids for investment in agriculture, in particular for farmers with a low income who invest in quality improvements, conversion of production, reducing production costs, improving living and working conditions and saving energy. There are built-in safeguards to avoid the aid being used to increase production of crops for which there are no normal market outlets. The aid may take the form of capital grants, interest rate subsidies or security for loans already contracted. The aid is granted in respect of a maximum investment of 60,000 ECU per MWU or 120,000 ECU per holding; it amounts to between 20% and 45% of the investment according to its type. In the case of Greece, Ireland and Italy, the value of the aid is to be increased by 10% of the total investment undertaken during the first 30 months. An additional 25% may be granted, under certain circumstances, to young farmers. Young farmers may be eligible for an installation premium not exceeding 15,000 ECU.
- (b) Other measures to assist agricultural holdings: these concern the introduction of accounting, the creation and operation of cooperatives and the provision of farm relief services for a number of holdings. The levels of aid proposed are 1,000 ECU per farmer in the case of grants for the keeping of accounts, 15,000 ECU for cooperative groups of farmers and 12,000 ECU launching aid for farm relief services or services for the management of recognized agricultural associations.
- (c) Specific measures to assist mountain and hill farming and farming in certain less-favoured areas

This heading covers compensatory allowances ranging from 20.3 to 97 ECU per LSV or per hectare to compensate for permanent natural handicaps in the regions concerned, as defined in Directive 75/268/EEC. In less-favoured areas which are suitable for the development of a tourist or craft industry, investment aid may also be granted up to a maximum of 52,500 ECU. Joint investment schemes for the production, storage and distribution of fodder crops and for the improvement and equipping of jointly-farmed pasture may be eligible for investment aid of up to 100,000 ECU or 500 ECU per hectare of pasture. The regulation also includes provision for the removal of particularly serious handicaps by means of supplementary measures pursuant to a Council decision (Article 18).

- (d) Measures for woodland improvement on agricultural holdings

The following maximum amounts apply:

- 2,300 ECU per hectare for afforestation,
- 2,000 ECU per hectare for woodland improvements such as thinning, and the provision of wind-breaks,
- 150 ECU per hectare for fire protection measures,
- 18,000 ECU per kilometre for forest roads.

(e) Adjustment of vocational training to the requirements of modern agriculture

The Community may refund the Member States up to 6,000 ECU per person in respect of courses of basic and advanced vocational instruction for farmers or for managers of producer groups and cooperatives, as well as further training courses. In less-favoured areas, the fund may also grant subsidies of up to 400,000 ECU for the establishment of agricultural training centres. Lastly, provision is made for extending this assistance under the management committee procedure.

8. Title VI sets out the financial and general provisions. A number of references are made to regulation (EEC) No. 729/70 on the financing of the common agricultural policy: the proposed arrangements are described as a common measure to run until 31 December 1994, and there is a reference to the EAGGF Committee set up under that Regulation. The financial contribution by the Fund is estimated at 4,432 m ECU for the first five years. Article 26 fixes the percentage reimbursement (25% or 50%) by the Community of the Member States' expenditure on the support measures set out in this regulation. To be eligible, the expenditure must have been incurred by the Member States during the previous calendar year and applications must have been submitted to the Commission by 1 July of the current year. This title also includes a number of provisions empowering the Commission to investigate whether national legal and administrative provisions are compatible with the new regulation. The Commission must submit an annual report to Council and Parliament by 1 August. The Member States must themselves make provision for checks on the information used to calculate the aids eligible for assistance from the Fund.

9. The final provisions in Title VII amend a number of Regulations and Directives to bring them into line with the proposal for a regulation under consideration, particularly the existing Directives on agricultural structures and Regulations on integrated development programmes or the promotion of agriculture in certain areas. Document COM 559 also contains a second Commission proposal for a Council Regulation amending Regulation (EEC) No. 355/77 on improving the marketing of agricultural products and Regulation (EEC) No. 1820/80 on agriculture in the West of Ireland along the same lines.

OBSERVATIONS OF THE COMMITTEE ON BUDGETS

10. The following table shows that the new proposal for agricultural structures provides for national aids amounting to 43,500 m ECU over a period of ten years, of which 13,500 m ECU are to be reimbursed by the Community. In the first five-year period, these amounts are 13,000 m and 4,400 m ECU respectively. The financial statement annexed to the proposal for a regulation provides a detailed justification for the estimates of expenditure. In an earlier proposal, COM 501 on increasing the effectiveness of the structural funds, the Commission stated that its aim was to double the appropriation for the structural funds within five years. Allowing for the running-in period for the new measures, the Commission proposal can be considered as a reasonable starting point, which must be adapted to specific socio-economic and political circumstances in the course of the annual budgetary procedure.

