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Report

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on new guidelines for the Community's structural
policy in the agricultural sector

Part B: Explanatory statement

Rapporteur: Mr B. THAREAU

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EXPLANATORY STATEMENTINTRODUCTION

- 1957-1958: ROME - STRESA
- 1962-1964: Initial attempts to tackle structural problems by coordinating national policies and financing individual projects, an approach which did not add up to a genuine Community policy.
- 1972: Partial implementation of the MANSHOLT Plan coinciding with the enlargement of the Europe of the Six to become the Europe of the Nine.
- 1983: Decision by Parliament and the Commission to review the directions to be followed in agricultural structural policy.
This review follows closely in the wake of Greek accession and coincides with the negotiations on the accession of Spain and Portugal.

These few dates serve to underline two points: firstly that the implementation of structural policy has lagged behind the common organization of markets, and secondly that an assessment of structural policy as it stands in 1983 will, broadly speaking, cover the historic period marked out by the Europe of the Nine.

The revision of agricultural structural policy is rendered necessary by two imperatives and strategically appropriate by a favourable conjunction of circumstances.

A political and economic imperative:

The situation of farmers and farming in the Europe of the Nine in 1983 no longer bears any resemblance to the conditions which existed prior to 1973.

The accession of Greece has resulted in radical changes to the face of European agriculture, which have had a greater effect on production structures than on the levels of self-sufficiency in the various products.

These changes would become even more pronounced if Spain and Portugal were to join the Community.

An administrative imperative:

There are sixty-three measures financed as part of structural policy.

They are the expression of a number of successive policy directions.

The manner in which the acts are implemented varies widely from one measure to another and sometimes, for a given act, from one Member State to the next.

Setting out from the experience gained, the time has come to clarify, simplify and speed up the procedures.

A favourable conjunction of circumstances:

Of the 63 measures recorded (in the agricultural and fisheries field and promulgated before 31 December 1982):

- only 21 will still be in the course of implementation in 1984 by virtue of the time-span laid down in the initial text;
- 18 will have been completed by 1 January 1984;
- 24 other measures will appear in the 1984 budget, either because they have been extended or because of substantial delays in implementation or in the context of annual renewals.

The 21 first-mentioned agricultural measures account for only 26% of the EAGGF Guidance Section appropriation of 751 m ECU (annual average 1980 - 1984) based on a five-year allocation to the Fund of 3,755 m ECU. This allocation is to be reviewed for 1985.

Rarely has a budget been so free of previous commitments and left such wide scope for fresh consideration.

The way is therefore clear for a more forceful definition of policy directions.

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1. STRUCTURES IN THE COMMON AGRICULTURAL POLICY

The Treaty of Rome laid down the following objectives for the common agricultural policy:

- increasing agricultural productivity,
- ensuring a fair standard of living for the agricultural community,
- stabilizing markets,
- assuring the availability of supplies,
- ensuring that supplies reach consumers at reasonable prices.

The Stresa Conference added a further point to this list:

- reforming structures so as to improve competitiveness, without jeopardizing the existence of family farms.

Over these last twenty years, productivity in the agricultural sector has risen by 6%, and hence more rapidly than average labour productivity in the economy as a whole, for which the figure is 4%.

It is the consumers who have derived most benefit from this increased productivity.

Agricultural producer prices have risen less rapidly than the consumer prices of food products, which have themselves risen less rapidly than disposable private income. In the case of the commodities produced in Europe on a large scale, the quantities available for marketing have increased, thereby improving security of supply and guaranteeing stable food prices. European consumers have been cushioned from price fluctuations on the world markets and the effects of the 1976 drought which, as recently as in last century, would have caused a famine.

The other objectives have been achieved only in part and these partial successes have been blunted by certain unfavourable developments:

- the drift out of agriculture is continuing: between 1975 and 1980, 1.7 million jobs disappeared in the agricultural sector, at the rate of 1 job every 2 minutes;
- production guidance does not follow a coherent logical pattern: surpluses, costly to administer, co-exist with permanent, and more numerous, deficits. The EEC's balance of trade with the rest of the world in the agricultural

and foodstuffs sectors is in deficit (-22,500 million ECU in 1980).

In addition, Europe has reached a position of dangerous dependence as regards intermediate consumer goods, imports of which are constantly rising, owing to the increasingly widespread employment of production methods founded on such goods.

Finally, farmers have not been sufficiently rewarded for their efforts to increase productivity: their standard of living has risen less rapidly than that of workers in general and income disparities among farmers have widened.

Neither equality nor justice are in sight in 1983

The policy of ensuring security of supply has proved its worth, and did so even during the period of industrial expansion. What would Europe's situation be today, if its dependence on the outside for its food resources was greater than it already is?

In 1983, at the height of an economic crisis which no-one predicted, Europe needs not only to keep hold of what it has accomplished and intensify its effort in the direction of the as yet unfulfilled objectives of the Treaty of Rome, it must go further and spell out how its agricultural sector is to help it through and out of the crisis.

11. Europe needs a strong agricultural sector

- in its relations with the rest of the world,
- for its own development.

111. Free trade and the manner in which such freedom is exploited by the agri-foodstuffs sector tend to encourage the geographical specialization of production.

This trend is being progressively reinforced within the Community by the creation of a single market.

On the other hand, Community preference, the levy mechanisms and commercial policy have served to protect Europe, viewed as a whole, from excessive specialization in its agricultural production. Europe has not become, as American economists had proposed, the specialist in intensive stock-farming, leaving others to secure a monopoly on the market in cereals.

Europe has improved its level of self-supply and could become a net exporter of agricultural produce.

As an essential pre-condition to the further development of its

agriculture, Europe must increase its exports in such a way as to allow a reduction in its imports of intermediate consumer goods. Exports must be governed by multi-annual exchange contracts, rather than the day-to-day need to dispose of stocks.

112. World trade in agricultural produce is conducted on two distinct types of markets:

The market in processed products

This market is very limited in size and such trade as there is tends to take place among the Community countries rather than with the other industrialized countries. Because of its technological capacities, Europe would be able to compete in this area.

The market in primary commodities

These commodities take up by far the largest volume of trade. The greatest real needs are located in the Eastern bloc and the developing countries. The attainment of self-sufficiency in food will in the long term enable these countries to meet their needs and Europe, with its development aid, intends to help them in their efforts. However, even the most optimistic forecasts on the results of development programmes indicate that the situation will remain critical for the rest of this century. The immediate perspective will be marked by a growing disparity between on the one hand real needs and, on the other, financial capacity and expressed demand.

It is scarcely likely that the gap between the prices prevailing on these markets and on the Community's internal market will be closed, especially since the United States, for economic and strategic reasons, wishes to extend its influence in this sector.

If Europe is to increase its supplies of primary commodities to these markets, it must first solve the price problem, either by increasing expenditure under the Community budget or, more realistically, by modifying the price support mechanisms applicable to surpluses intended for export.

113. By responding to the encouragements provided by the CAP to meet food production targets, European farmers have honoured the 'contractual obligations' imposed on them by the Treaty of Rome.

But agriculture also contributes in other ways to the European economy:

- agricultural produce accounts for 9% of total EEC exports to third countries,
- by encouraging a better utilization of waste products, agriculture may help to improve the energy balance,
- it may be able to resume its role as a supplier of raw materials to industry, assuming that the current research effort produces favourable results,
- it opens the way to tourist activities within reach of all income groups,
- it invariably plays a decisive role in improving the environment. What would be the cost to society as a whole if farmers did not assume responsibility for this task?
- it generates employment in the crafts sector and upstream and downstream industries, in the para-agricultural tertiary sector and trading activities in rural areas.

If Europe wants a strong agricultural sector, this means that it is striving not only to preserve the living standards and human dignity of the 8.5 million people employed in agriculture, but also to improve the future prospects of the rural population as a whole, and in addition to create more amenable living conditions for its 270 million citizens.

If Europe wants a strong agricultural sector, despite the decline in the relative economic importance of agriculture, this means that it is endeavouring, in this period of crisis even more than in a period of expansion, to guarantee self-sufficiency in food and maintain the major balances within its economy.

To create this strong agricultural sector, Europe must reconcile, by means of better production guidance, the contradictions existing between:

- supplying foodstuffs at reasonable prices to consumers who are setting increasingly high standards as regards quality,
- preserving the maximum number of productive and fairly paid agricultural jobs,
- exporting agricultural produce in the face of increasingly fierce competition,
- supporting the food self-sufficiency effort of developing countries which are at present net importers.

12. Production guidance - The interaction of market and pricing policy and structural policy

95% - 5%

These are the proportions of the total EAGGF budget which were allocated to the Guarantee and Guidance Sections respectively in the period from 1976 to 1983.

This is a very long way from the original intentions, which in 1962 fixed proportions of 75% and 25% (Reg. 25/62, Article 5(2)).

After 1966, this rule was replaced by provisions which imposed a ceiling on the annual endowment of the Guidance Section (Reg. 130/66, Article 9).

Given the impending difficulties with the EAGGF budget, it will not be possible to maintain or increase the share of the Guidance Section unless certain payments under the Guarantee Section are revised. This revision must pinpoint the expenditure which is improperly charged to agricultural policy alone: for instance, food aid under the Guarantee Section budget, but also rural infra-structures under the Guidance Section budget.

95%	-	5%
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is tantamount to sacrificing long-term needs to the solution of immediate problems and goes some way towards explaining the shortcomings currently observed in production guidance.

121. Market and pricing policy has a decisive influence on production patterns and structural development.

Price levels and the degree of security afforded by the guarantee mechanisms have a considerable bearing on farmers' decisions. Surpluses build up in cases where the provisions are most comprehensive: dairy products, sugar, wine cereals (poultry and eggs are exceptions to this rule). These surpluses are often described as structural; are they not more often the result of pricing policy?

Uniform prices have a greater effect on farm specialization than on production patterns. The absence of a ceiling on price support per farm encourages excessive intensification and an increase in farm size.

122. The agri-foodstuffs industry also influences production patterns and structures.

Its dynamism acts as a stimulus to local production: the geographical spread of its undertakings gives rise to or reinforces certain forms of specialization at sub-regional level.

In addition, these undertakings follow their own logic. For instance, to reduce the cost of collection and technical support, they tend to rely on a limited number of large-scale suppliers, to whom they pay quantity bonuses.

They are most successful in those instances where the production techniques have been fully mastered and are in widespread use, both on the farm and in the processing factory. This explains why eggs and poultry products, in apparent contradiction with the normal course of events, are not in surplus. They are then tempted to treat farmers as 'subcontractors'.

When their interests coincide with those of the producers, and if there is no ceiling imposed on price support, the action of these undertakings encourages still further increases in production and the creation of even bigger surpluses.

In their contribution to the development of agriculture, the undertakings must respect Community guidelines and not supplant them with their own strategy.

To prevent any future conflicts of interests, it is essential firstly to achieve consistency between the measures directed at farms and those directed at the undertakings, and secondly to give support to the agencies - cooperatives and producers' organizations - best suited to ensuring that the plans of farmers are taken into account by the agri-foodstuffs sector.

The agri-foodstuffs industry is itself coming increasingly under the domination of the distribution sector, where the process of concentration has been accelerated over these last ten years. Unless the rules on marketing are extended to the major distribution networks, the agri-foodstuffs industry will be in no position to pass on the full benefits of Community decisions to farmers.

123. Structural measures must serve the purposes of production guidance.

The instruments employed by the existing acts are conditioned by three objectives:

- developing certain lines of production either through various forms of encouragement or on the basis of indications supplied in the explanatory memoranda of the acts, but not through financial incentives.
- reducing surpluses either by dairy cow slaughter premiums and premiums for grubbing-up fruit trees or vines, or by a graduation or limitation of less specific aid.
- improving quality by means of aid for replanting with the more sought-after varieties.

Many texts make no reference to the priority to be assigned to the various lines of production. This omission becomes particularly critical when the measure to be financed entails a change to a new system of production (as in the case of water management schemes or the grubbing-up of vines) or is included under a regional development programme.

It should be added that the structural measures implemented to date have assigned more resources to the reduction of surpluses than to the correction of deficits; they have disregarded the 'small-scale' lines of production, even though their yields, when added together, constitute a source of wealth in themselves, and despite the fact that imports of such produce would in certain cases be easy to avoid.

Even with clearer guidelines and better finance, structural measures would have little effect on farmers' decisions if they were inconsistent with price levels or the degree of security afforded by the various systems of intervention.

Finally, these measures, because of the changes in farm size occasioned by them, have an indirect effect on production patterns. Farms in the process of expansion often change their system of production. This phenomenon is most evident in the few regions where the pace of expansion is more rapid than the slow but constant development prevailing in the Community as a whole.

To solve the difficult problem of production patterns, Community policy must not only ensure consistency between the common organization of markets and structural measures, it must also be more resolute in each of these two sectors.

13. The changes which have taken place in the world and the EEC since 1970 and are of a nature to influence agricultural structural policy

131. Europe has improved its degree of self-sufficiency in certain primary commodities, but wood, grain maize, rice, fresh fruit, citrus fruits, sheep and goats, vegetable oils and fats and plant proteins and tobacco remain in deficit.

Nevertheless, it is in a position to export some commodities onto the world market, which, having expanded rapidly between 1970 and 1975, is now the scene of increasingly fierce competition.

132. Following Greek accession, the level of overall self-sufficiency has risen from 79% to 83% in the case of fresh fruit, from 37% to 41% in that of citrus fruits and from 67% to 71% in that of sheep and goats,

while the surpluses in whole milk powder, condensed milk and veal have declined to a certain extent.

The structures of agriculture in Greece reveal more fundamental differences. Indeed, the 732,000 Greek farms of more than one hectare have an average surface area of 4.3 hectares (17.2 hectares in the Community of Nine).

The Greek agricultural working population represents 30.3% of the country's total working population (the proportion for the Community of Nine is 7.3%).

