

## Newsletter on the Common Agricultural Policy

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### STRUCTURAL AND SOCIAL POLICIES FOR EUROPEAN AGRICULTURE SUPPLEMENT THE COMMON AGRICULTURAL POLICY

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STRUCTURAL AND SOCIAL POLICY FOR EUROPEAN AGRICULTURE  
SUPPLEMENTS THE COMMON AGRICULTURAL POLICY

On 24 March 1971 the Council of the European Communities took an important step to strengthen European integration still further. It extended the foundation for a more balanced common agricultural policy which will improve the structural basis of farming by joint efforts and will provide farmers with the same social standing as that of other occupations in modern economic life.

The main feature of this decision is that it reinforces a solidarity which, for the first time in the Community, will make it possible to assist the economically backward areas more than the relatively developed areas by means of increased financial aid from the Community.

Only in this context was it possible to reach decisions concerning prices which meet the political demands made by the European Parliament and the farmers' representatives. Such is the political significance of this decision that it may be expected to act as a spur to the common economic and monetary policy, the regional policy, the extension of the social policy, and the harmonization of policies in the field of competition so that they can be put into full practical effect.

A positive decision was reached regarding the fundamental principles underlying the original proposals put forward by the Commission in the draft resolution of 15 February,<sup>1</sup> although the Council did not approve a number of important individual measures.

Measures to assist farmers wishing to leave the land

In future, all farmers who are thinking of leaving the land are to receive aid which will make this personal decision easier for them.

In most Member States, domestic arrangements already exist for this purpose, but not yet in others. They should therefore be introduced in these countries.

The proposed scheme consists of

- (a) a grant for freeing land,
- (b) a life annuity.

All farmers, regardless of their age, are entitled to the grant for freeing their land, even before they reach the age limit, provided they leave farming and make their land available either for the improvement of farms continuing in existence or for non-agricultural purposes.

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<sup>1</sup> See "Newsletter on the Common Agricultural Policy", No. 2, February 1971.

This grant will be paid out of the funds available to the individual Member States and is to be based on the size of the farming area freed.

As laid down by the Council on a Commission proposal, heads of farms, and in some cases farmworkers, are entitled, on reaching the age of 55 and up to the age of 65, to a supplementary allowance (life annuity), as soon as they leave farming and make the land available for the structural programme.

The Council has fixed this supplementary allowance at 600 u.a. per year. The European Agricultural Guidance and Guarantee Fund (EAGGF) will assist in the financing.

The Member States may replace the annual allowance by a lump sum payment.

By its decision of 24 March 1971, the Council also obliged the Member States to make arrangements for grants to younger farmers wishing to leave farming. Such a system covers financial assistance to help retrain farmers for other occupations and guarantees payment of salary during the period in which they are being retrained. The new European Social Fund helps to finance these measures to retrain farmers for other occupations. In addition, the Council recommends that Member States should grant generous scholarships to the children of farmers with modest incomes.

#### Modernization of farms

(Measures to assist farmers remaining in farming)

This social assistance awarded to various groups of farmers to enable them to leave the land should in no way be interpreted as a means of exerting pressure with a view to driving as many farmers as possible from the land at the earliest possible opportunity. On the contrary, the place of those leaving farming should be filled by young, efficient farmers running sound and viable farms.

A great many misunderstandings have arisen on this subject concerning the intentions of the Commission, during the past three years.

The Council has decided on a varied modernization scheme designed to enable farmers remaining on the land to modernize their farms.

The Member States will introduce a system of aids; in selecting which farmers are to receive this aid, preference is to be given in the first instance to heads of farms with good professional qualifications. Assistance will depend, in particular, on the approval of a farm development scheme.

The submission of a development scheme will no longer depend on the size of the farm at the outset; the scheme must in principle, however, create a farm which after six years provides one or two farmworkers as a rule with an income comparable to that of non-agricultural occupations in the same area. In certain cases in some

areas it will be possible to extend the development scheme beyond the six-year period.

The measures to achieve this development are:

- (i) The land freed by farmers leaving agriculture will be allocated, as a matter of preference, to farms where development is possible.
- (ii) Financial aid, in the form of an interest rebate for the investments required to put the development scheme into effect. This aid is intended for measures to improve production, but the purchase of land is excluded. The interest rebate amounts to 5%, at the most, and the interest to be paid by the beneficiary must amount to at least 3%.

The Member States are authorized by the Council to change this interest rebate, where appropriate, into a capital loan of the same amount, with varying terms for repayment.

