

# NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

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## I. A POLICY TO IMPROVE THE LOT OF LESS-FAVOURED FARMERS

(Proposal for a Directive on  
agriculture in mountain areas  
and in certain other poorer  
farming areas)

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## II. EUROPEAN REGIONAL POLICY

Summary of a conference held during the Sixth Information Meeting on  
the European Community's Agricultural Policy (Berlin - January 1973)

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Another step forward:

Community measures to safeguard agriculture in mountain areas and in "less-favoured" farming areas.

With the submission of the Directive on agriculture in mountain areas and in certain "less-favoured" areas, further progress was made in giving a direction to the common agricultural policy by which farmers are considered first and foremost as human beings, to be integrated or reintegrated into society with full rights.

From some angles this Directive supplements the first three approved last year by the EEC Council of Ministers.

It was then that the Commission announced that the problem of the areas less favoured by nature would be raised for two reasons: firstly, to enable mountain and hill farmers and farmers from naturally poorer areas to restructure their farms and secondly, to tackle the problem from the ecological point of view as part of the protection of the natural environment and the conservation of resources by society as a whole, including the agricultural sector.

This important Directive must therefore be examined from the agricultural and other points of view.

## Structural policy

The evils besetting Community agriculture was unequivocally exposed by the Mansholt Plan.

The inability of "Green Europe" to improve its income in step with the rest of the economy was and is principally due to the following factors:

- imbalance in the composition of the population, particularly as regards the older generation groups;
- outdated farm structures;
- production imbalances.

It was therefore time for the price policy - which was the sole basis on which Community agriculture was launched in the transition stage of the six national markets - to be backed up by a structural policy without which it would have been impossible to keep faith in the objectives of the common agricultural policy clearly set out in the Treaties of Rome. And on the contrary, the differences between categories of farms and regions within the Community are growing wider.

The group of Directives, proposed by the Commission and approved by the EEC Council of Ministers in March 1972, is the first concrete result to have been achieved.

Reviewed briefly, it may be said that they are complementary with the most recent Directive to have been submitted.

### 1. Modernization of farms

This Directive concerns in particular young farmers who want to continue farming and at the same time refuse to allow themselves to be pushed to

the side-lines, and intend to modernize their farms and thus, after a certain period, to reach a level of income comparable to that of non-agricultural sectors in the region. A fundamental factor is the submission of a development plan which indicates the manner in which the farm, under the terms established, is in a position to become of viable thanks to a series of investment aids.

2. Cessation of farming

This Directive concerns farmers, in particular elderly farmers, who intend to "give up" and who - subject to receiving an allowance and/or a premium - agree to make their land available to those who remain.

In this way a twofold aim is attained: the exodus from the land is channelled in economic and social terms and the work of farm restructuration is facilitated as regards both individual farms and farmer groupings.

3. Socio-economic information and vocational training

This completes the first group of Directives. Agricultural reform limited to increasing the size of the farm or increasing productivity or simply abandoning farms is inconceivable. Farmers who remain on their farms should be trained or retrained in order to move from peasant farmer status and become genuine entrepreneurs. On the other hand, farmers who leave the land, will be granted aid to cease farming prematurely or, if they are still young, they will be able to change jobs after receiving the appropriate vocational retraining.

All this requires adequate socio-economic information and vocational training services which help farmers to make their choice or to suggest and follow their integration into non-farming activities without such change of job causing undue hardship.

Framed in this way, structural reform opened up interesting possibilities. But in a world as heterogeneous as agriculture, no innovation can be acceptable to everyone. Because areas, conditions, mentalities, skills and - above all - incomes differ from each other. Incomes are both the cause and result of different conditions.

And since the structural reform of agriculture from the Community point of view puts man first in line of importance - before products, farms, capital - it is obvious that an adequate solution must be found for these special situations.

It therefore follows that it is necessary to study the conditions of farmers who work in areas which for various reasons are ill-favoured and whose incomes, for those reasons, are not only not comparable with those of non-farming activities but directly below the average income of other farmers.

Why are incomes in these regions insufficient? The causes can be reduced to two:

- inadequate farm structures;
- permanent handicaps typical of those areas.