There is a large number of agricultural cooperatives, but these are widely dispersed; producers' organizations do not have sufficient economic weight.

The enlargement of the Community to include Spain and Portugal would create greater problems of a similar nature, because the Community's usable agricultural area would increase by 31% and the agricultural working population by 41%.

133. The number of farms fell at the rate of 2% between 1970 and 1975.

This decline was less steep than that in the total of agricultural workers, since it was the workers other than 'managing farmers' who left farming in the largest numbers.

In 1975, 44% of managing farmers were over 55.

Despite the economic crisis, the number of holdings given up will remain high until about 1985-1990.

It is the farms of less than 20 hectares which are disappearing. The numbers of farms of between 20 and 50 hectares have risen in Italy, the Netherlands, Belgium and Ireland. The most marked expansion, however, is taking place on farms of 50 hectares and above, except in Ireland and Luxembourg.

The situation in the Community of Ten in 1980 was as follows:

	No. of farms (%)	Utilized agricultural area (%)
1-20 ha	79.4	29.2
20-50 ha	14.9	29.6
50ha	5.7	41.2

Average surface area: 15.5 ha.

The impact of measures in support of farmers and structures and that of measures to control the volume of production do not tend to converge on the same farms.

134. The economic crisis creates unemployment. The other sectors of activity are no longer 'takers' for workers who have left the agricultural sector. Today, every productive job preserved in the agricultural sector means one less worker unemployed.
135. Farms are becoming increasingly dependent, as regards both the procurement of supplies and the sale of their produce, on their economic environment. In cases where the process of integration has been pursued to an extreme degree, the agricultural producer does not own his instruments of production and is no longer 'master in his own house'.
136. The cost of supplies and more especially the cost of finance have increased sharply.

Entrenched in attitudes shaped by the past and bound by the conditions of development plans, reassuring themselves with the hope that the crisis will be short-lived, agricultural circles are proving slow to draw the necessary conclusions from this situation and re-think their mode of development.

Furthermore, an important role in agricultural development now falls to the bodies which finance farmers, aside from the information agencies.

137. The most recent technological innovations do not seem destined to provoke a 'revolution' in the production systems dependent on land. Automation will not have an immediate impact on farms, and the nature of that impact is not easy to predict.

On the other hand, the spread of techniques which have proved their worth, primarily the management of water resources by means of irrigation and drainage, tends to encourage still further the trend towards a slow but continuous expansion in the volume of production.

Production systems independent of land (Community imports of animal feed are equivalent to the yield from 10 million hectares) and cultivation under glass are new types of farming which remove the constraint of available surface area.

138. The differences in national rates of inflation - for which farmers are not responsible - create distortions of competition in profound contradiction with the spirit of the Treaty of Rome.

Monetary compensatory amounts guarantee uniform prices at the internal frontiers of the Community, but they also have the effect of securing relatively higher sale prices for farmers from countries with a strong currency. At the same time, the cost of intermediate consumer goods, dependent in part on the national rate of inflation, increases less rapidly for such farmers.

There is in addition a growing disparity among interest rates, which are set by national decisions.

Farmers from countries with a weak currency suffer most heavily as a result of inflation, be it in the matter of their real income growth or their ability to compete with their counterparts from countries with a strong currency.

139. Net income from agriculture in 1982 in the Europe of the Nine was in real terms only 83% of the 1978 figure (according to an FADN¹ study). Income disparities have increased among countries, regions, lines of production and in proportion to the size of farms.

140. Agriculture needs 'heavy' financing

To finance its modernization effort, agriculture is having to draw on an increasingly large volume of capital which has a slow rate of turnover.

Greater moderation in equipment planning, an attempt to achieve the greatest possible cost savings may help to check this tendency, but cannot reverse it.

A fall in their income reduces farmers' capacity for self-finance, and this reduction is not balanced out by the volume of finance from outside sources, which is itself dwindling.

Unless ways are found of releasing capital, the agricultural sector will not be able to maintain the present pace of modernization.

141. The problem of setting up in farming should give cause for concern but has so far received insufficient attention.

In all countries, newly established farmers are having difficulties

FADN - Farm Accountancy Data Network

in repaying their loans. In some countries, the rules governing succession have not been adapted to make provision for the transfer of a new type of farm which has become more common since 1950 and is based on working capital of a high value, together sometimes with landed property.

New attitudes are emerging and determining the number and nature of new holdings: some young people give up the idea of going into farming because they do not have sufficient financial resources; others eke out a living on their own farm or work as a superfluous pair of hands on the family farm rather than go on the dole. It would be premature to equate the emergence of these attitudes with a more general European trend in the numbers of people going into farming for the first time.

In certain regions, however, no takers can be found for vacant farms, the number of people setting up in farming is too low. This is nothing short of a break in the previous pattern which, in extreme cases, is already being expressed in a fall in the price of land.

Awareness of these developments and of their serious implications for the future is not widespread. If no solution is found to the growing difficulties encountered by those wishing to set up in farming, will there be enough correctly structured family farms in the year 2000?

One final point: the order of scarcity and hence cost of production factors, the balance of available capital and labour have altered radically in 10 years. Structural policy must take due account of this.

N.B. The different tax and social security systems, which vary widely and do not fall within the present terms of reference of the CAP, also create income disparities among Community farmers. To remove the inequalities most damaging to farmers at a disadvantage, a minimum degree of harmonization in these systems is essential.

II. RECORD OF THE PERIOD 1964-1982

21. Objectives and scope of structural policy

Structural policy contributes to the general objectives of the CAP laid down in the Treaty of Rome, which were recalled at the beginning of Chapter I.

The EAGGF-Guidance Section finances actions aimed more specifically at the objectives laid down in Article 39(1)(a) of the Treaty, including the structural adjustments necessary for the proper functioning of the common market (Reg. 17/64/EEC and Reg. (EEC) No. 729/79, Article 3).

The full text of this paragraph reads as follows:

'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, in particular labour'.

The field of application of the Guidance Section was described in 1964 (Reg. 17/64/EEC - Article 11). It includes:

- the adaptation and improvement of conditions of production in agriculture;
- the adaptation and guidance of agricultural production;
- the adaptation and improvement of the marketing of agricultural products;
- the development of outlets for agricultural products.

The major objective is therefore clear: to improve productivity.

The field of agriculture is a vast one, particularly as it is understood in the broadest sense and includes the sectors of forestry and fisheries.

The Conference of Stresa stipulated that structural reform should not jeopardize the existence of family farms.

However, neither the concept of structures, nor that of family farms has yet been defined.

Structural policy is implemented by the legislative texts committing the EAGGF-Guidance Section to expenditure.

There are 63 of these texts (see Annexes I and II).

22. Inventory and classification of provisions relating to structural policy

221. Principal stages

First stage: initial steps (1964-1971)

The first regulation, which dates from 1964 (Regulation No. 17/64/EEC)¹, covers almost every aspect of structural policy.

The regulation subordinates the problems of farmers to the integration of agriculture within the economy as a whole, as is shown by the objectives laid down:

- optimum use of the factors of production on farms themselves or externally, within the framework of the economy as a whole,
- the quantitative adaptation of production to outlets,
- improvements in the quality of products,
- improvement of storage and preservation,
- obtaining the best return from agricultural products,
- improvement of marketing channels,
- studies concerning the formation of farm prices,
- increasing production of certain products.

The EAGGF subsidizes specific projects. These may be individual or collective, at the level of farms or second-stage organizations, and they may concern not only agricultural production but also storage, processing and marketing.

Priority was given to projects which formed part of a regional development programme and subsequently, to those which were part of a Community programme, although these provisions were only applied belatedly.

This first regulation was strengthened by measures over a 3-year period designed to speed up the integration into the CAP of sectors in difficulty: for Italy the measures concerned olives, olive-oil, fruit and vegetables and raw tobacco (Reg. 130/66(EEC)) and for Luxembourg, the whole country's agriculture (Reg. (EEC) No. 541/70). These were the first regionalized measures

¹OJ No. C 34, 27.2.1964, p. 586/64

Regulation No. 17/64/EEC remained in force until 1978.

Its role was taken over in 1972 by Directive No. 72/159/EEC, as regards measures concerning farms and, in 1977, by Regulation (EEC) No. 355/77, as regards measures concerning storage, processing and marketing.

This first stage saw the beginning of measures on market organization, with two sets of provisions aimed at encouraging the establishment of producers' groups and four on production guidance (compensation for damage caused by epidemics, slaughter of dairy cows, improvement of fruit production, conversion of citrus fruit crops).

Second stage: the Mansholt plan (1972-1975)

In preparation since 1968, the Mansholt plan was greeted warily. It was applied only partially and administrative provisions reduced the effectiveness of or distorted some of its intentions.

The plan's application to structural policy resides in the three 1972 directives on:

- the modernization of farms (Dir. 72/159/EEC),
- measures to encourage the cessation of farming and the reallocation of utilized agricultural area for the purposes of structural improvement (Dir. 72/160/EEC),
- socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture (Dir. 72/161/EEC).

These measures gave a much clearer direction and structure to EAGGF intervention.

The aim was to produce farmers who were better trained and better informed, on farms which were larger in average size, better equipped and more productive.

Productivity, competitiveness, selectivity - the three mainstays

These directives were intended to achieve income parity on the basis of 2,300 annual working hours per worker. On the other hand, however, they

reflected an acceptance of, or at least a resignation to, a growing drift from the land.

Subsequent flexibility in their application was insufficient to compensate for the excessive uniformity, rigidity and restrictiveness of these measures.

During this stage two measures on production guidance were relaunched (fruit and vegetables, conversion from milk to meat production) and the first structural measures in the fisheries sector were taken.

Third stage: mountain and hill farming and farming in less-favoured areas (1975)

The 1975 directive on this subject concerns those regions in which the 1972 directives could not be applied without substantial adjustments.

In the first place, the directive provides for greater flexibility in the rules for development plans in areas where income parity cannot be achieved by sales of agricultural products alone.

Secondly, it introduces concepts other than profitability, such as the maintenance of a minimum population, the protection of natural areas, the promotion of tourist and craft activities on farms and the principle of compensatory allowances for handicaps.

Finally, it establishes criteria for selecting the areas which may benefit from the measures concerned.

These criteria refer to administrative districts or parts thereof.

The criteria for hill and mountain areas are:

- climatic conditions which restrict the growing season,
- the steepness of slopes,
- or a combination of these two factors.

For less-favoured areas the following criteria also apply:

- the infertility of the land,

- the economic situation of farming,
- low population density or a decrease in the population dependent on farming.

On a proposal from the Member States, the Council of Ministers drew up a list of mountain and hill areas and less-favoured areas in the Community. They account for a third of the farms and of the utilized agricultural area in the Europe of the Ten, though with considerable disparities between the various countries:

Denmark	0.0%	of farms
Belgium	0.1%	" "
Netherlands	2.3%	" "
United Kingdom	21.0%	" "
Italy	30.9%	" "
France	32.0%	" "
Germany	33.0%	" "
Greece	56.0%	" "
Ireland	60.6%	" "
Luxembourg	100%	" "

Fourth stage: diversification and regionalization (1976-1980)

- (a) Regulation (EEC) No. 355/77 reintroduced subsidies for storage, processing and marketing channels. It was supplemented by three regional measures.
- (b) From 1976 twenty sectoral measures were introduced for the less-favoured regions (not always within the meaning or limitations of Directive No. 75/268/EEC). These measures vary in type and scale as regards their objectives and budgets and the geographical areas they cover (Annex IV).
- (c) Measures relating to market organizations were supplemented by two sets of provisions on producers' organizations and eleven on production guidance;
- (d) Four new structural measures were introduced in the fisheries sector;
- (e) Various measures entered in different chapters of the budget were designed

to provide compensation for damage caused by earthquakes, cyclones and epidemics.

Fifth stage: development programmes (1980-1982)

Development programmes concentrate a whole series of measures in a given region. The most recent of these programmes, in Greece, is the most comprehensive and includes 17 measures eligible for EAGGF aid, ranging from infrastructure advisory services to the purchase of breeding animals and aid for keeping calves with breeders.

Three of these programmes are known as 'integrated' programmes. They are not more comprehensive than the others but concern activities other than agriculture and therefore involve coordination with the two other European funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

The regions concerned are:

- in 1980: . the less-favoured regions of the West of Ireland
- in 1981: . the western isles of Scotland (Outer Hebrides)
 - . Lozère
 - . south-eastern Belgium
 - . the less-favoured areas of Northern Ireland
 - . the four French overseas departments
- in 1982: . the less-favoured areas of Greece

These programmes are in their early stages. They are due to last for either 5 or 10 years.

The different approaches represented by these various stages have overlapped with, rather than succeeded each other, sometimes complementing and sometimes correcting each other.

Following a stage marked by a large degree of flexibility, the excessive uniformity and rigidity of the 1972 directives soon had to be relaxed in the face of the need for greater adaptation to regional situations.

At present, the integrated development programmes can be seen as an attempt to reconcile Community objectives with regional differences.

222. Another method of classifying the measures financed by the Guidance Section is to take account of the technical nature of these measures.

The 80 measures listed (Annex III) are grouped under the following headings:

1. advisory services and training (10 measures)
2. agricultural infrastructures (6 measures)
3. water management schemes (4 measures)
4. collective production measures (13 measures)
 41. collective investment
 42. health provisions
5. Farms (20 measures)
 51. restructuring
 52. direct allowances
 53. equipment (buildings, machinery, livestock)
 54. adaptation to more productive techniques
 55. tourist and craft amenities
6. production guidance (14 measures)
 61. reduction of production
 62. production incentives
 63. quality improvement
7. reafforestation (2 measures)
8. storage, processing, marketing (6 measures)
 81. setting up and launching of producers' organizations
 82. equipment
9. studies and surveys (4 measures)

Eighty measures financed - is this excessive?

Not if it is borne in mind that half of these measures concern less-favoured zones - evidence of a willingness to take account of the differences between regional situations.