- (iii) A guarantee to secure the loan in cases where tangible and personal security is inadequate.

Exceptionally, the Member States may, in some areas, make a decreasing income compensatory payment for a period not exceeding that for which the development scheme is valid.

The Council recommends that Member States should make legal provision for the long-term lease of the land freed.

#### Measures to advise and offer vocational training to farmers

The Member States are to introduce a system to promote

- (i) the setting up or development of offices intended to give those employed on the land such information and advice as they may require to reach decisions concerning their future occupations; the training and further training of socio-economic consultants come into this category;
- (ii) vocational training and further training for those employed on the land who decide to stay in farming;
- (iii) accounting operations for farms.

#### Measures to improve marketing facilities for agricultural produce

The system of aids for producers' organizations, introduced by the Council, is an exceptionally important European arrangement which will make it possible to provide large-scale facilities along the same lines in all Member States for collecting agricultural produce at central points, processing it and putting it on the market in large standardized quantities.

Here we come to the meeting point of the production, collection and processing of this produce and its subsequent sale by modern free-market methods. All other structural reforms and modernization measures are, of course, intended to bring the production and sale of agricultural produce into permanent balance in the not too distant future.

The producers' organizations thus form a vital link in the chain holding farming in place in our modern economy. In this way, farmers are to be induced to take responsibility themselves for the marketing of their own produce.

In order to achieve this aim, the Member States will introduce a system of aids for producers' associations and their groupings which apply common regulations governing production and marketing. This system includes:

- (i) initial aid;
- (ii) aid for the investments required to put common regulations governing production and sale into effect, taking the form of interest rebates of up to 5%. The remaining interest to be paid by the beneficiary must amount to at least 3%. The Member States may grant a capital loan equivalent to the amount of this subsidy;
- (iii) a guarantee for the loan in cases where tangible security is inadequate.

The Commission was also instructed by the Council to look more closely into problems connected with the marketing and processing of agricultural produce and to submit proposals with a view to achieving the aims set forth in Article 39 of the Treaty.

#### Measures to be taken later

The Member States will take all appropriate measures to prevent the agricultural area from being extended. This is to be regarded as a further step to bring the supply and demand for agricultural produce into permanent balance.

Acting on a Commission proposal, the Council recommends measures to assist afforestation schemes forming part of regional afforestation and leisure activities projects.

#### Financing the reform of European agriculture

The vital link between the reform measures to be put into effect and their implementation along Community lines consists in the financial contributions drawn from the common fund, the European Agricultural Guidance and Guarantee Fund (EAGGF), for each individual project, except in cases where it is specified that projects are to be financed out of Member States' own resources (e.g. grants for froeing land).

This must induce the Member States to adapt existing national legislation along Community lines. Only those who adhere to the regulations decided upon by the Council can expect to receive the appropriate contributions from the common fund.

Unless specified to the contrary, the financial contribution from the EAGGF to common projects will amount to 25% of the expenditure. In addition to this, the funds supplied by each Member State will ensure that the modernization measures to assist farmers remaining on the land are carried through.

As far as measures to assist those wishing to leave the land are concerned, the EAGGF contribution will amount to 65% of expenditure in economically backward areas provided that at the time the measures have not already been applied in the areas concerned. In other areas, the percentage will be 25%.

Acting on a Commission proposal the Council will lay down the criteria for deciding which areas shall be regarded as economically backward. The EAGGF may make payment by instalments.

At the end of the period during which financial commitments have been entered into to assist farming, the Council will review the situation but may not call existing arrangements into question. The funds available for the initial period of four years - 285 million u.a. per year in addition to an existing reserve fund - will probably be sufficient to put the scheme contemplated by the Council into effect.

#### Eliminating distortions of competition

When the Community provisions concerning common measures have been adopted on the basis of Community principles, specific types of aids running counter to the aims of the common measures will be banned.

The Council takes note of the Commission's decision to examine all aids, in accordance with Article 93 of the EEC Treaty with the following aims in mind:

- (a) harmonizing investment aids;
- (b) abolishing all other aids which affect production costs;
- (c) working out common criteria to be applied in assessing the general system of aids with a view to implementing and developing the common agricultural policy.