The structural problem can be solved by the first three Directives and such solution would improve, although not solve, the fundamental problem of comparable incomes insofar as natural handicaps are a permanent barrier and can only be overcome by using a system of non-transitional aids.

In other words, production costs are and remain higher for different reasons:

- poor land
- slopes
- climate
- isolation
- infrastructure.

In a free market area like that of the European Community it is clear that farmers in these areas cannot sell at competitive prices and when they can no longer stand up to competition they abandon their farms and the areas in which these are situated. Which means a doubly negative exodus: agricultural and rural. The flight from the area in fact has consequences which are not limited to the agricultural sector but which affect the whole ambient economy.

#### Ecology and protection of the environment

If it is true that agriculture forms an integral part of the general economy, this is unfortunately borne out even further by the present situation. Farms are being abandoned or entrusted to old people, whilst the young are departing. This depopulation is creating social, economic and ecological problems. At this stage it is obvious that the problem not only concerns farmers but society as a whole. If the (natural) environment is to be protected -- at a time when deterioration due in particular to the large and often unplanned increase in industrial installations is exceedingly worrying -- farming must continue in order to maintain an ecological balance quite apart from economic results.

And farming requires a minimum active population to whom Society must ensure a comparable income whether inside or outside the agricultural sector.

How has the Commission tackled the problem? On the occasion of the approval of the three Directives it stressed that the problem of the mountain areas could not be deferred any longer. This was emphasized in two ways:

- (1) by including in the Directives themselves a number of fundamental items which opened up real prospects for poorer farming areas and constituted a list with the proposed fourth Directive.

There are:

- A. The inclusion of exceptional provisions whereby Member States may grant special aids to farms which are not economically viable on the grounds that they are situated in "certain regions where the maintenance of a minimum level of population is not assured and where a certain amount of farming is essential in view of the need to conserve the countryside"<sup>1</sup>
  - B. Assistance from the EAGGF towards the payment of compensation for land released is provided for in the case not only of land intended for farm modernization, but also of "that withdrawn from agricultural use permanently, in particular by being reallocated for afforestation, recreational activities, public health, or other public purposes"<sup>2</sup>.
- (2) by submitting a "communication" to the EEC Council of Ministers on a programme of the European Communities for the protection of the environment. In this document the Commission described the situation, threw light on the various causes contributing to the deterioration of the countryside, and, expressing the concern of the Member States, put forward the necessary means and requested concrete support from the governments.

The agricultural policy naturally occupied a prominent place among those put forward, seen on this occasion as a means of protection and improvement of the environment, thus benefiting society as a whole and not only particular sectors or economic interests.

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<sup>1</sup> Directive 159/72 - OJ No L 96, 26 April 1972.

<sup>2</sup> Directive 160/72 - OJ No L 96, 26 April 1972.

Having examined the needs justifying the proposal it remains only to examine briefly how the Directive was drawn up, i.e.

(a) the aids provided for

Annual compensation (based on the number of head of livestock for meat production)

Aid towards structural modernization

Contributions for non-agricultural investments

Aid towards the settling of young people in agriculture

Aid towards collective farming equipment

(b) the criteria required

The eligible farmers must work at least three hectares of UAA (utilized agricultural area) and undertake to continue farming for at least five years. An exception is made for elderly people between 55 and 65 years of age - who are freed from this commitment provided that they cease farming under the conditions laid down in the second Directive.

The income from farming is below two-thirds of the national agricultural average.

Areas subject to "permanent" national handicaps (slopes, climate, etc).

Areas equipped with adequate infrastructure, or in regard to which the government concerned has given guarantees that the latter will be provided within the time-limits specified.

Sparsely productive land little suited to cultivation and utilizable above all for running livestock on a large-scale.

Low population density are an increasing trend towards depopulation with negative effects in predominantly agricultural areas.



We shall now bring out the principal features of the Directive and the reasons, other than those already mentioned, justifying these.

1. Annual compensation

This compensates for higher production costs where these are due to unfavourable natural conditions which cannot be overcome either by structural or by pricing policy.