The answer must be yes, however, it if is felt that under some headings only certain types of expenditure should be eligible. For example, with

regard to advisory services and training, should a choice have to be made between building and equipping centres, operating expenditure and attendance allowances for trainees? Is it possible to reconcile simplification and flexibility of adaptation?

223. Classification according to the five budgetary chapters:

First chapter: projects for the improvement of agricultural structures
(7 texts)

Initially, this chapter included the first provisions to appear. These were of general scope and included Regulation No. 17/64/EEC and the two texts which supplemented it, one to the benefit of Italy in 1966 and the other to the benefit of Luxembourg in 1970.

The chapter acquired its present form in 1977 with the horizontal regulation on storage, processing and marketing (Regulation (EEC) No. 355/77). More favourable conditions were granted to the Mezzogiorno in 1978, the West of Ireland in 1980 and Greece in 1982.

In 1982 Regulation (EEC) No. 355/77 accounted for more than half the appropriations in this chapter.

Second chapter: general socio-structural measures

These are the three 1972 directives, scheduled to last ten years, but now extended until 31 December 1983.

In the nine years during which these measures have been applied, the 'modernization of farms' has accounted for 93% of the appropriations, 'cessation of farming' barely 1% and 'socio-economic guidance' 6%.

As far as the chapter as a whole is concerned, this expenditure is modest when it is considered that these three measures are the cornerstone of structural policy.

Third chapter: measures to assist less-favoured areas (28 texts)

This chapter includes:

- A. Directive No. 75/268/EEC, which is extended annually,
- B. 20 sectoral programmes from 1976 onwards,
- C. 7 regional development programmes from 1980 onwards.

Nine regional measures appear in different chapters because of their objectives (see paragraph 241).

In 1982, Directive No. 75/268/EEC alone accounted for half of the appropriations. Nevertheless, some of the other, very recent measures will make their presence felt in future budgets.

Fourth chapter: structural measures connected with the common organization of markets (20 texts)

In this chapter there is no principal text.

Measures have been taken at intervals since 1966 in association with the common organization of markets.

They fall into two sub-chapters:

- producer organizations: 5 texts from 1966 to 1982
- production guidance: 15 texts from 1966 to 1980

The first item accounted for only 2% of expenditure under this chapter in 1982.

Fifth chapter: measures to improve fisheries structures (5 texts)

Between 1972 and 1980 the measures in the agricultural sector were paralleled by those in the fisheries sector:

- aid for the setting up and administrative functioning during a three-year period of producer organizations, in 1976 and in 1981, in texts covering both the Guarantee and Guidance Sections;
- subsidies for the building and equipment of boats and establishing aquaculture installations, in 1972 and 1978;

- conversion from dried cod preparation to frozen cod and from cod to tuna fishing.

With expenditure of 21.6 m ECU this chapter represented 2.7% of total payment appropriations for agriculture and fisheries in 1982.

Subsidies for equipment account for almost all the expenditure in this chapter.

A 1980 measure financed from the general budget and relating to the inspection and surveillance of Danish and Irish maritime waters can be included among structural measures.

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A comparison of the two methods of classification (by technical nature and budgetary chapter) prompts the following remarks:

- marketing measures are split between two different budgetary chapters according to whether they concern equipment or producer organizations. Closer ties between these two types of aid are necessary.
- identical measures are financed under production guidance and under less-favoured areas - for example, rural roads, uprooting of vines, guidance premiums for beef and veal, etc.

Clearer guidelines on production guidance in the integrated development programmes could reduce this duplication.

224. Comparative development of budgetary chapters

This supplements the information summarized in the following table, which is static.

Until 1972, Regulation No. 17/64/EEC was the only important text. The first chapter represented almost all expenditure from the Guidance Section. From 1972 until 1977 its relative size decreased, but then increased from 1978 with the application of Regulation (EEC) No. 355/77.

Since 1972 the second chapter has varied from between 13 and 21% of total expenditure.

The third chapter, which was the most recently established in 1975, has been the largest since 1981. Unless the situation changes, it will absorb more than half the budget in the years to come.

The fourth chapter is more irregular. Its share of total expenditure was high in 1976 and 1981 as a result of the slaughter premiums for dairy cows.

SUMMARIZED INFORMATION ON THE BUDGETARY CHAPTERS

Title of chapters and sub-chapters	No. of texts			Appropriations authorized in 1982			Total finance since 1964
	Appeared before 31.12.83	Expiring before 31.12.83	In force in 1984	m ECU	% of total	sub-chapter % of chapter	Chapter as % of total
I - Projects for the improve- ment of agricultural structures	7	6	1	176.8	22.2	-	41.1
II - General socio-structural measures	3	3	0	113.6	14.3	-	8.1
III - Measures to assist less- favoured areas	28	14	14	317.0	39.9	-	34.1
A. Dir. 75/268/EEC	1	1	-	-	-	46	
B. Sectoral programme	20	13	7	-	-	46	
C. Development programme	7	0	7	-	-	8	
IV - Structural measures con- nected with the common organizations of markets	20	14	6	151.7	19.1	-	16.7
A. Producer organizations	5	4	1	-	-	2	
B. Production guidance	15	10	5	-	-	98	
Expenditure in the agri- cultural sector	-	-	-	14.5	1.8	-	-
Fisheries sector	5	5	0	21.6	2.7	-	
TOTAL	63	42	21	795.2	100.0% (agriculture and fishe- ries)	-	100.0% (4 agriculture chapters only)

Since 1970 legal texts have laid down the duration and the size of the finance initially scheduled for each action. The provisions included in texts relating to both the Guarantee and Guidance Sections and concerned with measures relating to the common market organizations sometimes provide exceptions to this rule. In such cases the provisions are extended annually.

2231. The directive is a general framework which sets objectives, defines actions to be implemented and sometimes lays down prohibitions.

The Member States are required to enact legislative or administrative provisions to apply a Community directive within their territory.

With regard to the EAGGF, the payment of expenditure in connection with a directive is always indirect: in other words, once the conformity of the measures has been checked, the EAGGF repays its share of the cofinancing to the Member State, which will already have settled the expenditure involved itself.

Advantages of directives:

They are able to cater for specific national needs. They respect the institutional customs and modes of finance of each country and, above all, they allow a margin for manoeuvre in adapting to different situations.

Disadvantages of directives:

The Member States have to advance the funds.

The unwieldiness of the legislative and administrative mechanisms of certain countries delays the implementation of directives.

The flexibility in adaptation and choice of methods results in different applications in different countries.

In extreme cases, national objectives are sometimes substituted for Community ones.

2232. Regulations are binding in their entirety and directly applicable in the Member States. They have immediate force of law.

In some cases the payment of expenditure may be indirect as it is for directives. In other cases it can be direct and the EAGGF pays the funds directly to the beneficiary.

Advantage of regulations: their application is quicker and more uniform.

Disadvantages of regulations: they create compulsory expenditure over which the Member States have no control. Excessive uniformity of application can lead to inequalities or situations where application is impossible in regions whose structure is not receptive to the type of action concerned.

As far as direct payment is concerned, an additional advantage is gained (the recipient identifies the aid more closely with EAGGF intervention) at the expense of an additional disadvantage (the bulk of the administrative work falls on the services of the EAGGF).

2323. Directives and regulations are either of general application to all the Member States or of regionalized application (one or more Member States, a geographical area of one or more Member States specifically defined by the text).

2324. Decisions have a more limited scope and apply to the subject(s) they address (state, region, undertaking, etc.).

They are binding in the same way as regulations and have the same advantages and disadvantages.

24. Achievements

241. Horizontal measures and regional measures

Horizontal measures are applicable to all regions or all farms which meet the criteria laid down in the text. The geographical distribution of measures implemented is not decided upon in advance.

Horizontal measures total 26 and are spread between all the budgetary chapters.

Between 1964 and 1982 these horizontal measures accounted for 71% of the total finance allocated.

Different regional arrangements are introduced for certain horizontal measures. These are either:

- left to the initiative of the Member States, who moderate or abolish aid for certain regions. The discriminatory and thus unpopular nature of these decisions explains why the Member States have not made use of this scope for manoeuvre;
- or decided by the Community, which adjusts the EAGGF cofinancing contribution on the basis of criteria of geographical application.

Regional measures proper lay down geographical limits within which their provisions apply.

There are 37 such measures spread between four budgetary chapters.

The less-favoured regions in these texts rarely correspond to the mountain and hill areas and less-favoured areas defined in Directive No. 75/268/EEC.

The definitions are broader in scope and the geographical areas very variable in size. One regional measure, for example, concerned a part of the valley of Hérault, while, at the other extreme, another included the total area of Italy, Greece, Belgium and part of France.

In current legislative texts as a whole, the terms 'regionalized' and 'less-favoured' are used with reference to very diverse situations and this has led to complications and confusion.

Breakdown of measures in the budgetary chapters
into horizontal and regional measures

	Horizontal measures	Regional measures
Projects for the improvement of agricultural structures	2 (Reg. 17/64/EEC and Reg. (EEC) 355/77)	5
General socio-structural measures	3 (Dir. 72/159-160-161/EEC)	-
Measures to assist less-favoured areas	1 (Dir. 75/268/EEC)	27
Structural measures connected with the common organization of markets		
- producer organizations	4	1
- production guidance	12	3
Measures to improve fisheries structures	4	1

242. Breakdown of horizontal aid by country

The most rigorous method of comparing the use of aid is not by adding together the total number of texts on horizontal measures since some of these concern products which extend only over a limited area.

The comparison will be confined to the period 1973-1981 (i.e. 9 years and 9 countries) and to the six texts of most general application (Directives 72/159, 160 and 161, Directive 75/268, Regulations 17/64 and 355/77).

	EAGGF aid in m ECU	% of total EEC = 9
Germany	430	26.9
United Kingdom	350	21.9
France	301	18.8
Ireland	131	8.2
Italy	126	7.8
Netherlands	100	6.2
Belgium	87	5.4
Denmark	71	4.5
Luxembourg	5	0.3
EEC	1,601	100.0

These data do not take account of the respective importance of each country in European agriculture.

The following table shows for the Europe of the Nine, the percentage of EAGGF aid for each country by comparison with the percentage of total:

- net value added (at input prices),
- utilized agricultural area,
- number of farms.

On the whole, and in relation to the three criteria, Germany, Belgium and Denmark receive a large share of Community aid.

The United Kingdom, Ireland, the Netherlands and Luxembourg occupy a middle position which is more or less favourable.

France and, above all, Italy receive a less than proportional share.

A comparison between the percentage of aid and the percentages of one or other of the criteria reveals the following characteristics:

- in relation to net value added, the rate of aid received by Ireland is high and that by the Netherlands modest;
- in relation to utilized agricultural area, Belgium and the Netherlands occupy a favourable position;
- in relation to the number of farms, the United Kingdom and the Netherlands enjoy an exceptionally favourable position.

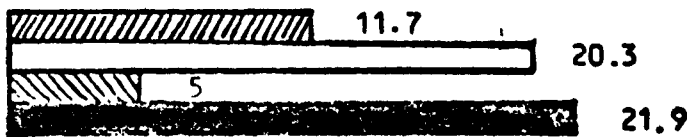
The way in which horizontal aids function can be compared to a self-service buffet: some eat more than their fair share thanks to their ability to push themselves forward and serve themselves first, others because the food on offer meets their tastes or appetites of the moment. Finally, the rest - those whose need is greatest - remain hungry, though the table is laden with food.

The aim, therefore, is to achieve greater justice for the less-favoured.

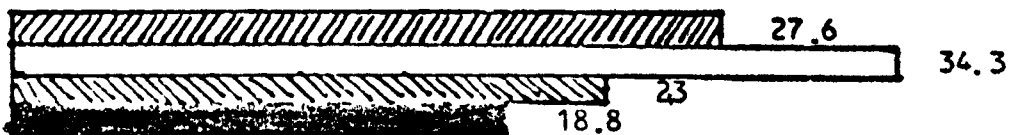
GERMANY



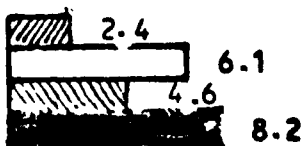
UNITED KINGDOM



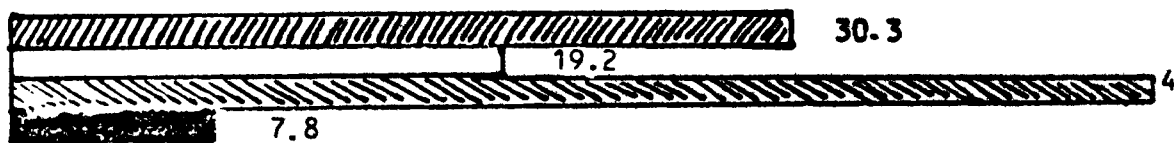
FRANCE



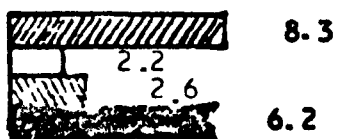
IRELAND



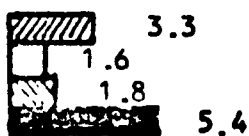
ITALY



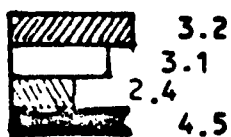
NETHERLANDS



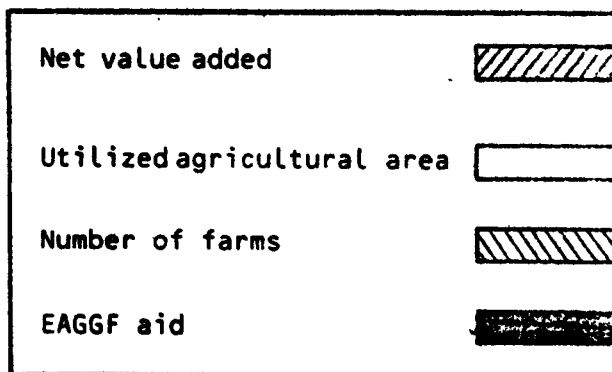
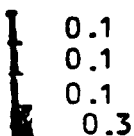
BELGIUM



DENMARK



LUXEMBOURG



(The figures represent percentages for the Europe of Nine)

243. Horizontal measures aimed at farmers

2431. Development plans

These are the cornerstone of the modernization of farms (Dir. 72/159/EEC - Title I). Three years after the first directive they were adapted to farming in mountain areas and less-favoured areas (Dir. 75/268/EEC - Title III).