The Commission will adhere to the following time-table:

- (a) fruit, glasshouse produce, vegetables and sugar 1 January 1972
- (b) milk, beef and veal, pigmeat, eggs and poultry 1 July 1972
- (c) wheat, wine, tobacco, fishery products 1 January 1973
- (d) miscellaneous products 1 July 1973

### Transitional assistance measures

The Member States may, without any financial contribution on the Community's part, take transitional assistance measures to help farmer under the age of 55 who cannot benefit from the Community's subsidies to aid their investments. However, these subsidies can be granted for a period of only five years, and they are also subject to revision by the Commission, in accordance with the provisions contained in Article 93 of the EEC Treaty.

### Concerted development of the common agricultural policy and of the other Community policies

It is essential that rapid progress should be made in the development of other Community policies, and particularly as regards economic and monetary union, regional policy and social policy. Such progress would contribute appreciably to making the reform of agriculture a reality.

The Council agrees, in particular, that the Member States and the Community should introduce a system to promote regional development, which would tend to create jobs, mainly in areas with a considerable excess of farm labour. In the field of social policy, the new Social Fund must be provided with adequate funds to be able to assist with the retraining of farmers wishing to take up another occupation.

### Prospects of the scheme being put into effect

The success of the project which the Council has thus embarked upon will depend how community-minded a spirit the Member States show in the discussions at the Council, i.e. how seriously, rapidly, and energetically they are conducted. Success will ultimately depend on the extent to which the Member States are prepared to make use of the policy described above to bring to an end the unmethodical juxtaposition of domestic and Community policies.

### Agricultural producer prices for the farm year 1971/72

On 24 March the Council of the European Communities reached the conclusion that the fundamental problems facing agriculture could not be properly solved by means of market and price policies alone.

The Council has therefore closely linked structural policy, market policy, and price policy. As a result increases occur in several producer prices, both for crop and livestock produce.

Cereals

Common wheat: Target price increased by 3.19 u.a./ton (3%) from 106.25 to 109.44 u.a./ton.  
Basic intervention price increased by 1.97 u.a./ton (2%) from 98.75 to 100.72 u.a./ton.

Durum wheat: Target price increased by 2.50 u.a./ton (2%) from 125 to 127.50 u.a./ton.  
Basic intervention price increased by 2.90 u.a./ton (2%) from 145 to 147.90 u.a./ton.

Rye: Target price increased by 2.92 u.a./ton (3%) from 97.50 to 100.42 u.a./ton.  
Basic intervention price increased by 1.82 u.a./ton (2%) from 91 to 92.82 u.a./ton.  
The special quality surcharge has been retained in the case of the intervention price for rye of bread-making quality.

Barley: Target price increased by 4.77 u.a./ton (5%) from 95.44 u.a./ton to 100.21 u.a./ton.  
Basic intervention price increased by 3.54 u.a./ton (4%) from 88.48 u.a./ton to 92.02 u.a./ton.  
Efforts should be made to introduce a contractual policy covering a period of several years to be followed by producers and buyers of rye used for brewing purposes.

Maize: Target price increased by 0.96 u.a./ton (1%) from 95.94 u.a./ton to 96.90 u.a./ton.

The ruling monthly price increases for all types of cereals rise by 8%.

Rice: Target price for husked rice increased by 1.23 u.a./100 kg (0.6%) from 189.70 u.a./100 kg to 190.93 u.a./100 kg.  
This increase is composed of a sum of 0.73 u.a./100 kg to cover the increased cost of converting rice paddy into husked rice and a sum of 0.50 u.a. (0.40 u.a./100 kg multiplied by the coefficient for the conversion of rice paddy into husked rice = 1.25), the intention being to liven up the market.  
The intervention price for unprocessed rice remains 12.50 u.a./100 kg, as before.  
The ruling monthly price increases rise by 8%.

Milk: Target price increased by 10.30 u.a./100 kg to 10.90 u.a./100 kg (i.o. 6%).  
The following increases were involved:



- (i) the intervention price for butter rose from 173.50 u.a./100 kg to 178 u.a./100 kg (2.6%);
- (ii) the intervention price for skim milk powder rose from 41.25 u.a./100 kg to 47 u.a./100 kg;
- (iii) the intervention price for Grana padano (30 to 60 days) rose from 124.80 to 132.05 u.a./100 kg (5.8%), (6 months) from 148.80 to 156.60 u.a./100 kg and for Parmigiano-Reggiano from 163.20 u.a./100 kg to 171 u.a./100 kg.

The threshold prices were increased accordingly.

The aid for liquid skim milk was increased by 0.15 u.a./100 kg (11%) from 1.50 u.a./100 kg to 1.65 u.a./100 kg.

