

Reform of agriculture: practical proposals from the Commission

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REFORM OF AGRICULTURE: PRACTICAL PROPOSALS FROM THE COMMISSION

When the Commission submitted its Memorandum on the Reform of Agriculture to the Council of the European Communities on 21 December 1968 it explained that "the Commission believes that the measures it proposes require comprehensive discussion by all official and unofficial agencies and organizations concerned".

For this purpose the Commission had chosen the form of a memorandum instead of definitive proposals. It hoped that the Memorandum would be thoroughly discussed and examined by the Council, by the European Parliament, by the Economic and Social Committee and by the agricultural organizations.

Nearly two years have now elapsed, and the Commission believes that the flow of criticism, constructive proposals for amendments and differing opinions has been sufficient to enable it to lay concrete proposals before the Council.

All the institutions mentioned by the Commission except the Parliament have since presented comments. The Memorandum has been examined thoroughly by a process of democratic discussion. The need for radical structural reform measures was contested by no one, but individual aspects of the Memorandum have been criticized. The Commission's suggestion that MAEs (Modern Agricultural Enterprises) and PUs (Production Units) should be established proved the most controversial of the proposals. For a number of reasons, the Commission has preferred, in the interests of the achievement of the aims of the Memorandum, to drop both these concepts and to replace them by the concept of "agricultural enterprise capable of development" and by an income concept.

The Commission was aware from the first - the point is made in the introduction to the Memorandum - that there was bound to be opposition to such measures and that they certainly cannot be implemented before considerable difficulties are overcome. The Commission is now convinced, however, that the adjustments made as a result of experience gained in the discussion will, through the implementation of the "Agriculture 1980" programme, make it possible to give European agriculture a new face within ten years.

The first six proposals

Within the next few days the Commission is submitting to the Council the first six proposals connected with the main points in the Memorandum. The Council will then be in a position to begin without delay its deliberations on the reorganization of the common agricultural policy. These six proposals are meant to be a package deal for implementation en bloc. In the near future the Commission will also submit, by stages, practical proposals for the parts of the programme still outstanding. Its starting principle is, as it has already stated in the Memorandum, that "there is no more time to lose" in providing farmers with the necessary help to overcome their structural crisis.

Here is the "package deal":

1. The proposal for a Council directive on the modernization of farms
(Section 94 of the Memorandum on the Reform of Agriculture).
2. The proposal for a Council directive providing incentives to farmers to withdraw from farming and encouraging the redeployment of land to improve agricultural structures
(Sections 70, 71, 74 and 101 of the Memorandum).
3. The proposal for a Council directive on farming qualifications and on the provision of social and economic information for farmers and farm workers
(Sections 73 and 102 of the Memorandum).
4. The proposal for a Council directive on the reduction of farmed areas
(Sections 71, 103 and 106 of the Memorandum).
5. The proposal for a Council directive laying down supplementary provisions for the Council directive on the modernization of farms and for the Council directive providing incentives to farmers to withdraw from farming and encouraging the redeployment of land to improve agricultural structures
(Section 21 of the Memorandum).
6. The proposal amending the proposal for a Council regulation on farmers' groupings and associations thereof
(Section 110 of the Memorandum).

The substance of the proposals

Introduction

Farmers and farm workers who wish to stay in the industry are of primary concern to the Commission. The main objective of the common agricultural policy is to create an adequate basis for their livelihood. The practical proposals which are now laid before the Council constitute an ambitious attempt to incorporate peasant agriculture in the industrial society of the twentieth century. The proposals cover the provision of the necessary funds and other facilities.

In this connection, the Commission is taking account of discussions that have been held. Its aim is the adoption by the Council, in legally binding form, of European outline laws which grant far-reaching freedom of action to the Member States. It has therefore chosen the directive as the appropriate instrument rather than the more usual regulation. Although the Commission's current ideas are by no means a mere repetition of what was originally said in the Memorandum, the following basic notions remain:

- (a) Guarantee of an adequate income
- (b) Improvement of social status
- (c) Avoidance of misdirected investment.

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The Commission still believes that these aims must be expressed in figures and orders of magnitude which are closely related to what is actually attainable and which make clear the financial implications for the public authorities. Any other approach would be dishonest and would be tantamount to trying to mask the true state of affairs behind blind and unsupported assertions.

1. Proposal for a Council directive on the modernization of farms

The measures in this directive concern the improvement of the production structure of farms.