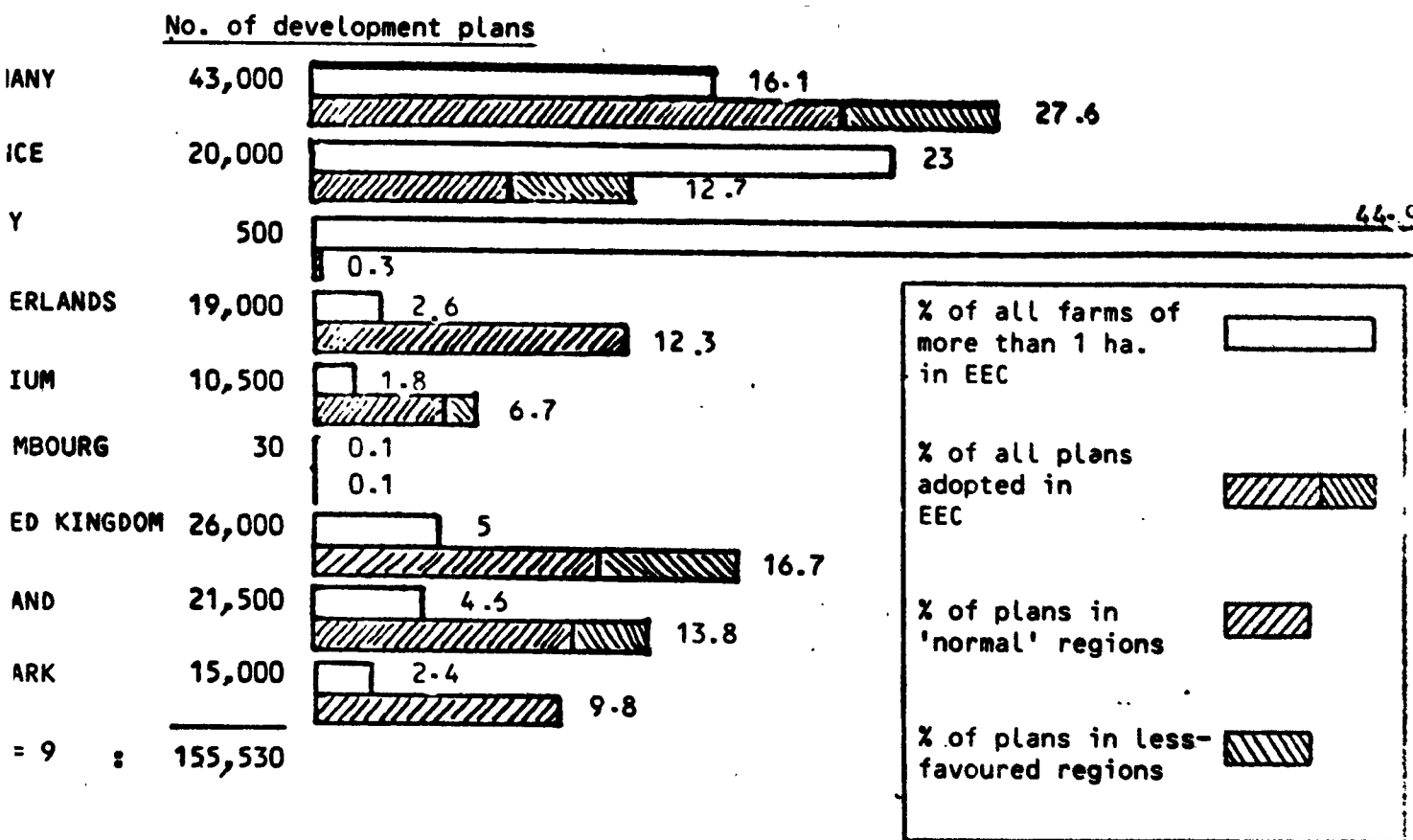
By the end of 1980, 155,500 development plans had been approved in the Europe of the Nine - in other words, on 3 farms out of every hundred over an 8-year period.

The breakdown by state favours the countries of the north.

The figures shown in the table below illustrate this. They should be interpreted in the following manner.

In the case of Germany, for example, 43,000 development plans have been approved. As it has 16.1% of all farms of more than 1 ha. in the Community of the Nine, its share of the total number of development plans approved by the Community amounts to 27.6%.

These plans are divided between 'normal' regions (left-hand segment) and less-favoured regions (right-hand segment).



A comparison between the percentage of farms and the percentage of plans adopted shows the effectiveness of the implementation of the plans by the Member States. They can be divided into four categories:

Netherlands - Denmark - Belgium - United Kingdom - Ireland

Germany

France and Luxembourg

Italy

The United Kingdom, Germany and to a lesser extent France and Ireland, have made use of the facility extending aid to mountain and hill areas and less-favoured areas.

Italy has been unable to use this facility. Following an experiment in one of its regions Greece reached the same conclusion - the number of farms meeting the criteria laid down in the directive is very small.

The speed with which the directive has been applied reveals considerable disparities which highlight the disadvantages of the use of the directive as an instrument.

The threshold of 1,000 plans per year was reached:

by 1973 in Germany and the Netherlands;

in 1974 in Denmark and Ireland;

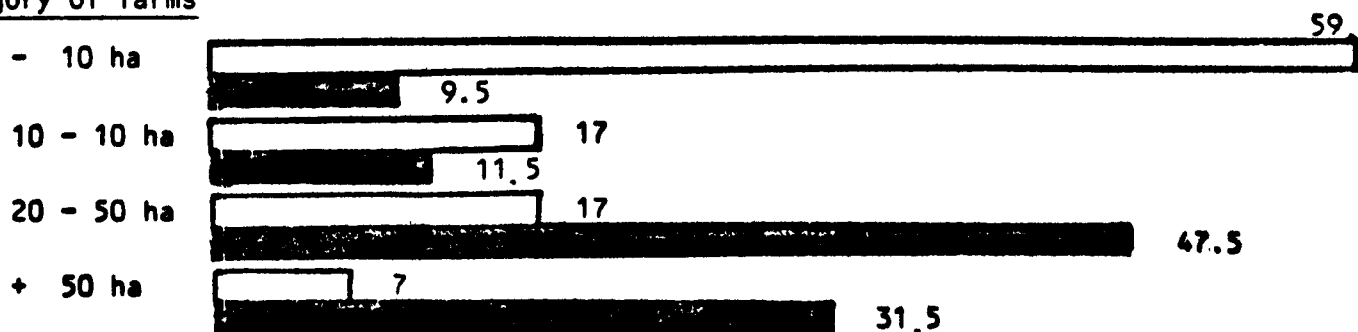
in 1975 in Belgium;

in 1976 in the United Kingdom;

in 1977 in France.

The distribution of plans by size of farm favours the larger farms, as is shown by the following table which uses the same principle as the previous one:

Category of farms



% of farms of a given category in the EEC



% of development plans for each category of farms



The results superior to the Community average obtained by some Member States are significant.

Thus in the categories of farms of less than 10 ha and those between 10 and 20 ha, the Netherlands achieved percentages of 24% and 30% and Belgium 33% and 22% in 1980. These results are due both to the establishment of plans for horticulturists and to adjustments in favour of small farms.

In the category of farms of a size between 10 and 20 ha., Ireland and Denmark, with percentages of twice the Community average, are at the same level as the two countries mentioned above. Ireland was therefore able to restrict the volume of investment for this category of farms, which proves that this type of measure is possible.

In the category of farms of a size greater than 50 ha., the United Kingdom enjoys a dominant position as 77% of all its plans concern this category of farms.

The enlargement of agricultural areas was one of the main objectives of the Mansholt plan. This was only achieved in 28% of the plans and with greater frequency in the category of farms of a size between 20 and 50 ha.

The distribution of plans by production system is overwhelmingly in favour of livestock farming, which accounted for 56% of plans, i.e. 87.080 plans in the period 1972-1980. These figures do not distinguish between dairy and beef

and veal farming but, by way of comparison, it should be noted that the number of guidance premiums for beef and veal during the same period amounted to 17,660.

It seems therefore that half of the plans were geared mainly towards dairy farming, at a time when the EEC was attempting to curb excess dairy production.

Other national trends are significant: in Denmark in 1979 and 1980 28% of the plans concerned pig-farming (4% in the EEC); in the Netherlands and Belgium 24% and 28% of the plans respectively concerned horticulture (8% in the EEC).

The breakdown by category of investment favours heavy equipment. In 1979 and 1980 buildings were financed in 92% of plans, material in 67% of plans and livestock in 62% of plans. Land improvement figured in only 33% of plans.

3% of farms embarking on a development plan in a period of 8 years - this is a long way from the aspirations of the Mansholt plan.

Two sets of problems lie behind this relative failure.

(a) Problems arising from the rules for complementing the directives

These include:

- the cumbersome nature of administrative procedures, both for the states and for farmers and their advisers,
- the objective of comparable income, a reasonable intention but unrealistic in practice despite continual adjustments, and out of the range of the Mediterranean areas,
- the need to invest in and increase livestock in one single stage.

Designed to be selective, the development plans have proved in practice to be exclusive.

(b) Problems caused by the crisis since 1975

Unemployment has slowed down the drift from the land.

The drop in farmers' incomes destroyed their capacity to finance themselves and the rise in interest rates discouraged loan applications.

The results recorded have prompted a great many observations by the Member States and a strong consensus has emerged on the following contentious issues:

- the need for a plan of operation and a forward study to be prepared by farmers receiving public aid;
- the relaxation of administrative procedures in favour of technical supervision of projects;
- the selection bias in favour of farmers whose initial situation is already very favourable;
- the exaggerated role given to investment and thus to capital;
- the inadequate number of plans achieving the objective of comparable income ... even when the figure of 2,300 annual working hours (44 hours per week for 52 weeks!) is discounted;
- the distortions caused by the comparable income requirement. In order for plans to obtain authorization, physical output and budget revenue have often been overestimated. The illusion created has been more of a hindrance than a help to farmers. Some farmers whose development plans have been approved, have subsequently run into difficulties! Furthermore since milk is often the product whose value added is greatest, the criterion of 'comparable income' has led farmers to opt for dairy farming against their will;
- the parsimony of guidance premiums.

The modifications desired are numerous, so numerous as to pose the question as to whether it would be better to amend the existing texts or devise new approaches.

At any event, two factors will have to be taken into consideration in the future:

- the removal of the reference to comparable income as a criterion for granting aid, though not as a more general objective;
- aid for farming installations.

One final question remains: development plans have had a much less marked impact than expected; they represent only 8% of total EAGGF finance. Why then are they at the centre of all debates on structural policy?

Of the many explanations suggested, three carry most conviction:

- this aid to farmers involves 5.6 million farm managers. Their case is voiced by ministries and agricultural organizations anxious to act as intermediaries on behalf of their citizens or members;
- although the measures in the directive are rigidly formulated, the implementing rules - and the results confirm this - tend to favour particular types of farming. This situation has provoked bitter and frequent debates;
- the directive on the modernization of farms possesses the merit of expounding a clear political option - that of selectivity. As a result it has prompted discussions of an economic and ideological nature.

2432. The modernization of farms (Dir. 72/159/EEC)

It was intended to spend 432 m ECU in the first five years in the context of this directive. In fact, by the end of the fifth year only 25 m ECU had been paid out by the EAGGF and, during the period 1972-1981, 305 m ECU were paid out.

These figures show only too clearly how disappointing the application of this directive has been.

Development plans account for the major part of this expenditure.

The rest is split between the three other measures eligible for aid:

(a) aid for keeping accounts

	Situation at the end of 1981	
	farmers receiving aid (thousands)	% of farmers per country
Germany	23.3	2.9
France	30.8	2.7
Italy	33.0	1.5
Netherlands	-	-
Belgium	12.6	13.8
Luxembourg	-	-
United Kingdom	17.0	6.8
Ireland	16.4	7.3
Denmark	8.8	7.6
EEC	141.9	2.9

The impact of this measure has been comparable to that of the development plans. However, it would be useful to analyse its effects in the light of the original situation in each country.

This measure does not concern the Netherlands, the keeping of accounts being already so widespread as to make it meaningless for their needs. Denmark and the United Kingdom, with more than 70% of their farms keeping accounts, have improved their position. France, initially occupying an intermediary position - as is often the case - with 37% of its farms keeping accounts, failed to make good use of this measure. Of those countries in which less than 10% of farms were keeping accounts initially, Belgium and Ireland have made better use of the aid than Germany and Italy, although Belgium considers the aid to be inadequate.

Here again, Community aid has failed to reduce the initial disparities.

(b) Encouragement for the establishment of mutual aid groups between farms

These measures were only utilized by certain Member States, with the Netherlands emphasizing, here again, that the problem had already been resolved in their country.

	No. of groups receiving aid	% of EEC total
France	7,804	81
Netherlands	921	9.5
Belgium	482	5
Italy	264	3
Other Member States	154	1.5
EEC : 9	9,625	100

Nevertheless, this measure aroused a good deal of interest and the Member States have asked for the idea of joint action by several family farms to be extended to include various initiatives which correspond to local attitudes and needs.

(c) aid for land re-parcelling and irrigation

To be eligible for EAGGF aid, 40% of the area developed has to be worked by farmers who have had development plans approved or 70% of the land by farmers who have attained the required level of comparable income.

Germany was the only country to use this aid with 444 projects which were also backed up by national measures.

Elsewhere the over-restrictive conditions nullified the impact of this measure.