11. The Commission has put forward these proposals in order to pursue 'a common agricultural structures policy with a real Community character by maintaining a horizontal approach together with a decided regional emphasis' (page 10). When delivering an opinion on the above-mentioned document (COM 501), Parliament approved this type of approach. However, as draftsman for the Committee on Budgets, one is bound to wonder whether the 'structures policy with a real Community character' has in fact been given sufficient attention.

Summary of costs (in mio ECU)

<u>I. EAGGF REIMBURSEMENT IN</u>			1986	1987	1988	1989	1990	1991 and later
	Ar- ticle							
1.	4	Investment - general	160	252	309	364	416	5,643
2.	4	Supplement It/Irl/Gr	7	11	6	5	5	28
3.	7	Young farmers - premiums	51	51	51	51	51	255
		- investment	16	26	31	37	42	571
4.	9	Accounts	5.5	5.5	5.5	5.5	5.5	27.5
5.	10	Mutual Aid	1.5	1.5	1.5	1.5	1.5	7.5
6.	11	Replacement Services	1	1	2	3	3	7
7.	12	Management Services	-	1	1	1	1	2
8.	13	Compensatory allowances	213	219	223	226	230	1,188
9.	17	Collective Investments	6	6	6	6	6	30
10.	20	Forestry - planting	63	63	63	63	63	315
		- improvement	169	169	169	169	169	845
11.	21	Training	19	19	19	19	19	95
12.	22	Information	5	5	5	5	5	25
TOTAL			721	834	896	960	1,021	9,059

<u>II. NATIONAL EXPENDITURE IN</u>			1985	1986	1987	1988	1989	1990 and later
	Ar- ticle							
1.	4	Investment - general	640	1,007	1,234	1,454	1,663	22,560
2.	4	Supplement It/Irl/Gr	26	42	24	18	17	105
3.	7	Young farmers - premiums	102	102	102	102	102	510
		- investment	32	50	62	73	83	1,130
4.	9	Accounts	22	22	22	22	22	110
5.	10	Mutual Aid	6	6	6	6	6	30
6.	11	Replacement Services	3	5	8	11	13	26
7.	12	Management Services	1	2	3	4	4	9
8.	13	Compensatory allowances	585	600	610	620	630	3,250
9.	17	Collective Investments	24	24	24	24	24	120
10.	20	Forestry - planting	126	126	126	126	126	630
		- improvement	338	338	338	338	338	1,690
11.	21	Training	76	76	76	76	76	380
12.	22	Information	-	-	-	-	-	-
TOTAL			1981	2399	2635	2874	3104	30550

12. On closer examination, this regulation falls into two parts:

- a mandatory part requiring the Member States to introduce measures to support investment in agricultural holdings on the basis of common criteria, with Community assistance;
- an optional part allowing the Member States, firstly, to extend the above-mentioned measures in certain cases and, secondly, to take a number of additional structural measures. If the Member States implement these measures, they are eligible, up to a certain limit, for reimbursement of a proportion of the amount spent.

13. Under these circumstances, it is difficult to evaluate satisfactorily the economic and budgetary implications which the Commission suggests. The Community has few instruments with which it can make adjustments to the measures while they are being implemented. In this connection, it is important to examine what steps have been taken in the past to deal with any errors which occur. As regards aid for investment, Article 3(2) stipulates that no aid shall be granted in respect of investment which has the effect of increasing the holding's production of products for which there is no normal market outlet. The list of products is to be drawn up in accordance with the management committee procedure. Intensive dairy or pig farms are virtually excluded (see criteria laid down in Articles 3(3) and 6(2)), as is the egg and poultry meat sector. Finally, the proposal also includes a social provision, namely that aid may not be granted if its effect is to create a labour income in excess of 120% of the average gross income of non-agricultural workers in the region concerned (Articles 3(5) and 2(2)).

14. The proposal for a regulation leaves it to the Member States in most cases to determine the level of aid within the limits laid down in the regulation. Only in the case of the premium for the introduction of accounting is a uniform amount laid down, namely 1,000 ECU spread over at least four years. In the case of the capital grant for investment aid and individual investment in the tourist or craft industry in less-favoured areas, the maximum volume of investment eligible for subsidy is specified. In the case of the compensatory allowance for natural handicaps in the less-favoured areas, the regulation lays down uniform minimum and maximum amounts and grants a partial exemption for milk producers. Only a maximum amount is laid down in respect of Community financing of other aid measures, namely farm relief services, woodland improvement and vocational training.