This may be considered as part of the labour income, i.e. the "comparable" level of income which must be shown to be attainable if the development plan is to be accepted. In this way, farmers - especially young farmers will be assisted in attaining the objectives laid down in the first Directive.

In other words the annual compensation (perhaps the foremost innovation of this Directive) is to lessen regional and structural imbalances, and, in mountain areas, to give a new boost to meat production, and slow down the exodus of young people in particular.

Therefore the farmer will receive a premium for every head of meat-producing livestock, the amount of which will be fixed by the Member States on the basis of the natural disadvantages of the area in question. The success of the Directive will therefore be closely linked with developments and new departures in livestock rearing.

2. Which kinds of livestock are to be reared?

The restructuring of farms has a definite technical and economic objective: to exploit fully the natural suitability of hill and mountain

areas for livestock rearing and at the same time to give a clear line of approach as to which species ought to receive priority. The shortage of beef and veal leaves no doubt in this connection, and encouragement should thus be given to the rearing of bovine animals along with sheep and goats.

### 3. Infrastructure

An agricultural sector is healthy if individual farms and farmers operate with adequate infrastructure (water, electricity, communications, etc.). Community aid is conditional upon the Member States undertaking to supply the areas concerned with such infrastructure. Brussels is therefore waiting for the Member States to place the areas they choose in a position to restructure their farms, without thereby rendering the latter useless or non-viable.

### 4. Interventions for agricultural and non-agricultural purposes

The "modernization" Directive is supplemented here. Above all, the measures it provides for will be applied in a more favourable manner. Structural investments will be granted higher interest rate subsidies and lower debit interests.

Furthermore, still under the development plan, investments in farms in these regions for tourist or handicraft activities can be financed and the proceeds therefrom will be an integral part of the income.

### 5. Allowances to young farmers.

A higher income and accurate economic choice therefore help to halt the exodus and enable a choice to be made among the farmers who remain.

It is clear that the Community is putting its money on the young because, if they receive financial support and are equipped with additional occupational skills, they offer the best guarantees as independent operators of individual or associated farms.

For this purpose, provision has been made for an initial installation allowance limited to young farmers (up to 38 years), and this even if they are taking over their fathers' farms.

Having reviewed the main points of the Directive, only a few other items need now be mentioned in order for its presentation to be complete.

The Commission, with a view to rebalancing production, has clearly stressed that livestock breeding in mountain areas must help to reduce the Community's meat deficit. For this reason dairy herds whose milk is to be marketed will not benefit from the premium. As regards production, certain types of trees (apple, pear, peach) and herbaceous products (grain) are also excluded as a general rule. Exceptions may be made, but only in the fruit sector.

Finally, the measures provided for had to include aids for collective investments in fodder production, the organization of pastureland and mountain grazing and aids to encourage the setting up of associations which would be eligible for inter-farm assistance.

It is true that the improvement of agricultural structures is based on the modernizing of farms and the vocational training of young farmers operating with adequate infrastructure. But in addition to this farms should cooperate with each other to the maximum otherwise it will be impossible - above all in mountain areas - to increase production, attain greater rationalization in the relationship between man and land, and in the last resort, to improve the standard of living and working conditions of farmers.

Recognized farming groups will be able to play a leading role in improving agriculture in mountain areas, and it is very satisfying that young farmers are so appreciative of this fact.

The foregoing are the general outlines of the measures provided for in the proposal for a Directive on agriculture in mountain areas and in less-favoured farming areas, from which about 650 thousand farmers within the enlarged Community (12-14% of the agricultural population) will be able to benefit. This is far from being an irrelevant proposition. Suffice to say that this population is at present working about 20% of the cultivated area of the Community.

The deep concern aroused everywhere by the harmful effects of the deterioration of the environment has created a particularly favourable climate towards the problem of agriculture in mountainous and less-favoured areas, and the Commission, in submitting to the Council of Ministers this extremely important proposal, has opened up new horizons on a sector of agriculture which, up to now, has been pushed socially and economically into the background and this through no fault of its own.