2433. Cessation of farming and reallocation of land released

(Dir. No. 72/160/EEC)

This directive was meant to be the most comprehensive of all the structural measures. A sum of 288 m ECU was earmarked for the first five years, yet only 2.2 m ECU had been allocated by the EAGGF by the end of the fifth year.

The failure of this measure is therefore clearly apparent and is compounded by the unfair distribution of aid between the Member States.

	EAGGF aid (end of 1981)	Areas released (from 1975 to 1980 inclusive)
Germany	79.6	30.6
France	7.4	60.2
Ireland	6.3	1
United Kingdom	3.4	6
Belgium	2.3	1.3
Netherlands	1	0.5
Luxembourg	0	0.4
Denmark	0	-
Italy	0	-
EEC	100	100

The net result of the restrictive conditions of the directive has been a lack of cohesion: only 5.4% of the aid paid by the Member States has been refunded by the EAGGF, whereas the appropriations entered in the EAGGF's budget have barely been used.

Only two Member States - Germany and France - have genuinely applied the directive, while two others - Denmark and Italy - have made no provision to do so at all.

This state of affairs does not correspond to the structural situation of the countries, which can be categorized as follows:

	Average area of farms in 1980 (in hectares)	% of farm managers over 55 in 1975
1. United Kingdom	65.6	45
2. Luxembourg	25.4	47
Denmark	23.5	45
Ireland	22.5	52
France	22.5	39
3. Netherlands	15.0	34
Belgium	14.6	34
Germany	14.4	26
4. Italy	7.4	55
Greece	4.3	very high

It was the two countries with the least number of farmers over the age of 55 at the outset which made the most progress.

The countries most in need of structural improvement are Italy and Greece, which at the same time possess the eldest populations. However, these two countries are 'out of the running', since they are unable to submit development plans.

In Denmark land mobility has been reduced to nothing by the existing land system.

Between 1975 and 1980, in the seven countries in which farmers ceasing their activities received annual allowances,

- 875,000 ha. of land were released, in other words 1.2% of total UAA in the seven countries concerned, and
- 67,000 farmers gave up an average 13.5 ha. permitting 131,000 enlargements of 6.7 ha. on average.

As the following figures show, the reallocation of the land released failed to correspond to the aims of the directive, which gave priority to development plans:

- farmers with development plans	:	19%
- farmers without development plans	:	79%
- land agencies	:	1.5%
- non-agricultural use	:	0.5%
		100%

Nevertheless there is general agreement on the need to use the lands released for structural purposes. As in the case of the modernization of farms, there are two sets of reasons for the failure of the measure:

(a) the over-restrictive conditions of eligibility for EAGGF aid

- the reallocation of the land released to farms having development plans is pointless given the scarcity of such farms;
- the financial incentives are too low;
- the financial burden to be borne by the Member States is too great;
- the criteria of age and the practising of farming as a main occupation are too restrictive.

(b) the effects of the crisis

The areas released each year have decreased since 1977. In addition to the effects of the low-birth rate linked with the 1914-18 war, there is also the fact that farmers feel more secure staying on the land than accepting pensions or allowances which may be threatened by inflation. In Greece and Ireland this feeling has been reinforced by the steep rise in the price of land. For lack of jobs in other sectors, the rural exodus has been reduced at a stroke.

The Member States' proposals are aimed at:

- on the one hand, making premiums for the cessation of farming more attractive: the EAGGF aid should be granted in addition to a farmer's own resources if he ceases farming without releasing the land and no age-limit should be imposed;
- on the other hand, tackling the problem of rising unemployment: farmers still of an age to work should no longer be encouraged to leave the land but should be helped to diversify their activities, agricultural or otherwise, to compensate for the limitations of their structures.

Finally, given the differences in age patterns, structures, intensity of production systems, traditions of handing down family farms and pension schemes, and in view of the total failure of this measure in the Mediterranean areas, there is a clear need to regionalize the measures relating to the cessation of farming and the reallocation of the land released.

2434. Socio-economic guidance and the acquisition of occupational skills

(Directive No. 72/161/EEC)

Although provision was made for expenditure of 100 m ECU in the context of this directive during the first five years, only 20 m ECU has been reimbursed by the EAGGF after nine years of its application.

This sum has made it possible to assist with:

- the recruitment of 708 newly-trained socio-economic counsellors, of whom 73% are from a single country, Germany;
- the training of 210,000 trainee-farmers, of whom 83% are from a single country, France.

The dominance of a single country for each of these measures is even more disappointing than the modest nature of the overall results.

The ability of training and advisory services to cater for the diversity of needs even before 1972 explains why little use was made of these measures in the Netherlands, Belgium and the United Kingdom.

On the other hand, Italy and Ireland, where these needs are most acute, were unable to apply the directive because the burden of expenditure involved was too great for them.

To avoid EEC finance being used simply as a substitute for finance by the Member States, these training schemes were intended to supplement existing provisions.

This is a valid concern, but by being too rigidly formulated in the directive it has reduced the impact of this measure. The countries which are already well-equipped in this area can only benefit from the measure by creating new types of training. Inadequate training provision in other countries is due mainly to the difficulty of financing existing services. Temporary aid for projects entailing long-term expenditure does nothing to resolve their major problem. In brief, the aid is used where new training needs are felt and developed; it complements rather than stimulates.

There is still general agreement on the priority importance of training and advisory services, but no proposal has been made laying down guidelines for combining Community aid with national aid.

The two adjustments desired by the Member States fall within the existing framework: training for new activities should be available to farmers on small farms as well as to those abandoning farming; aid under this heading should not be made conditional on the existence of a development plan.

2435. Mountain and hill farming and farming in certain less-favoured areas

(Directive No. 75/268/EEC)

This directive provided for expenditure of 255 m ECU in the first three years, a target which was met during the fourth year.

The attainment of this aim is due to the success of the compensatory allowances for natural handicaps, a measure which far exceeded the sums used up by the other two measures, namely:

- the extension of development plans to less-favoured areas (see paragraph 2431);
- joint equipment schemes for feeding stuff production.

The breakdown of aid by country reveals a number of anomalies, particularly in the case of Italy.

(situation at 31.12.1981)

	EAGGF reimbursement	Allowances granted	Joint investments
United Kingdom	35.6%	9.4%	1.0%
France	26.8%	28.6%	2.8%
Ireland	16.1%	21.6%	81.7%
Germany	14.3%	18.4%	4.3%
Italy	4.0%	18.7%	5.0%
Belgium	2.5%	2.4%	5.2%
Luxembourg	0.7%	0.8%	-
Netherlands	-	0.1%	-
Denmark	-	-	-
EEC	100%	100%	100%

The success of the compensatory allowances is a result both of their social character and the simplicity of the administrative procedures for their implementation.

The success of the measure remains relative, however, since the entitlements to allowances have not yet been exhausted. In the Community, 27.4% of farmers in less-favoured areas have received the allowance and, in Italy, six of the poorest regions have failed to make use of them.

As they were authorized to do by the directive, the Member States have varied the system for allocating the allowances:

- in some countries they are proportionate to the number of units of livestock, in others they are graduated;
- in some countries they are the same for all systems of farming, in others priority is given to those engaged in farming as a main occupation or to hill and mountain farmers;
- in Belgium they take the form of an intensification premium.

The Member States wish to maintain these allowances and, in some cases, to extend them. It is therefore necessary to:

- separate once again the allocation of aid (in this case for tourist amenities) from the need to have an approved development plan;
- harmonize the amounts of aid for mountain areas and other categories of less-favoured areas;
- more fundamentally, relax the criteria for the definition of less-favoured areas.

One reservation has been expressed, however: this aid should not encourage farmers to maintain their position instead of taking advantage of possibilities for restructuring.

In addition, no provision is made for forests, which, in these areas, often exceed utilized agricultural area.

244. Measures concerning the processing and marketing of agricultural products

2441. Regulation (EEC) No. 355/77 on the processing and marketing of agricultural products was quickly applied since it took over from the original 1964 regulation (Regulation No. 17/64/EEC) and concerned undertakings more accustomed than farmers to compiling dossiers.

Until 1972 Regulation No. 17/64/EEC was the main legislative text in force and its field of application was very wide. As a result, the total amount of EAGGF reimbursements up to 31 December 1981 was very high, reaching 1.387 m ECU.

Regulation (EEC) No. 355/77 presents a further paradox. Despite concern in all quarters that too few projects are financed by the EAGGF, its annual appropriation of 80 m ECU is not fully utilized.

The breakdown of EAGGF repayments by country is similar for the period 1973 - 1981.

	R. 17/64/EEC	R 355/77
Germany	34%	26%
France	21%	22%
Italy	17%	20%
Netherlands	9%	5%
Belgium	8%	6%
United Kingdom	6%	11%
Denmark	3%	6%
Ireland	2%	4%
Luxembourg	-	-
EEC	100%	100%

Italy also benefited from special temporary measures in 1966 and 1978, representing a total of 106 m ECU.

The following is a classification of the different categories of product by decreasing order of sums allocated:

- fruit and vegetables	30%	of the total
- wine	18%	" "
- meat	17%	" "
- dairy products	11%	" "
- cereals	6%	" "

These are followed by fisheries products with less than 5%, seeds, tobacco, flowers, feedingstuffs, olive oil and eggs and poultry.

The Member States are divided as to whether projects should form part of sectoral programmes. The principle is sound, but its application should not be reduced to an administrative exercise, excluding small projects or projects involving small-scale production, neither of which would fit in well with an attractive sectoral programme.

The abundance of applications makes this something of a lottery. The solution to the problem does not lie in creating additional technical and economic criteria to be evaluated on the basis of administrative documents by the Commission departments, but rather in entrusting the choice of priorities to those responsible for the development of agriculture at local level.

This is all the more vital since the Member States wish to extend the field of application to include:

- all products, without restrictions imposed by the list in Annex II,
- pilot projects,
- energy saving,
- recycling of by-products and waste,
- market studies, advertising, sales promotion and training in new techniques.

Finally, five years is thought insufficient to implement a large-scale programme, when it takes eighteen months on average to compile a dossier.

2442. The organization of producers ought logically to come under the heading of marketing, but in the budgetary chapters it is linked with the measures on production guidance.

Aid is given for the setting up and administrative functioning of organizations (or groups) of producers and their associations during the first three years of their existence. There are five regulations governing this aid, which amounts to 130 m ECU. It must be said to their credit that they allocate the aid to the sectors where organization is most difficult.

The first provisions were made between 1966 and 1972 and appear in texts relating to both the Guarantee and Guidance Sections.

The sectors financed, without geographical restriction, have been:

- fruit and vegetables in 1966 and 1972
- hops in 1971
- cotton in 1982.

In addition, special finance was given in 1978 to regions and sectors where shortcomings still persisted.

Italy and Greece	:	all products
Southern France	:	wine, table olives, aromatic herbs
French Overseas departments	:	tropical fruits and livestock
Belgium	:	cereals, livestock, meat, piglets and lucern.

Only the provisions relating to fruit and vegetables and cotton will remain in force after 1983.

Despite continuing concern in this area, the total amount of budget resources allocated to the organization of producers is very small.

On the whole, the nature and duration of the measures are too restrictive to induce producers to group together in production sectors which are difficult to organize and where the cooperative movement is reluctant to impose a delivery system which would run counter to traditions of individualism.

The need to control the volume of production and manage a distribution system which becomes daily more concentrated ought nevertheless to impel the Community to allocate additional resources to producers' organizations in order to improve their effectiveness.

245. Production guidance measures

There are fifteen specific texts on these measures. Most of the expenditure is devoted to reducing surplus production in particular sectors such as milk, fruit and wine, rather than encouraging products which are in deficit.

In the milk sector, for example, the slaughtering of cows encouraged by EAGGF premiums in 1969, 1973 and 1977 was intended to curb production.

These premiums were linked to conditions like the abandonment of dairy production, the non-marketing of milk and conversion to beef and veal.

The slaughtering of cows was also financed under a 1977 text aimed at eradicating cattle diseases.

A sum of 588 m ECU was allocated to this measure, more than the three 1972 socio-structural directives put together. EAGGF repayments were more than double the estimated allocation of appropriations.

The targets for the slaughtering of cows were achieved and even exceeded, though the general objective of curbing excess milk production was not. In reality, what use are 588 m ECU in the face of the permanent incentive to increase production represented by unconditional price support with no ceiling for each farm?

It is no use thinking that an unfavourable trend produced by the price and guarantee system can be corrected by a structural instrument.

With regard to fruit, two regulations of 1969 and 1979 respectively, allocated 42 m ECU for the grubbing-up of a number of over-abundant varieties of apples, peaches and pears but at the same time no controls were exerted over new planting. The same error has been made as in the case of milk, though on a smaller scale.

A similar measure was introduced for hops in 1977.

These measures cannot offset the absence of a production guidance policy.

In the case of wine, in addition to two regional measures, there have been four horizontal measures (one from 1976, three from 1980), making grubbing-up premiums for vines conditional on conversion to better qualities or a reduction of areas.

The first measure in 1976, scheduled to last three years, failed to achieve its objective and only half of the appropriations were used.

It is too early to assess the impact of the 1980 measures, though it can be noted that there have been difficulties in launching the action.

The decision to introduce crop rotation after a vineyard has been grubbed-up is crucial for production guidance. The grubbing-up premium is not linked - and this is a lost opportunity - to any incentive for switching to priority products.

Grubbing-up is a means of reducing the areas of land used, but also of improving quality if it is followed by a change to a different variety. This is the case with hops and vines, and also citrus fruits since 1969.

The health measures aimed at eradicating swine fever (1968 and 1980) or brucellosis, tuberculosis and leucosis in cattle (1977) have a dual aim: improving breeders' incomes and removing health barriers to the free movement of animals.

With the exception of those relating to vines, these measures are of short duration, from 1 - 3 years.