15. Taken as a whole, the proposal seems to be based on the premise that the Member States would like to introduce similar aid measures but do not do so for financial reasons. Through the possibility of Community refinancing they should now be in a position to do so on the basis of the criteria proposed. Experience has shown that a few Member States have indeed not made full use of the possibilities offered to them by the Community because they were unable to afford the share of the financing to be borne by the Member State and that other Member States, with less need of Community aid, have taken full advantage of the aid arrangements. The regulation now proposed takes care of this objection by doubling the percentage of aid (from 25% to 50%) for Greece, Ireland, Italy and the French Overseas Departments. Even then, there is still the problem that this aid is not paid out by the Commission until the year after the expenditure is undertaken by the Member State.

16. Since the EAGGF Guidance Section was adapted in 1970 to the introduction of Community own resources, the operation of this Fund has developed at a slower pace compared with other sectors, both in terms of volume and of its financing mechanisms. When the EAGGF was created, the target was for the Guidance Section to be one-third the size of the Guarantee Section. Until 1972, however, expenditure was limited to 285 m EUA and from then until 1979 to 325 m EUA. From 1980 onwards, a new five-year funding programme came into force amounting to 3,600 m EUA. Throughout this period, the funding mechanisms remained virtually unchanged: the Member States were able to introduce a number of aid measures and recover a proportion of the amount of aid paid out in the form of refunds from the Commission.

17. Thereby, the Commission and the Council appear to have lost sight of an important consideration. Regulation (EEC) No. 729/70 of 21 April 1970 on the financing of the Common agricultural policy included the following recital:

'Whereas in accordance with Article 2(2) of Regulation No. 25, which substitutes the concept of financing by the Community for that of expenditure eligible for financing by the Fund, a new system should be established under which funds will no longer be advanced by the Member States but by the Community'.

18. A system of advances has been brought into operation in the case of the EAGGF Guarantee Section. It is true of virtually all non-agricultural aid arrangements that the Community finances structural measures and that, moreover, Community aid must be additional to national aid. Parliament is endeavouring to limit as far as possible the exceptions to this rule, for instance in the case of compensatory measures to assist the United Kingdom and the Federal Republic of Germany. Large amounts are paid out of Regional and Social Fund expenditure in the form of advances. It is odd, therefore, that in the case of the EAGGF Guidance Section the Commission should continue to adhere to the outmoded system of reimbursing eligible expenditure already made.

19. The argument that this would be the only way to expand measures related to agricultural structures within the current limit on own resources is unacceptable. After all, the rate of refund by the Community ranges from 25 to 50% and is therefore on a par with the rate paid by the Regional and Social Funds. Given the time still taken by the Council to reach a decision and the running-in period required for the new Fund, the proposal is unlikely to be put into effect before the end of the current debate on the financing of the Community. Lastly, a strengthened Guidance Section ties in with the restructuring plans of the Community and is therefore an area in which Community policy will replace national policy; there must, therefore, be no resultant increase in the tax burden on the taxpayer.

20. By making a large proportion of the measures in the proposal for a regulation optional, the Commission appears to be failing to take advantage of opportunities to coordinate national aid systems and bring the measures into line with the policy pursued in the Guarantee Section.

21. The Commission states in the proposal for a regulation that the figure of 4,432 m ECU for the five-year funding requirement is an estimate. The final recital to the second proposal for a regulation (p. 48), on the other hand, states that '... it is necessary to provide for a total financial contribution by the Community estimated at 360 m ECU per year'. In the explanatory memorandum to the two proposals (p. 11), it puts forward the view that at this stage, certain

expenditure items must remain compulsory because the 'unforeseeability of resources detracts considerably from the effectiveness of the funds'. Since Parliament has the last word on expenditure other than compulsory expenditure in the budgetary procedure, this can only be interpreted as a rebuff to Parliament. This is not only out of place in terms of good inter-institutional relations, it also shows a lack of understanding of budgetary reality. In previous years, Parliament has made great efforts to increase the budgetary allocation for the EAGGF Guidance Section. The Commission has always taken its time in formulating suitable proposals for regulations and for a number of years has been unable to disburse the whole of the annual allocation on which the Council put a ceiling. Consequently, 'foreseeability' of resources ought to be all the greater if they are not entered against compulsory expenditure.