COMMISSION OF THE EUROPEAN  
COMMUNITIES

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Directorate-General Press  
and Information

EUROPEAN REGIONAL POLICY

Summary of a speech by Dr. Wolfgang STABENOW, Head of Division in the Commission of the European Communities during the Information Conference on the Agricultural Policy of the European Communities from January 22<sup>nd</sup> till January 27<sup>th</sup> 1973, in Berlin.

I.

1. In the spring of this year the Commission of the European Communities stated that :  
" to promote balanced development of the Community and ensure stability, growth and full employment - the objectives of the economic and monetary union - a Community regional policy is a necessity. This will be one of the main tasks of the Community in the years ahead ".

The establishment of economic and monetary union, as well as the enlargement of the Community will give the necessary drive to the Community regional policy.

2. The construction of the economic and monetary union consists mainly of three items :
  - Narrowing the margins of fluctuation in rates of exchange;
  - Co-ordination of the Member States' short term economic policies and budget policies;
  - Co-ordination of the Member States' regional policies and the supplementary contribution of a Community Fund.

In the Community of the Six it was mainly Italy that claimed a vital interest in a common regional policy. Now she has been joined in this by Britain and Ireland, who predictably enter a demand for a dynamic regional policy in the Communities.

3. The Treaty itself poses a regional aim of wide scope :  
the signatories strive for " the strengthening of the unity of their economies and the need for a harmonious development by reducing the differences existing between

the various regions and the backwardness of the less favoured regions ".

However, the Treaty does not expressly enjoin the Community institutions to pursue a common policy on regional development. On certain other matters, notably agriculture and transport, the situation is different.

4. The Treaty however allows due account to be taken of regional considerations in both global and sectoral economic policies, more particularly in competition, tax and social policy and in the policies on agricultural, transport and energy. The Treaty establishing the European Coal and Steel Community makes actual provision for Community action in connection with the economic reconversion of the coal and steel industries. The Community has in addition a weapon of regional development in the European Investment Bank.
5. At the same time, to attain one of the objectives in fields in respect of which the Treaty has not provided the necessary powers the Community is empowered under article 235 EEC. It is mainly under this article that the Commission's Community regional policy proposals are submitted.

## II.

1. Regional policy has in the nature of things to emanate from a great variety of economic, social, geographic, cultural and demographic facts, within a single state. All the more so in a Community of nine Member States of a widely varying economic power and potential. Moreover, the constitutional and administrative constitution of the Member States differs considerably. Obviously, the federal or central structures or a mixture of both operate on the development of a regional policy. Even the question, how far the autonomy of the territorial authority of the district extends, is not without influence in so far.
2. The Community regional policy is conceived in such a way that it should be possible to attain the necessary degree of disposing capacity, even without changing national political structures. It is impossible that the common regional policy should proceed from centralized conceptions. Even in the future the regional policy will remain a task of the Member States including their national, regional and local authorities. The Community will

not take their place. Through co-ordination, information and mobilization of supplementary financial means it has to support the efforts of its Member States and to orientate them with a view of its large economic dimension.

In doing so the common financing of regional policy actions for economic co-ordination may not be isolated. The Community aids have not only to serve as incentives to improve the regional structures. They are also instruments of the co-ordination of the economic policy and especially of the development programmes of the Member States.

3. In 1969, the Commission submitted a proposal for a Council decision on Community means of action with respect to regional development. The substance of this was as follows :

- A Regional Development Committee should be set up consisting of representatives of the Member States and the Commission. The European Investment Bank should delegate an observer.

The Committee will fix the framework within which the regional policy problems and measures of the Member States should be faced together. It will support the institutions of the Community through the co-ordination of regional policy of the Member States including the use of the common instruments.

A common procedure will be set up in order to examine the economic situation of the regions that should be developed and the Member States' programmes of development for these areas. Regions qualifying for Community aid can be :

- peripheral areas in the Community with considerably retarded economic development,
  - areas close to the borders between Member States,
  - areas with excess agricultural manpower,
  - industrial areas in which the decline of a predominant industry is affecting economic power.
- Co-ordination of the existing Community financial resources would be improved. In addition, a European Fund and a European Guarantee System for Regional Development would be created.
- A Community network would be set up to provide information for private and public investors who participate in the implementation of regional development programmes.

III.