246. Regional measures

2461. A geographical breakdown of the 37 regional measures is given in Annex IV.

There are no regional measures for the Netherlands.

Three Member States benefit from only a single regional measure: Luxembourg, for the whole of its territory, Germany, for all its less-favoured areas and Denmark, for Greenland.

In other countries, several regional measures are in progress at once, either in one area or over the whole of the territory.

In the following regions, there are five or more regional measures in progress:

Corsica and Drôme	3 special and 2 national measures
Less-favoured areas of the West of Ireland	4 special and 1 national measure
Languedoc-Roussillon and Ardèche	5 special and 1 national measure
Mezzogiorno	5 special and 3 national measures

Clear priority is given to the areas with the greatest difficulties, i.e. the Mediterranean areas and the West of Ireland.

However, the coordination of these measures both with each other and with the horizontal measures raises problems:

For example, in the Mezzogiorno, three successive measures have encouraged the setting up of agricultural advisory services:

- the horizontal directive of 1972;
- the 1979 directive for Italy;
- the 1976 directive specifically for the Mezzogiorno.

This has led to confusion and administrative complexity.

2462. Provisional assessment of the 27 regional measures to assist the less-favoured areas

This assessment can only be provisional, since the first of these measures date from 1976 and only eight of them have come to an end. It is too soon to analyse their impact on the living conditions of workers and the economic life of the regions. It is possible, however, to assess the reception they have been given and the speed at which they have been launched, by comparing the amount of appropriations used from the initial allocations.

For the measures in progress, this initial allocation is calculated pro rata for the time-period concerned, with the proviso that the payments are made after the measures have been implemented.

On the basis of this criterion, the measures can be divided into six groups according to the degree of success achieved:

- (a) for the four measures which have ended, all the appropriations were used :
- repairs to damage caused by earthquakes or cyclones,
 - drainage in the West of Ireland
- (the extension of this measure has been suspended, however, for lack of national funds).
- (b) in the case of four of the measures, between 55 and 80% of the appropriations have been used :
- forestry in Mediterranean areas
 - marketing of cattle feedingstuffs in Northern Ireland
 - rural infrastructure in Italy and the South of France
 - replanting of vines in the Charentes.
- (c) for three of the measures, between 30 and 55% of the appropriations have been used :
- irrigation in the Mezzogiorno
 - restructuring in the wine sector in the South of France
 - stock farming in Greenland.
- (d) for five of the measures, between 5 and 30% of the appropriations have been used :
- irrigation in Corsica
 - eradication of cattle diseases in Ireland
 - drainage of cross-border catchment areas between Ireland and Northern Ireland
 - meat production in Ireland and Northern Ireland
 - rural infrastructure in Germany
- (e) for three of the measures, the appropriations allocated have barely been used :
- protection against flooding in the valley of the Herault
 - meat production in Italy
 - agricultural advisory services in Italy
- (f) with regard to the development programmes :
- for the 1980 programme (West of Ireland) the first EAGGF repayments of any note were paid in 1982
 - for the five 1981 programmes (Lozère, Belgium, Northern Ireland, French overseas departments and Greece), no payments were scheduled for 1982.
- This is indicative of the slow start made by these programmes.

The appropriations earmarked for the totality of the measures in progress are substantial - 1,825 m ECU for an average duration of 5 years. They represent half of the Guidance Section budget for 1984 and 1985.

These appropriations are justified by the serious nature of the handicaps. The beneficiaries appreciate the initial achievements and are urging that these programmes be stepped up. The real problem is how to ensure that they act as a stimulus in such a deprived environment.

Achievements have not matched up to intentions. If the sectoral programme is handed down from Brussels, with the permanent constraint of the need for the measures to be eligible, how can it be sure of meeting the main priorities of the region concerned? If the development programme can only be additional to horizontal measures, how can proper coherence be achieved?

An over-centralized format, administrative unwieldiness in drawing up the programmes and the increasing difficulties of the Member States in meeting their financial share are the reasons behind the delays and difficulties in applying these measures.

2463. Opinion of the Member States

The Member States have less to say about measures to benefit the less-favoured regions than horizontal measures. Their criticisms include both reservations and proposals:

- with regard to the sectoral measures: the action decided by the Commission does not always correspond to the region's own preferences; coordination with horizontal measures needs to be consolidated;
- with regard to the development programmes: the analysis of local handicaps is not systematic enough; the scope for regional initiative is insufficient to compel the necessary allegiance and sense of responsibility from those responsible for implementing the programmes.

The rural approach, with a broader scope than the agricultural one, is highly appreciated. Greece and the Commission both propose a classification of regions for assessing the expediency of regional programmes. Other countries, where administrative decentralization is more highly developed, favour programmes integrating as many social and economic activities as possible in each region.

Opinions are divided, however, on the need to regionalize the measures and some countries feel there is a danger of encouraging regional particularities to the detriment of the overall coherence of Community objectives.

25. Community policy and national policies

Following written and oral consultation of the Member States, their views can be summed up as follows:

- the seven countries in the north of the Community feel that what has been done was right and necessary;
- Italy and Greece consider that structural policy was not adapted to the needs of the Mediterranean regions;
- France takes the view that previous national aids were more favourable and more diversified, making it difficult to bring them into line with Community measures;
- all countries consider that more now needs to be done and by different means.

In many cases, national measures predated Community measures of the same type. When national aids were less favourable, this facilitated the adoption of the Community provisions; where they were more favourable, this constituted a serious barrier.

The adaptation of existing national rules was more frequent than the introduction of entirely new measures.

National aids for the modernization of farms after 1972 fall into three categories:

- (a) compulsory cofinancing of development plans;
- (b) supplementary aid within the framework of plans financed by the Member States and not eligible for EAGGF aid;
Belgium, Denmark and the Netherlands did not use this aid. The United Kingdom and Ireland devoted this supplementary aid to land improvement, the other countries to farm buildings;

(c) aids to farms without a development plan, restricted by a ceiling without being financed by the EAGGF.

These were substantial in Germany, France, Italy, Ireland, the United Kingdom and Luxembourg.

In these countries, the recipients of aid were more numerous than those having development plans, but the amount of aid per farm was considerably lower. The data available is too incomplete to give a full picture.

All the Member States ask that in future Community provisions should provide a framework within which the methods of application can be adapted to the different circumstances prevailing.

Germany, France and Italy envisage regionalizing the programmes and are speculating about the institutional effects of this and the new division of decision-making powers and responsibilities. In the other countries, the central administrations are asking only for more flexibility for the application of horizontal measures.

In any event, greater scope for initiative and freedom within the limits of the framework provisions should not permit the substitution of national or regional objectives for the Community's own objectives, which are in the general interest.

The Mansholt plan was partly deflected from its aims by the administrative rules contained in the 1972 directives.

At present, although there is a broad consensus on a number of general guidelines, differences of opinion which reveal the special interests of individual states are evident in the tenor of the various technical and financial proposals.

For example :

- there is agreement on the principle of cofinancing, but the rich countries and poor countries do not agree on the breakdown between the Community, the Member States and the recipients;

- there is agreement on the need for coherence between production guidance and structural policy, but the products for which a guidance premium is desired are not the same in the north and the south;
- there is agreement that present structures should not remain static, but some countries insist on rapid adaptation to new technologies and others on the scope for progress on existing farms.

The methods of combatting this temptation to give priority to local interests are both preventative (clarity, firmness and logic in the Community's objectives) and curative (effective controls performed jointly by the Community and the Member States).

There are two aspects to the financing of structural policy:

- the relationship between the EAGGF and the Member States:

The Member States' budgetary difficulties have acted as a brake on the implementation of cofinanced measures; this has led to an almost general call for a greater proportion of the cofinancing to be borne by the EAGGF and for the elimination of Community measures not financed by the EAGGF.

An adjustment of the rate of cofinancing, the rate of interest subsidies and the amount of aid granted is requested in order to offset natural and structural handicaps, provide production guidance and lessen the effects of differences in inflation rates.

- the EAGGF budget:

The Guidance Section budget must be increased, notably by reorganizing the budget of the Guarantee Section.

In any case, the combined effects of extensions of existing aid and the new aid proposed by the Member States could not be dealt with merely by increasing the present budget, but would require a substantial transfer of resources from national budgets to the Community.

The views expressed by the Member States show that there is one major preoccupation which is shared by all. Structural policy has so far concerned itself on the one hand with farmers whose initial situation was favourable

and, on the other, with farmers in less-favoured areas. In the face of the employment crisis and the growing disparities within individual countries, future Community policy must strive to improve the lot of the small and medium-sized farmers who are by far the most numerous in Europe.

Conclusions on the achievements of the period 1964-1982

In 1964 structural policy was non-existent.

A vast amount of work has been carried out with conviction, competence and the desire to make the best possible use of the Community's finances.

Agricultural productivity has increased substantially, but this improvement has been marred by serious limitations. It has benefited too few farmers and has been very unevenly distributed between the Member States and regions of the Community.

The measures taken have been very disparate and some of them should not even fall within the Guidance Section.

Diversity should not be condemned, however, since it is necessary for such a vast field of application and for situations which are so varied.

The desire exists to link several actions together and the framework for this is provided by the development plans. Their number has failed to live up to estimates and the framework has proved too weak to support large-scale projects.

In any event, structural policy requires more general, more comprehensive guidelines to give coherence and effectiveness to the full range of its actions.

There are a number of lessons to be drawn from the successes and failures of the vast work so far carried out and the future structural policy must put these to good use.

III - PROPOSALS FOR A NEW STRUCTURAL POLICY

The common organization of the market has taken precedence over the structural policy, which today is in danger of being reduced to an instrument for correcting certain consequences of the markets and prices policy and mitigating the most serious difficulties deriving from historical and geographical factors.

This is unacceptable for two reasons. First, looked at realistically, such an approach would be doomed to failure; secondly, it would be unjust, because it would create a hierarchy, with farmers who are well placed economically enjoying superiority over farmers who have to be supported.

The structural policy has an altogether different purpose. In conjunction with the markets policy but with its own resources, it aims to ensure that each agricultural worker and each region can make a fitting contribution to the establishment of the strong agricultural sector which Europe needs.

One of the strong points of European agriculture lies in the diversity of its natural potential and its products, its production and organizational structures, and the men and women who make up its labour force. This diversity will be even greater if Spain and Portugal join the Community. It provides a wealth of potential which the structural policy must exploit to the full.

31 - Full attainment of the objectives of the Treaty of Rome

Thanks to economic expansion and the efforts of the Community of the Six, the common agricultural policy has enjoyed a measure of success, although this has been more marked in the foodstuffs sector than in the agricultural sector proper.

In view of the present situation (world economic crisis, employment crisis, crisis of growth in Europe), it is essential to give priority to those objectives of the Treaty on which insufficient progress has been made to date, particularly those laid down in Article 42, namely:

- the need to maximize self-sufficiency in agricultural products and to elaborate an effective agricultural exports policy,
- the need to preserve as many jobs as possible on family holdings which are firmly rooted in their social and economic environment,
- the need to reduce disparities in income and living conditions as between different farmers and different regions,
- the need to take full advantage of the diversity of agricultural production which is steadily increasing as the Community acquires new members.

These priority objectives must determine the shape and content of the new structural policy which, if it is to achieve its specific objective of higher productivity, must today also take account of:

- . the hopes and expectations of farmers,
- . the reorientation of production,
- . the new hierarchy in the factors of production,
- . the lessons of the past ten years.

311 - The hopes and expectations of farmers

The life of the most inhospitable regions is being sapped by the depletion of the female population through migration. The high celibacy and suicide rates are a reflection of the hardships which farmers have to face in such regions. For all farmers, a fair and secure income depends on guaranteed prices and the organization of the markets for all products without exception.

Changes of two kinds are now beginning to take place. First, the discrepancy between the working conditions of farmers and white-collar workers is being further accentuated by factors such as the impact of automation on jobs and responsibilities, shorter working hours, occupational equality between men and women, the threat of unemployment, etc. Secondly, city-dwellers are re-discovering the abundant attractions of rural life and are more attentive to the quality of the environment. The effect of this is to strengthen the appeal of part-time farming.

Like the other socio-professional categories, farmers are naturally eager to take advantage of productivity gains to pursue non-occupational activities, particularly recreational and holiday activities.

Reasonable working hours (neither too much work nor too little, both of which are harmful), access to modern training facilities and socio-cultural activities, mastery of the skills of their trade, recognition of the cultural heritage which they have managed to preserve: such are the aspirations which farmers may expect to fulfil with a fair income and on an equal footing with other categories of worker.

312.- The reorientation of production

The shortages of timber, grain maize, rice, vegetable oils and fats, plant proteins, feed grain, certain varieties of fresh fruit, citrus fruit, sheepmeat and goatmeat and tobacco may be partly made good by expanding production, particularly if the Europe of the Ten becomes a Europe of Twelve.

There is insufficient recognition of the fact that giving land over to the cultivation of these products would be an effective method of reducing surpluses of products which are difficult to sell.

It is both paradoxical and abnormal that oils and fats, soya, fresh fruit and citrus fruit should continue to be imported while there are surpluses of butter, olive oil, skimmed milk, peaches, pears and apples on the domestic markets. Article 41(b) of the Treaty of Rome provides for the adoption of 'joint measures to promote consumption of certain products'. Can it really be said that enough has been done to inform European consumers and to urge them to consume surplus products rather than imported products?

Apart from encouraging the consumption of the few products which are currently in surplus or likely to become so, one of two approaches must be adopted to the problem, depending on the circumstances.

In some regions, the combination of natural potential and farming structures restricts freedom of choice and certain types of production are 'irreplaceable'. e.g. milk production in the small grassland farms of the north-west coast and meat production in mountain pasture zones. The maintenance and the development of these forms of production are essential to the economy of the regions concerned

and, notwithstanding surpluses in the EEC, they cannot be discouraged in those regions.