22. Having said that, the draftsman of the opinion of the Committee on Budgets does agree with the Commission that there is a need for budget programming in the medium term. He believes, however, that this objective can be achieved more effectively through a reassessment of the debate on the three-year estimates annexed to the preliminary draft budget.

23. Under Article 7 of Regulation (EEC) No. 729/70 on the EAGGF Guidance Section, the Fund Committee has a purely consultative role in decisions on the granting of aid. It may appeal to the Council only in respect of opinions on the detailed rules for the application of the above regulation to the Guarantee Section. It is sufficient, therefore, that Article 28(2) of the proposal for a regulation under consideration refers to the above-mentioned article as regards the granting of aid from the Fund.

24. This flexibility in the granting of aid is counterbalanced, however, by provisions to ensure that the national implementing measures to be taken are compatible with the regulation. In this case, the customary management committee procedure is used, with the possibility of an appeal to the Council via the Standing Committee on Agricultural Structures. This is disturbing, inasmuch as the Commission has made subordinate to the opinion of a committee of national officials its right under the Treaty to check whether national legal and administrative provisions are in line with Community law.

CONCLUSION

22. The Committee on Budgets:

(a) endorses the aim of the Commission of the European Communities in seeking a more permanent solution to the problems of rural areas by placing greater emphasis on long-term structural measures than on market intervention and price support;

(b) approves:

- the objectives of the proposed structural measures;
- preferential treatment for less-favoured areas;
- the built-in safeguards firstly to prevent new incentives to surplus production in certain sectors and secondly, in the granting of aid, to give priority to farmers in the lowest income categories;

- (c) requests the Commission, however, to review as a matter of urgency the manner in which the aid is to be granted and, in so doing, to shape the EAGGF Guidance Section, in particular, into an instrument of active Community policy;
- (d) Considers the financing of 4,400 m ECU proposed by the Commission to be a reasonable starting point; points out, however, that the decision to enter appropriations in the budget falls exclusively within the power of the budgetary authority and that any commitment of expenditure in the regulation would run counter to the Joint Declaration of 30 June 1982;
- (e) notes that the expenditure covered by the proposal is not compulsory expenditure;
- (f) considers that advisory committee procedures without the option of appeal to the Council are the only acceptable arrangements;
- (g) proposes that the conciliation procedure be initiated should the council consider it necessary to depart from the opinion of the European Parliament.

OPINION

of the Committee on Regional Policy and Regional Planning

Draftsman: Mr HUTTON

On 1 December 1983, the Committee on Regional Policy and Regional Planning appointed Mr HUTTON draftsman of the opinion.

It considered the draft opinion at its meetings of 1 December 1983 and 17 January 1984 and adopted it by 12 votes in favour with 2 abstentions.

Present: Mr DE PASQUALE, chairman, Mr HUTTON, draftsman; Mr CARDIA, Mr CECOVINI, Mr GENDEBIEN, Mr GERONIMI, Mr von HASSEL, Mr KAZAZIS, Mr KYRKOS, Mr LALUMIERE, Mr Kons. NIKOLAOU, Mr POTTERING, Mr Karl SCHON, Mr TREACY, Mr VERROKEN, Mr von der VRING.

I. INTRODUCTION

1. The socio-structural directives that have constituted the backbone of the Community's policy on agricultural structures can be considered, after more than ten years experience, as being ineffective and inappropriate. Ineffective, because they have not reduced regional income disparities and inappropriate, because they have contributed to an increase in output of surplus farm products.

2. The present proposal for a Council Regulation (EEC) on improving the efficiency of agricultural structures aims at being rigorous but at the same time, flexible. It is thought that having a common policy characterized by rigour in both the market structure and efficient use of Community resources it would become an effective instrument; on the other hand flexibility will ensure adaptability to the complex structures that originate in both national and regional situations. Thus, the current proposals will replace the four directives¹ of which the first three would cease to apply from the dates of entry into force of this proposed regulation and only Articles 1, 2 and 3 from directive 75/268/EEC are retained.

3. The revision of this Regulation is welcome with the experience gained in applying Regulation (EEC) No. 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed and, given the important role of processing and marketing in introducing new techniques, new products and adoption of land-saving techniques in the agri-food sector. Such revision should be viewed in the context of what the Community situation is today and in what direction the Community wishes to go. Today we face a serious stagflation, due to a number of reasons; an unprecedented rate of unemployment, particularly among the young, and a dilemma as to what is the appropriate technology; land-saving or labour-saving.