The aid for skim milk powder for feedingstuffs was increased by 4.75 u.a./100 kg from 8.25 u.a./100 kg to 13 u.a./100 kg.

**Beef and veal:** The guide price for mature cattle was increased for the farm year 1971/72 by 6% and by 4% for the farm year 1972/73, i.e. to 72 u.a. (previously 68 u.a.)/100 kg for the farm year 1971/72 and to 75 u.a./100 kg for the farm year 1972/73.

The guide price for calves was increased by 3% for the farm year 1971/72, to 94.25 u.a./100 kg.

The Commission states that it does not intend to alter the list of specific markets and the weight coefficients in such a way as to increase the Community market price by more than 1%.

**Sugar:** The guaranteed quantity will, in principle, be reduced to the level of probable consumption, without going below the basic quotas.

Article 31 of Regulation No. 1009/67/EEC will not be repealed as from the beginning of the farm year 1972/73 (mixed price); the special maximum quota for the period 1 July 1971 to 30 June 1973 was fixed at 230% of the basic quota.

In view of increased processing costs, and particularly of higher power costs, the price of white sugar was further adjusted by 0.50 u.a./100 kg, resulting in an intervention price of 22.61 u.a./100 kg for the area with the greatest surplus.

The maximum amount of the production levy was fixed at 9.10 u.a./100 kg and the sugar beet producers' share of this levy at 59.12%. The margin of 5% between the target price and the intervention price was retained.

Aid of 1.8 u.a./ton of sugar beet will be paid to sugar beet producers in Italy out of domestic funds; the aid is thus increased by 0.70 u.a./ton.

Oil seeds:

The monthly differentials increased by 8%.

The present level of target prices was retained in the case of rape and beet seeds at 20.25 u.a./100 kg.

The target price for sunflower seeds was retained at 20.25 u.a./100 kg.

The basic intervention price for rape and beet seeds was retained at 19.65 u.a./100 kg.

Product	Type of price	Farm year 1970/71 u.a./ton	Farm year 1971/72 u.a./ton	Farm year 1971/72 £/ton	Change (in %)
<u>Durum wheat</u>	Target price	125.00	127.50	53.125	+ 2.0
	Basic intervention price	117.50	119.85	49.938	+ 2.0
	Minimum price (wholesale) guaranteed to producer	145.00	147.90	61.625	+ 2.0
<u>Common wheat</u>	Target price	106.25	109.44	45.600	+ 3.0
	Basic intervention price	98.75	100.72	41.967	+ 2.0
<u>Barley</u>	Target price	95.44	100.21	41.754	+ 5.0
	Basic intervention price	88.48	92.02	38.342	+ 4.0
<u>Rye</u>	Target price	97.50	100.42	41.842	+ 3.0
	Basic intervention price	91.00	92.82	38.675	+ 2.0
<u>Maize</u>	Target price	95.94	96.90	40.375	+ 1.0
<u>Rice</u>	Target price	189.70	202.00	84.167	+ 0.6
<u>Olive oil</u>	Production target price	1 152.50	1 152.50	480.209	± 0
	Market target price	721.00	721.00	300.417	± 0
	Intervention price	648.50	648.50	270.209	± 0
<u>Oil seeds</u>	Target price				
	Rape and beet seeds	202.50	202.50	84.375	± 0
	Sunflower seeds	202.50	202.50	84.375	± 0
	Basic intervention price Rape and beet seeds	196.50	196.50	81.875	± 0
<u>Sugar</u>	Minimum price for sugar beet	17.00	17.00	7.083	± 0
	Price for "half-lean" beet	10.00	10.00	4.167	± 0
	Target price for white sugar	223.50	238.00	99.167	± 5.7
	Intervention price for white sugar	212.30	226.10	94.208	+ 6.0
<u>Milk</u>	Target price for milk	103.00	109.00	45.417	+ 6.0
	Intervention price				
	Butter	1 735.00	1 780.00	741.667	+ 2.6
	Skim milk powder	412.50	470.00	195.833	+13.9
	Cheese, Grana padano (30-60 days)	1 248.00	1 320.50	550.209	+ 5.8
	(6 months)	1 488.00	1 566.00	652.501	+ 5.2
	Parmigiano-Reggiano	1 632.00	1 710.00	712.501	+ 4.8
	Direct aid for skim milk Powder	82.50	130.00	54.167	+57.6
Liquid	15.00	16.50	6.875	+11.0	
<u>Beef &amp; veal</u>	Guide price for mature cattle (71/72)	680.00	720.00	300.060	+ 6.0
	(live weight) (72/73)		750.00	312.500	+ 4.0
	Guide price for calves (live weight)	915.00	942.50	392.709	+ 3.0
<u>Pigmeat</u>	Basic price for slaughtered pigs	772.50	772.50	321.875	± 0