In other regions, the combination of natural potential and structures is conducive to higher yields and lower production costs. This situation must be turned to good account even when, as in the case of wheat and sugar beet in the fertile northern plains, production is in excess of EEC requirements, provided that marketing processes are rationalized.

In order to take account of regional and structural potential for a given product, adjustments would have to be made to prices - or levies on prices - to reconcile agricultural incomes with restrictions on support costs for those crops intended either for export to third countries or for use as animal feed in place of imported feed.

The use of agricultural residues and certain plants as sources of energy and industrial raw materials may contribute to the development of agriculture, provided that it is not given priority over food production.

Technological progress, which may be widely and swiftly harnessed, will not spontaneously restore balance to agricultural production. Indeed, as matters stand at present, the sectors which are likely to be most rapidly affected by the spread of technology are the milk and cereals sector.

On the other hand, the potential for progress in agricultural research is much greater for the production of plant proteins and vegetable oils and fats, which by comparison with vegetable starch, have hitherto been neglected in Europe. The emphasis of research programmes should therefore be changed, while at the same time increasing their resources and tasks - an essential precondition if agriculture is to retain its capacity to adapt.

The understandably growing demand among consumers for more balanced and better flavoured foods has to some extent limited the output of certain products.

For all these reasons, the improvement of productivity will not be as rapid as it was previously when all product sectors were characterized by expansion and the drift from the land was at its height, since the emphasis will be on qualitative improvements, quantitative adjustments to meet market needs and environmental conservation.

The annual farm price review will have to make allowance for this new development.

Even if slowed down, productivity gains will continue to bring about changes in the structures and distribution of product sectors. Nothing would be ultimately more damaging to agriculture than to attempt to block, ostensibly in the interests of solving the problems of the moment, any change in the present output and geographical distribution of a given sector, since the least productive would then be deprived of all scope for improvement.

313 - The new hierarchy in the factors of production

Labour, land and capital are the variables commonly used in measuring agricultural productivity. It is far rarer for intermediate consumer goods to be taken into account.

In the face of the employment crisis, the slowdown in the drift from the land reduces local authority charges and better protects the future of workers than unemployment benefits. Labour, the cost of which is rising most rapidly, is no longer a factor in the improvement of productivity.

The amount of uncultivated land won over to farming is less than that lost to urbanization and public works projects.

The problem of the lack of new land suitable for cultivation can be overcome by water management schemes, which require substantial investment, by cultivation under glass, which makes heavy demands on energy, and by industrial livestock farming, which is expensive because of its reliance on imported feeding-stuffs. These are justified if they guarantee full employment for 'small' farmers for whom there are no alternative local employment opportunities. They are also justified in various other circumstances, on condition that they do not pose a competitive threat to other more economic and more autonomous methods of production.

The burden of financing has increased in the last ten years. Young people have not had the capital to establish their own farms, and Danish farmers would be the first to admit that there is a problem. Moreover, national measures are responsible for major disparities, for which the CAP does not at present make allowance.

After 1950 the intermediate consumer goods sector expanded rapidly; this was attributable to a low level of utilization at the outset and to the relative stability of costs up to 1973.

However, most of these goods have been affected by the indirect consequences of the oil shocks. Their costs have risen faster than the prices of the products supplied by farmers. They are often imported and usually come from rich countries. Here, too, productivity has now become more important than expansion.

In the light of these changes, the whole approach to the development of farms should be reappraised:

- production systems should be made less specialized to allow the inclusion of additional products and the maximum use of by-products. This would make for an improvement in the utilization of local resources and less reliance on purchased and imported products. For example, leguminous vegetables could be grown on a rotation basis on farms with cereals as the main crop, or semi-liquid pig manure could be put to better use. In this way, production systems would become more diversified.
- investment projects should be carried out more progressively, on a stage-by-stage basis.
- the financing of too much equipment (tractors, agricultural materials and implements and buildings) should be refused by the banks or, better still, the equipment of individual holdings should be pooled among several family holdings.

This type of production is more demanding in terms of the mastery of management and technical skills. It calls for a more critical and comprehensive assessment by researchers, advisers and farmers of the ways in which technological progress can be harnessed.

314 - The lessons of the past ten years

While there has been an overall increase in agricultural productivity in the Community, it is the farmers who were most successful at the outset who have made most use of the structural aids on offer and made the largest productivity gains.

Since their products are usually afforded the best guarantees, it is often these same farmers who profit most from the price support system and who, as nationals of countries with strong currencies, benefit from lower supply costs and the monetary compensatory amounts mechanism.

While the only real solution lies in greater homogeneity between the economic and monetary policies of the Member States, the structural policy can nonetheless mitigate the effects by means of aid adjustment measures.

The basic problem of the new structural policy is:

- to aid selectively farmers whose productivity is limited by natural, structural and environmental handicaps, while taking account of the social value, in the broadest sense of the term, of all their activities.

This problem can be solved only by regionalizing the measures adopted to the fullest possible extent.

This is not to say that the achievements of the past ten years should be disregarded or that the lessons of experience should be ignored. Indeed, it would be virtually impossible to achieve fully and undeviatingly a particular aid objective without taking into account the lessons of the recent past.

What we must do, however, is to recommend a redistribution of measures that have proved their worth between regional development programmes and horizontal measures, of which there would be five.

Lastly, the structural policy is a long-term policy. This may seem a re-statement of the obvious, but has due account been taken of all its consequences for young persons setting up as farmers, at which time the decisions taken are often irreversible for years to come?

315. - What structures are needed?

The running of a family holding requires that more hours be worked by the members of the family than by white collar workers or workers indirectly involved in farming.

It is within the holding that decisions have to be taken on types of production, the resources and facilities needed and the organization of work.

For a given holding, indirect agricultural working time is the time devoted by other farmers to supplying the farm inputs purchased by that holding, expressed as the average number of hours per piglet, unfattened cow, quintal of cattle feed, etc.

It follows from the above that there must be a limit on the size of the family holding - and in particular on the size of 'industrial' farms - which may vary according to types of production and the amount of work that they entail.

Furthermore, political decisions such as those taken in Denmark and France may impose a limit on the size of the family holding with the aim of ensuring a better distribution of work and of farmland.

There may be considerable differences between family holdings. For instance, some may be run on a full-time basis, while others are part-time concerns.

The continuous expansion of family holdings is not an objective of the structural policy, since the existence of smaller farms does not push up the cost of foodstuffs. Indeed, within fairly wide limits, the unit cost of foodstuffs is not linked to the size of any farm. Moreover, in the face of the employment crisis, it is far better to have a large number of farms providing adequate incomes than a smaller number of large farms with a smaller total workforce.

The family character of the holding may be maintained by means of associations between several families which are the sole forums for the taking of decisions. The fact that they share responsibilities and proceeds clearly differentiates them from the employer-employee relationship.

The storage, processing and marketing structures for agricultural products serve to back up all the normal functions of the downstream undertakings, within specific limits. The fact that they deal with products covered by the price guarantee and support system provides a direct or indirect safeguard for the maintenance of their activities. On the other hand, their activities have to conform to the rules of the common agricultural policy and fit in with the projects of farmers.

In keeping with their particular objectives and codes of conduct, the agricultural cooperatives and producers' groups endeavour to ensure that there is consultation between farmers and undertakings, and their efforts must therefore be encouraged.

32 - The need to increase resources and ensure their optimum use

Up to 1985, the annual amount of the 'guidance' budget has been fixed at 751 m ECU.

It is essential for this budget to be increased. In 1962, 25% of the total EAGGF budget was earmarked for the Guidance Section. A return to that arrangement must continue to be our objective in 1983.

Such an objective is not impossible to achieve since, for example, derogations from Community preference alone cost 1,900 m ECU. Any resources saved under the Guarantee Section must be systematically transferred to the Guidance Section.

In the immediate future, greater efficiency can be achieved by ensuring better complementarity between the European Social Fund and the European Regional Development Fund (endowed with 1,700 m ECU and 2,010 m ECU respectively in 1983).

Total expenditure on agricultural structures in the ten Member States may be broken down as follows:

- EAGGF Guidance Section,
- cofinancing by Member States entailed by EAGGF projects,
- national aid granted independently of EAGGF decisions.

What part does the 751 m ECU¹ endowment of the 'guidance' budget play in this total expenditure?

If Community aid replaced national or regional aid, all it could do would be to redistribute a limited fraction of the total expenditure incurred by the Member States.

¹ In its communication COM(83) 501 final of 28 July 1983 concerning the structural funds, the Commission estimates that the Community's expenditure on agricultural structures is equivalent to about 6% of the amount spent by the Member States for the same purpose.

It might be argued that the rate of EAGGF co-financing should be limited so that a contribution could be made to the largest possible number of projects. But this would be to misunderstand the present budgetary restrictions and the reluctance of the States to commit themselves to expenditure over which they have no control. It would also discriminate more harshly against the countries in difficulty. This year Ireland has already found that it cannot provide its share of the financing for several Community projects and has had to suspend them.

There is a unanimous call for a high rate of EAGGF co-financing. Irrespective of the resources in the budget, this would reduce the number of projects financed; the only difficulty would then lie in selecting the priorities.

The criterion for granting Community aid should be that the aid project is consistent with European priority objectives. These objectives are:

- to channel production,
- to reduce inequalities, and
- to promote projects which, since they do not fit in with local traditions, would not be readily included amongst the local priorities (for example, the organization of producers).

On the other hand, since the Community does not control all structural projects by means of its financial contributions, in addition to assessing their compatibility with the Treaty of Rome, it should be in a position to demand that the national aids are consistent with European production and structural objectives.

The rate of EAGGF co-financing should be adjusted for each individual regionalised project within predetermined limits. Such adjustments are needed for all general projects so that allowance can be made for the natural handicaps of the regions and the budgetary difficulties of the countries concerned.

As far as the legal formalities are concerned, an 'outline regulation' would seem to be the most appropriate form for the regional development programmes. Its purpose would be to establish the general principles governing the programmes. In addition, a specific regulation should be drawn up for each region, setting out the details of the programmes negotiated between the Community, the State and the region. In this way, the compulsory provisions of the outline regulation could be made to fit in with local requirements.

As regards horizontal projects, a directive should be used in place of a regulation whenever the project is likely to encroach somewhat on the traditions, institutions or laws of the States concerned.

33 - The need to give priority to regionalization

The movement towards regionalization has been in progress since 1975, but at the present stage of the integrated programmes it continues to be impeded by two factors:

- . the countless general projects tend to interfere with the regional programme, which discourages local initiatives and reduces administrative efficiency,
- . the programmes concern less favoured regions and tend to be designed to mitigate the problems created by other CAP measures.

At present the Community recognizes:

. in Germany	11	regions
. in France	23	"
. in Italy	20	"
. in the Netherlands	12	"
. in Belgium	9	"
. in Luxembourg	1	"
. in the United Kingdom	11	"
. in Ireland	9	"
. in Denmark	4	"
. in Greece	9	"

giving a total of 109 regions.

The Community should establish a financial classification system for the regions based on their relative wealth and on the number of agricultural workers employed by each of them.

331 - An outline regulation should be drawn up to define the procedures for preparing, implementing and monitoring the regional development programmes.

In particular, it should establish a list of measures eligible for aid and the criteria for eligibility, but these should not be too rigid in their formulation. The aim should be to ensure that the Community aid measures specific to each region, which at present are subject to provisions scattered among far too many texts, are implemented in a coherent and effective manner.

The development programme should be drawn up on the basis of consultations between the Community and the State and, provided that they are vested with sufficient decision-making powers, the regional authorities themselves.

Although it is inevitable that Community intervention should be administered on a fairly centralized basis, it is nevertheless vital that the design and implementation of the measures should be coordinated in reasonably small geographical areas to enable local inhabitants to participate. The experience of projects in progress provides justification for giving priority to local, overall guidance of the programmes.

The development programme should be drawn up on the basis of consultations between the Community and the State and, provided that they are vested with sufficient decision-making powers, the regional authorities themselves.

The priorities for the region should be established on the basis of an analysis of the relevant circumstances, which should at the very least include:

- (a) a detailed appraisal of infrastructures, trade and the cottage industries, the public services and local associations.
- (b) an assessment of the distribution of the following agricultural production sectors:

- those where the cultivation of particular products is 'inevitable', i.e. in areas with specific handicaps
- those whose products are 'economically strong', i.e. production costs are lower than the Community average,
- those where 'diversification' is possible and should be maintained or encouraged.

The small-scale cultivation of products in the last of these categories could in some cases do more than simply help to solve a difficult situation. For example, the 200,000 hectares of tobacco representing the Community's shortfall in that product could provide a living for 100,000 families.

(c) a definition of the region's less-favoured areas and the nature of their handicaps and a classification of those areas according to the severity of the handicaps.

(d) a balance sheet of the strong and weak points of the region's agricultural structures.

Consultations should also take place to determine the procedures to be applied to EAGGF financing, the amount of aid for each measure and the rate of co-financing, within the limits of the financial resources allotted to the region.

The regional development programme should have the force of a contract between the Community and the State and region concerned.

332 - The development programme should give precedence to measures of general interest over individual aid schemes

3321 - Most of the agricultural aid measures have already been tested on the basis of the regulations currently in force. Some have been successful, while others have revealed shortcomings which have still to be remedied.

The order of priorities proposed below would have to be adjusted for each region, after stock had been taken of the most limiting factors:

- the basic and further training of farmers and agricultural advisers in liaison with research centres.
- the dissemination of knowledge of agricultural techniques.
- infrastructure projects and land reparation, water management and soil improvement schemes.
- the pooling of resources by several family farms: mutual aid groups, sharing of heavy materials and equipment, sharing of breed stock.
- the organization of producers, on which aid for the storage, processing and marketing of crops should be made more strictly dependent.

- the cessation of farming and the allocation of land thus relinquished.
The age structure, the mobility of land and the social security schemes for elderly or retired farmers vary very considerably from one country to another. However, the prevailing crisis has placed a premium on security and farmers are therefore increasingly reluctant to give up their holdings. Only generous financial incentives can persuade them to do so. The allocation of land released is the major priority, where the enlargement of farms of too small a size is vital if they are to achieve a reasonable level of income.