4. Both current proposals should be seen in a wider context: the competitive position of Community agriculture vis-à-vis world markets and home markets. When we talk of world markets we refer to primary commodities and processed products; when we talk of home markets we refer to the price support mechanisms.

¹ Directive 72/159/EEC on the modernisation of farms
Directive 72/160/EEC on the cessation of farming
Directive 72/161/EEC on socio-economic guidance
Directive 75/268/EEC on mountain and hill-farming

Both markets, though, squarely depend upon the Community's technological capacities to introduce new processed products that have a high labour-content and minimum land and capital content and new land-saving techniques that would reduce the content of primary commodities otherwise more would be gained from a given primary good input.

II. A COMMON POLICY ON AGRICULTURAL STRUCTURES

1. The crux of the matter is: "how to implement a cost-effective policy that would favour lower income farmers without inducing higher production levels of farm products already in surplus?" In the explanatory memorandum of COM (83) 559 final, the Commission has proposed an investment aid policy, the establishment of mutual aid services and measures in favour of the afforestation of farmland coupled with forestry development directed at increasing the net value of farm products and including wood processing in the revised Regulation (EEC) No. 355/77.

2. The Commission is quite aware of the requirements that such a policy will need and it states: "Many of these measures will be of little avail however, unless the vocational training of farm people, in particular of farm youth, can be fitted to the requirements of modern agriculture."¹

3. The stress on vocational training of farm people is only one side of the coin; the other concerns the question of "who or which is the most appropriate agent or agency to promote the indigenous development of regions?" In other words, without defining the instruments that would implement this proposed Common policy one cannot assure its success. The proposed Regulation gives us the framework in which the development of agricultural structures is envisaged but it is silent on the appropriate development agents or agencies required for it. Would it be small and medium-sized undertakings or craft and agricultural cooperatives or a public sector undertaking or regional authorities' joint ventures or something else? This is a pressing question.

4. Current proposals are a mixture of horizontal and regionalized measures. The former are applicable to all regions which meet the criteria laid down. Experience has shown that they function inequitably depending on the efficiency of administrative services of both Member States and their regional authorities. Regionalized measures or measures in favour of less

¹ COM (83) 559 final, p. 10

developed regions are meant to compensate regions for their natural handicaps, lower productive capacity, low level of mechanisation, inadequate irrigation systems etc. which are reflected in the lowest agricultural productivity. However, the success of these measures - experience shows - has depended on whether the social aspect could be coupled with administrative simplicity.

III. WEAKNESSES OF THE CURRENT PROPOSALS

1. If current proposals on agricultural structures are meant to guide production away from farm products in surplus towards import substituting products, then, Article 3, paragraph 3 would, most probably, do exactly the opposite. It provided for investment aid to the dairy sector and to the pig sector with conditions attached about the number of cows per holding (40) and of fattening pig placed (550 per holding). The view of your draftsman is to delete this paragraph.

2. On the other hand, eggs and the poultry meat sector are excluded from the investment aid scheme. It should be remembered that this sector has rarely had any surpluses and its production techniques have been mastered and used both on the farm and in the processing factory. Given that intensive poultry farmers are coming under increasing pressure to change their techniques, it would seem appropriate to make available investment aid to speed the changes being demanded. Article 3, paragraph 4, should be revised to take this into account.

3. If current proposals aim at simplifying the administrative procedures and thus cost, and thereby facilitating better understanding of this proposed Regulation, Title III - and articles 13 to 19 - should be revised in the following way. From Directive 75/268/EEC, Articles 1, 2 and 3 are retained and constitute the basis upon which improvements are proposed.

4. Care should be taken also that Article 2, paragraph 3 of Directive 75/268/EEC be amended accordingly since it is based on Directive 72/159/EEC, Article 18 which could cease after the transitional period provided in the current proposals.

5. The old "criteria for eligibility" of Directive 75/168/EEC such as "minimum of three hectares" and "cows whose milk is intended for marketing"

are retained; it is at least doubtful whether such criteria encourage farming or attack young farmers who own nothing. This is in contradiction to Article 7 which aims at granting special aids to young farmers and Title V on vocational training.