Product	Type of price	Farm year	Farm year	Farm year 1971/72	
		1970/71	1971/72	£/British unit	£
		u.a./ton	u.a./ton	unit	
<u>Durum wheat</u>	Target price	125.00	127.50	cwt(50.8023 kg)	2.695
	Basic intervention price	117.50	119.85	do.	2.52
	Minimum price (wholesale) guaranteed to producer	145.00	147.90	do.	3.131
<u>Common wheat</u>	Target price	106.25	109.44	do.	2.317
	Basic intervention price	98.75	100.72	do.	2.132
<u>Barley</u>	Target price	95.44	100.21	do.	2.121
	Basic intervention price	88.48	92.02	do.	1.948
<u>Rye</u>	Target price	97.50	100.42	do.	2.126
	Basic intervention price	91.00	92.82	do.	1.965
<u>Maize</u>	Target price	95.94	96.90	do.	2.051
<u>Rice</u>	Target price	189.70	202.00	do.	4.276
<u>Olive oil</u>	Production target price	1 152.50	1 152.50	do.	24.396
	Market target price	721.00	721.00	do.	15.262
	Intervention price	648.50	648.50	do.	13.727
<u>Oil seeds</u>	Target price				
	Rape and beet seeds	202.50	202.50	do.	4.286
	Sunflower seeds	202.50	202.50	do.	4.286
	Basic intervention price				
	Rape and beet seeds	196.50	196.50	do.	4.159
<u>Sugar</u>	Minimum price for sugar beet	17.00	17.00	gross ton/	7.197
	Price for "half-lean" beet	10.00	10.00	(1016.047 kg)	4.2
	Target price for white sugar	223.50	238.00	cwt(50.8023 kg)	5.038
	Intervention price for white sugar	212.30	226.10	do.	4.786
<u>Milk</u>	Target price for milk	103.00	109.00	gallon(4.68247kg)	0.213
	Intervention price				
	Butter	1 735.00	1 780.00	cwt(50.8023 kg)	37.678
	Skim milk powder	412.50	470.00	do.	9.949
	Cheddar, Grana padano (30-60 days)	1 248.00	1 320.50	do.	27.952
	(6 months)	1 488.00	1 566.00	do.	33.149
	Parmigiano-Reggiano	1 632.00	1 710.00	do.	36.197
	Direct aid for skim milk				
	Powder	82.50	130.00	do.	2.752
Liquid	15.00	16.50	do.	0.349	
<u>Beef &amp; veal</u>	Guide price for mature cattle (live weight)	(71/72) 680.00	720.00	do.	15.241
		(72/73)	750.00	do.	15.876
	Guide price for calves (live weight)	915.00	942.50	do.	19.951
<u>Pigmeat</u>	Basic price for slaughtered pigs	772.50	772.50	score(9.07185kg)	2.920

Harmonization of the laws governing feedingstuffs

In July 1970 the Council set up a Standing Animal Feedingstuffs Committee and adopted a directive on the introduction of Community methods of sampling and analysis for the official inspection of animal feedingstuffs. In November 1970 it also adopted a directive concerning additives in animal feedingstuffs. To complete the harmonization in this field, the Commission has now submitted to the Council proposals for two further regulations. The first regulation fixes the maximum permissible content of undesirable substances and products in feedingstuffs and the second deals with trade in feedingstuffs.

The regulation on undesirable substances and products covers all matters whose presence in feedingstuffs is in itself undesirable, but which cannot be completely excluded because they occur naturally in some products used in preparing the feedingstuffs (e.g. arsenic in hay, gossypium in cottonseed-oil cakes and aflatoxin in groundnut-oil cakes). Maximum permissible levels are therefore proposed which ensure that human and animal health will not be endangered.

The regulation on trade in feedingstuffs is the keystone of the harmonization process. It provides for definitions of straight feedingstuffs and their quality standards. It also proposes legislation on mixed feedingstuffs.

A uniform EEC labelling is planned for both types of feedingstuffs.

Feedingstuffs which conform to the regulation should not be faced with any trade barriers within the Community. The Commission proposal presents a compromise between the views of the Member States which are still vastly divergent.

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