- incentives to use very specific techniques or equipment.
It would be futile to attempt to compile a list taking account of account of every conceivable eventuality. Drainage was not included in the 1975 directive on the less-favoured areas. Yet it was a major priority in western Ireland. Who would have thought of including in a list of possible future measures the provision of the landing stages needed by Greenland?

- direct aid for farmers in the less-favoured areas. This should not be granted unless the other measures applied are not sufficient to guarantee a reasonable income. It must as far as possible be contractual in nature insofar as the agricultural activity concerned should play a socially useful role by improving the natural environment and helping to promote recreational activities and tourism.

3322 - Two new measures should be encouraged in the framework of the regional programmes.

The first of these involves a systematic examination of natural potential on the basis of agricultural charts, surveys of water resources, and meteorological data with a view to drawing up as full a list as possible of the products suited to particular regions.

The second, to be applied on the basis of local requirements, concerns the improvement of supply infrastructures, since inadequacies in the system impair the competitiveness of farmers in areas remote from ports or centres of production.

3323 - The following measures, of regional application, would be more effective if applied on a horizontal basis:

- measures specifically intended to channel production in a given direction (to the limited extent to which this can be justified) - action which each region might otherwise be tempted to exclude from its list of priorities in the hope that the neighbouring region would bear the costs of the resulting loss of earnings;
- measures relating to fisheries and forestry - subsumed under agriculture in accordance with the spirit of the Treaty of Rome - which might otherwise be neglected in agricultural development programmes but which could easily be incorporated in any regional measures adopted in pursuance of an integrated development programme.

333 - The regional development programme would solve a number of current procedural problems.

- It would make it possible to avoid classifying the regions on the basis of criteria which have always been questionable, while providing a large measure of flexibility for restoring balance to the regions of the Community.

- It would take account of the diversity of the situations involved - a particularly important factor in defining less-favoured areas - and would make it possible to give due attention to difficult cases arising within an otherwise prosperous region.

- It would give each region a measure of responsibility for choosing its priorities in accordance with Community objectives.

- It would ensure that the regional programme was more coherent and hence that EAGGF expenditure was more effective.

- It would make it possible to keep a check on the total amount of structural aid given to individual farms.

- It would eliminate the problem of having to modify horizontal provisions to take account of regional requirements, and in particular the problem of rates of co-financing.

- It would be easier to apply than a whole series of interdependent provisions.

334 - Regionalization is not a panacea

The division of decision-making powers between the state and the regions varies from one country to another. In some cases the state negotiates on behalf of the regions. In others, the regions may be more independent but they have no negotiating teams ready to work on the programme. Whatever the situation, however, initiative and commitment on the part of local representatives and support from the beneficiaries are prerequisites for success. In the absence of competent negotiating partners it would be very tempting to adopt either a dirigistic or a wait-and-see policy, both of which would be counterproductive.

If need be, the Community would have to help, as a matter of the utmost priority, to ensure that sufficient manpower was available to stimulate local interest and to design and draw up support measures for programmes adapted to meet differences in regional requirements.

By its very nature, the regional development programme would have to include non-agricultural activities. Agricultural development cannot be dissociated from the overall development and the intensity of the social life of the region concerned.

The notion of an integrated programme therefore deserves support.

At Community level, this would also make for better use of all funds for structural measures, in particular the ESF and the ERDF, in addition to the EAGGF.

While the EAGGF is not solely responsible for the coordination and integration of the funds or the arrangements for their use, it is nevertheless concerned with all efforts to improve the effectiveness of structural interventions.

34 - New horizontal measures

The priority given to regional programmes reduces to 5 the number of horizontal measures to be considered.

Three of these relate to agriculture proper:

- the individual financing of family farms;
- the specific problems of setting up as a farmer; and
- ad hoc interventions.

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The other two relate to activities subsumed under agriculture, namely:

- forestry; and
- fisheries.

The first two measures would to some extent take over where the modernization plans left off.

The ad hoc interventions would cover four types of necessary measures which would not form part of the regional programmes or the other horizontal measures. The points they all have in common is that they meet specific non-recurrent short-term requirements.

If the system of integrated programmes were adopted, the forestry and fishery measures would be regionalized. The 'horizontal' provisions would then be the same in nature as the outline regulation for regional development.

341. Individual financing of family farms

This type of financing concerns many more farmers than have been able to aspire to the modernization plans.

Since 1972 regional measures have been used to finance farms without development plans. Because of their diversity and the differences between interest rates, they have generated distortions of competition between individual countries.

The future directive on financing should contribute to production guidance and offer scope for development to all farmers whose incomes are inadequate.

Community and national aids should be granted under the following conditions:

- the system of farming must comply with the regional production guidelines;
- the basic principle of Directive No. 72/159/EEC should be maintained and strengthened: the farmer has to make an application and proceed with a technical and economic forward study. He may obtain aid from a counsellor of his choice or, better still, draw up his project with a group of farmers;
- this study must show that the project would produce an improvement in the net income and in the working conditions of the farmer. The notion of comparable incomes, which is too vague and restrictive, should be dropped as a criterion for granting aid;
- accounts should be kept which, together with technical monitoring, would help to make the loan profitable and ensure that it is not used for any other purpose;
- the system of financing should be global, i.e. a new loan would take account of any previous ones. The terms of the loan should take account of the system of farming, taking into consideration the rate of turnover of capital;
- when a farmer's project constitutes a genuine restructuring operation, or is tantamount to the setting up of an undertaking, supplementary aid would be justified in the form of a grant, repayable at the latest on cessation of farming;

- a ceiling should be imposed on the amount of aid per farm, adjusted in accordance with the number of workers in the family. This ceiling would take account of aid received in the context of other measures;
- finance should be provided for the purchase of certain types of heavy equipment for a group of family farms, to prevent individual farms from becoming over-equipped. This aim would only be achieved if the 'supplier credits' were linked to the financing plan.

More general measures should be aimed at improving efficiency and achieving a fairer distribution of aid.

The Community should fix an income threshold above which farmers would no longer be eligible for financing aid.

Advance guidelines for the allocation of aid to individual regions would obviate the risk of an unbalanced distribution between rich and poor areas.

EAGGF aid should take monetary fluctuations into account and mitigate their effects on farmers in countries with weak currencies.

Furthermore, budgetary problems at times prevent some countries from meeting requests for finance. In a spirit of European solidarity, a fund could be created with a view to overcoming these temporary difficulties.

342. The specific problems of setting up in farming

Despite the lack of accurate data on the present number of farms and the absence of debate on the desirable number of farms in the Community, it can be estimated that a minimum of 150,000 new farms are necessary each year in the Europe of the Ten. This figure must be set against the number of development plans approved - the maximum figure of 30,000 was attained in 1978.

This problem is significant for three reasons:

- the financial difficulties encountered by new farmers are growing;
- recent changes of attitude by young people are having an unfavourable effect on the number of farms;
- the initial choice of production entails a long-term commitment.

The situation of new farmers is very diverse and varies in accordance with the following factors:

- whether the farm is handed down from father to son in the family.
The gap between the son inheriting the farm from his father and taking over as head of the farm himself is a recent factor which has not yet been taken fully into account.
- whether the new farmer is taking over a smoothly running operation or starting up a new venture (restructuring or significant change of production system);
- the age of the new farmer;
- his ability to finance himself;
- the obligation to acquire land.

This diversity is the result of differences in death duties and taxation systems, the quality of pension and retirement systems, the sense of security brought by the ownership of land and cultural traditions and sentiments. In other words, it would be premature to attempt a complete standardization of aids for setting up in farming.

This aid should therefore be of three different types:

- (a) the aids for financing described above with an arrangement for the deferred repayment of the first annuities and special consideration for restructuring or setting up new undertakings.
- (b) Community aid aimed at:
 - increasing exchanges and training courses between the EEC countries for those applying to set up in farming in order to make them more aware of the European ideal;
 - promoting group training sessions to study projects for setting up in farming;
 - making general provision for basic training in the keeping of accounts and technical tables.

(c) national aid authorized by the Community when justified, to compensate for handicaps connected with national laws, e.g. measures removing the need for a young farmer to purchase land.

In addition, the Community must monitor year by year the development of the number of farms in order to correct without delay any trends which could undermine long-term future progress.

343 Ad hoc interventions

- Ad hoc interventions would be governed by a basic regulation which would define the nature of the following four contingencies in which such measures could be financed:
- making good damage caused by natural disasters or, perhaps, certain epidemics;
- reduction of surpluses at Community level;
- full scale pilot tests for new products on farms or in processing establishments;
- special urgent transitional arrangements for regions which are slow to finalize their regional programmes and for Member States which have recently joined the Community.

344 - Forestry

The forestry sector, together with a number of other plant products, is in a paradoxical position. Because trees, plants and seeds are listed in Annex II of the Treaty of Rome, they are covered by structural policy. However, wood, the principal commercial forestry product of first-stage processing, does not appear in this list and is therefore ineligible for measures under markets and prices policy.

The EEC's wood deficit is increasing while a large proportion of its forest area is under-exploited.

The aim is to reverse this trend. In the absence of market organization and guaranteed prices, structural measures for forestry will not be sufficient.

Forestry is a very effective complement to agriculture itself as regards:

- maintaining jobs (upkeep of forests, saw-mills and woodcraft),
- contributing to income from combined activities (farming-forestry, farming-craft trades),
- improving the natural environment,
- creating areas for recreation, leisure and tourism.

In addition, forests extend over large areas in mountain zones and less favoured regions. Productivity is an important element in restoring balance between the regions.

There is no mention of forestry in the directive on the modernization of farms (1972) nor in the directive on hill farming and farming in less favoured areas (1975).

The first specific and reasonably thorough measures to assist forestry were taken in 1979 for the Mediterranean regions. More partial measures were included in the programmes for the West of Ireland, Lozère, the French overseas departments and Greece.

The way in which these long-term measures have been initiated and received is encouraging.

Existing measures and measures which have been satisfactorily launched need to be supplemented by aid for the creation and functioning of forester groups.

The time has come for forestry to assume its rightful place in the common agricultural policy.

345. The fisheries sector

Since 1975, structural measures for the fisheries sector have provided provisional solutions in the form of a succession of temporary provisions, while problems in the sector have continued to grow as a result of:

- the extension of maritime zones to 200 miles by numerous third countries, excluding Community vessels from their traditional deep-sea fishing grounds,
- the exhaustion of fish stocks in the Community's maritime zones as a result of over-fishing,
- successive substantial increases in the price of fuel.

Following numerous proposals by Parliament, the Council adopted a resolution on 25 January 1983 designed to remedy this critical situation:

The principal elements of this structural policy are:

- reducing fishing activity by the temporary laying-up or permanent withdrawal of vessels unsuited to deep-sea fishing;
- modernizing the equipment of the coastal fleet, mainly by equipping vessels between 9 and 33m in length for deep-sea fishing; aquaculture installations for the breeding of fish, crustaceans and molluscs; artificial barriers to rebuild stocks which have been over-fished in the Mediterranean;
- attempting to find new deep-sea fishing grounds, either by financing exploratory fishing projects or by concluding cooperation agreements with third countries which are inadequately equipped for fully exploiting their new 200 mile fishing zones;
- developing producers organizations together with aid for fish processing plants;
- research.

At the same time, the integrated Mediterranean programmes include important measures for the fisheries sector an indication that the provisions in preparation fail to take adequate account of regional needs.

The provisions for the fisheries sector, even more so than those for agriculture, must provide a framework laying down Community aims and principles which will make it possible to take account of the considerable differences in the regional situations.

CONCLUSIONS

Possible timetable:

- Continuation of measures already initiated until expiry date, where this is specified; such measures would not be renewed after expiry date.
- Extension til 31 December 1984 of horizontal measures already in progress.
- Rapid dissemination of the basic regulation on regional programmes and initiation of consultations with the regions in 1984.
- Entry into force of new horizontal measures on 1 January 1985.

Clarification of procedures

- Outline regulation for agriculture (possibly also forestry and fisheries), to ensure compliance with European objectives and consistency between the measures of general agricultural interest adopted in the various regions, taking account at the same time of the initiatives and special problems of each of these regions;
- Two horizontal directives governing individual aid to farmers and hence distinct from the regional measures favouring general activities;
- The specific requirements of fisheries and the forestry sector to be taken into account;
- Initial transitional measures for the new Member States.

Thus, for a given region, no more than six sets of provisions, as far as possible independent of each other - would define the structural measures applicable to agriculture, the forestry sector and fisheries.

Better defined and more coherent objectives

Structural policy in the future must have broader aims than improving productivity - a priority to which too much attention was paid in the early stages. Structural policy dovetails both with markets and prices policy, whose influence is crucial in channelling production and developing structures, and with regional policy, which ensures that farmers find a place in their social and economic environment.

In other words, agricultural structures policy would be pointless and ineffective if it were not consistent with the above policies and if there were no convergence between them.

The Community has hitherto only partially implemented the Treaty of Rome inasmuch as it has built up an agricultural policy, the prime objective of which is self-sufficiency in foodstuffs. The disparity between results in different sectors and the contradictions between certain decisions are a consequence of measures which are not sufficiently complete.

Europe must apply the Treaty of Rome to the full by putting agriculture back in an overall perspective of economic and social policy making maximum use of its own resources. A sufficient number of farmers are required to:

- achieve full self-sufficiency in food, reduce dependence on intermediary consumer goods and increase long-term trade with third countries;
- contribute to the full employment of human resources;
- highlight the potentially complementary character of all diversities in order to reduce imbalances between regions, products and farms.

The setting up of new farmers and the adaptation of family farms will ensure that agriculture continues to develop over a lasting period.

European agriculture must therefore be given adequate guarantees as regards:

- the level of incomes,
- the security of incomes,
- working conditions,
- the development of rural life