6. It is of interest to note that Regulation (EEC) No. 355/77 is revised to take into account conditions that "meet regional needs" that would contribute to the development of regions (Article 1, paragraph 3). However, the complicated procedure in submitting applications accompanied by detailed information, having been approved by the concerned Member State first and then by the Commission, is retained intact.

IV. THE STRENGTH OF THE CURRENT PROPOSALS

1. It is threefold. First, an increased contribution from the Community. Second, wider application of these measures by including sectors such as forestry. Third, concentration of these measures in less-favoured regions with differential rates of Community financing depending on the economic potential of a region.

2. It is estimated that the common measure on agricultural structures will cost the Community 4,432 million ECU for the first five years. A re-examination by the Council upon new proposals from the Commission as to the working of this proposed Regulation will take place after five years although, the common measure is envisaged to continue until 31 December 1994. The amount of 4,432 million ECU, in fact, is about four times higher than the amount allocated for the four structural Directives (approximately 1,085 million ECU).

3. The same logic is found in the proposed revision of Regulation (EEC) No. 355/77; 1,750 million ECU over a period of five years (i.e. 350 million ECU per year) is proposed and is viewed as an aid for guidance purposed; this amount is also approximately four times higher than the old regulation allocated - 80 million ECU per year.

4. As to the wider application of these common measures this Committee has repeatedly stressed the need that all economic activities that originate in the primary sector should constitute the basis for one policy on agricultural structures. This interpretation is consistent with Article 38 of the Rome Treaty establishing the EEC which states:

"Agricultural products" mean the products of the soil, of stockfarming and of fisheries and products of first-stage processing directly related to these products" (paragraph 1).

The question of interest, however, is whether these measures are proposed within the meaning of supplementary policies in the field of technology, energy and manufacturing. Such an approach will give a wider application to Community's instruments.

5. There is another reason that gives added weight to the current proposals; this is the fact that "agricultural products", as meant in Article 38 of the Treaty, are essential "inputs" of the other two economic sectors: manufacturing and services. Thus, the rate of growth in the output of "agricultural products" will also govern the rate of growth and accumulation of the secondary and tertiary sectors. While Community agriculture needs to re-direct its surplus products towards import-substituting goods, these measures are proposed at the right time.

6. The concentration of these measures in less-favoured regions will yield "efficiency" and "effectiveness". Efficiency will be ensured because the objectives are clearer now and the diversification of funds is being limited, reducing relatively unnecessary bureaucracy. Effectiveness will be secured because funds are not spread out too thinly over too wide an area as it has been the case with the previous structural directives.

7. The increase of resources for farm tourism is particularly welcome. In order to make sure that these resources reach farmers the application procedures must be simplified.

V. CONCLUSIONS

1. Provisions relating to structural policy have undergone several phases; the first phase concerned listing specific projects (1964-71) then we had the Monsholt plan which gave birth to the three structural Directives and the mountain

and hill farming Directive which aims at productivity - competitiveness - selectivity (1972-1977). The third phase starts with the Regulation 355/77 which supplemented earlier efforts by providing assistance with marketing and regionalising interventions. The last phase has been about integrated programmes involving coordination of the structural funds.

2. However, the Committee on Regional Policy and Regional Planning believes that the following should be included in the Motion for a Resolution in the reports by Messrs BOCKLET, PROVAN and VITALE on the current proposals from the Commission:

- a) welcomes the proposals but draws attention to the need for appropriate amendments to be tabled for improving the weaknesses of some Articles such as Article 3, paragraph 3 and 4 and Article 13-19;
- b) draws attention to the fact that Articles 1, 2 and 3 of Directive 75/268/EEC should be integrated with appropriate amendments into the proposal for a regulation on improving the efficiency of agricultural structures and thus it would case as a Directive;
- c) believes that the "criteria of eligibility" proposed are not new and have been proven inappropriate for either attracting young farmers or applying strictly to farmers;
- d) stresses the fact that a policy on agricultural structures which is still in the making should promote alternative activities, such as "stay at home" employment by employing new technology adapted to regional markets; such a policy would encourage the "family holding" and an alternative source of family income;
- e) points out that current proposals are silent on European Parliament's repeated concern over the consultations procedure between the Community, the State and regional authorities in drawing up and implementing programmes;
- f) notes that neither the "comparative advantage" of a region in a specific economic activity nor the financing of "research of natural potential" in the field of water, sea and energy resources have received consideration; both are essential in directing production that would maximize self-sufficiency and promote agricultural exports;
- g) welcomes the increase in resources for farm tourism and expects application procedures to be simplified.