1. The Commission's 1971 proposal for a Council Regulation on a European Interest Subsidies Fund for regional development lays down the rules on how the Fund is to operate.

Initially the Fund's purpose was to provide interest subsidies. In the course of the discussions, however, the Commission incorporated into its proposal the suggestion, put forward by the European Parliament and by one of the Member States, that it should be used to provide capital grants as well.

Interest subsidies and capital grants are to be furnished to help finance investment projects, relating to infrastructure installation and to activities in the industrial, craft business and services sectors. The projects must be a part of a regional development programme, for one of the Community development areas.

It must be provided that the development programme had undergone Community scrutiny in the Regional Development Committee and receive the endorsement of the Commission. As you see care was being taken to ensure that the financial aid given would be properly coordinated.

2. No specific restrictions were laid down in advance as to eligibility for Community aids. They would be available for both public and private investors.

Interest subsidies should be given on loans of the European Investment Bank as well as of other financial institutes.

IV.

1. Another Commission proposal was submitted in 1971 for a Council Regulation on the financing from the European Agricultural Guidance and Guarantee Fund ( EEOGA ), Guidance Section, of projects in connection with priority measures for the development of agricultural areas.

This provided that money from the Fund should be used to part-finance the placing of persons leaving the land in the process of the structural reform of agriculture, as well as their children, to create jobs in industry, craft business, service trades.

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2. Grants of 1500 units of account per job would be paid. The operation will be conducted over a period of five years and cost a total of 250 million units of account.

This is so far exclusive of adjustments which may be involved by the accession of the three new Member States.

3. It is expected that in the Community of Six the next few years about 600.000 persons under 55 years of age will have to leave their job in the agricultural sector. Particularly in Ireland, but in Denmark too we are confronted with similar problems,

About 50 % of these people are living in agricultural areas, where the Community has to give a high priority.

4. The Commission proposed to select these areas on the following grounds :
  - above-Community average proportion of the working population engaged in agriculture;
  - below-Community average proportion of the working population engaged in industry;
  - below-Community average share in gross domestic product.

Beside the large agricultural areas on the periphery of the Communities one has to take into consideration the smaller areas with a surplus of the working population engaged in agriculture. The Commission's proposal covers an inefficient distribution of aids.

#### V.

1. In the spring of 1972, another instrument of regional development came up for discussion. Until now, however, the proposal of the Commission is not a formal one. They rather requested the Council to declare its consent in order to start the necessary and extensive consultations.
2. The Commission envisages the establishment of a corporation for regional development in which the Community and other public and private companies participate. The corporation would operate in the framework of the regional development programme. The society will have the following tasks :
  - to look for firms which might be likely to invest in the priority areas and to inform them of the investment possibilities and market openings;

- to provide technical help to the investors, e.g. to assist with the development of factory industrial sites;
  - to acquire temporary and minority holdings in the capital of firms in the regions qualifying for aid. This is intended in particular for small and medium-sized firms.
3. On the money market, the loans of the society are to be covered by the European Security System for regional development, as the Commission proposed in 1969.

## VI.

1. The Commission's proposals for Community co-ordination and financing of regional policy have been the subject of intensive deliberation in the Council of Ministers in the past two years. On a great many important points a basic consensus has been reached. But for all the tireless urging of the European Parliament and the Commission, neither the necessary political breakthrough on the main issue, nor the all-important actual decision itself have so far been achieved.

2. Now the Paris Summit of October 1972 has probably given the go-ahead. On regional policy, the Heads of States and Heads of Government agreed as follows :

- the Member States undertake to co-ordinate their regional policies from now on;
- the Community institutions are invited to set up a European Development Fund by December 31st 1973.

The Fund is to be financed from the beginning of the second stage of economic and monetary union from the Community's own resources. Interventions from the Fund, in co-ordination with national aids, should allow progressive correction in the course of the establishment of economic and monetary union.

It concerns in particular, those resulting from the preponderance of agriculture and from industrial change and structural underemployment.

- The Commission is invited to prepare without delay a report on the regional problems arising in the enlarged Community and to put forward appropriate proposals.

After achievement of this report the Commission will decide whether and to what extent the initial proposals have to be amended or completed.