The main objective of the proposal is to ensure a balanced (optimum) relationship between the three factors of production, capital, labour and land. The Commission intends to concentrate future subsidies on "enterprises capable of development". Enterprises of this kind must satisfy three conditions:

- A. The person running the farm must have sufficient agricultural skill
- B. The farm must have a fully developed accounting system
- C. The farm must have a development plan with targets expressed in figures.

The farm's adjusted gross earnings must be between 10 000 and 12 500 u.a. per worker, assuming at least two full-time workers per farm and a working year of 2 300 hours per worker. Although adjusted gross earnings and earned income are not directly connected, since these earnings represent a sales figure varying with quantity and price, adjusted gross earnings of this size nevertheless mean that an earned income of 4 000 u.a. per annum, comparable with earnings in other industries, can also be attained.

The concept of adjusted gross earnings has been chosen by the Commission because it practically excludes production not depending on land and consequently hampers the industrial production of agricultural products in enterprises which do not have their own farmland and constitute a threat to genuine agricultural production.

Only the right scale of production, as is advocated here, obviates misdirected investment, e.g. in cow-houses large enough to accommodate only ten dairy cows - a very common event in the past.

For the adjusted gross earnings the Commission has proposed a range of 20 000 to 25 000 u.a. per enterprise. The aim is to allow for the differing main types of production in agriculture and for regional differences. The figures suggested are at constant prices.

If a farm satisfies these basic conditions, it can be recognized as an enterprise capable of development. Apart from a few exceptions, the development plan can be put into effect in stages spread over a maximum period of six years.

Recognition that a farm is "capable of development" brings with it certain rights, notably interest-rate concessions for implementing the farm development plan. These concessions will also enable the credit institutions to be associated with the operations, and in this way direct banking control of the contemplated measures and of their results can be ensured.

If sufficient tangible security for the qualifying farm is lacking, a State guarantee is available. By further promotion of these farms through co-operatives, machinery syndicates and the like, highest possible mobilization of labour will be attained. This is the final requirement for a modern EEC farm providing a full family income.

2. Proposal for a Council directive providing incentives to farmers to withdraw from farming and encouraging the redeployment of land to improve agricultural structures

Whereas the first directive deals with farm modernization and adjustment to probable future developments, the second is concerned with the people who must withdraw from agriculture. The two measures are inseparably linked. It will not be possible to improve the position of those who remain without special privileges for those who withdraw.

In its proposal the Commission envisages the following:

1. A generous retirement pension of 1 000 u.a. at 55 years
2. A bounty for the cession of land by young people
3. Retraining grants for young people.

The Commission estimates that about 4 million farmers would qualify for the retirement pension or the bounty for the cession of land. As the contemplated measures will be of a voluntary nature and nobody, whether farmer or farm worker, will be compelled to leave the land, it is cautiously estimated that about 2 million persons permanently working in agriculture will avail themselves of the scheme. Thus, assuming that each farmer farms an average of 7 hectares, between 14 and 15 million hectares of farmland could be released in one way or another.

The farms capable of development are to enjoy priority in the allocation of land made available. Here, the long-term lease is probably the most suitable instrument for creating larger farms.

3. Proposal for a Council directive on farming qualifications and on the provision of social and economic information for farmers and farm workers

The purpose of this directive is to give the necessary development aids either to enable men to work as farm managers in farms providing a full family income or to assist them in their decision to leave the land altogether.

During the last twenty years, agriculture has considerably altered. This process must continue and gather momentum through radical structural changes. If agriculture is to adjust to economic expansion, a balance must be maintained in the industry between the number of farmers and farm workers and income potential. In particular, improvements in farm structure must be sought through a reduction in the number of persons working on the land.

The well-paid, highly skilled farm worker has an important place in the Commission's plan for a modern European farming industry; his importance is more likely to grow than decline.

The resistance to change is not only a matter of insufficient school and general education but also to a lack of adaptability or even to a - very understandable - prudence among certain sections of the population.

If the desired changes are in fact to be implemented, existing agricultural advisory services must definitely be reorganized.

At the same time, many attitudes deriving from an attachment to old standards and ideas will also have to be changed. Measures and arrangements in the field of agricultural technology will not suffice alone: economic and social activities must also be developed in close connection with technology.

Even the best kind of technical equipment cannot be used to good purpose without properly informed personnel.

The aim of agricultural advisory services is to inform farmers directly and objectively and thereby to put them in a better position to take the right decision corresponding to the given circumstances. The Commission's proposal is therefore based on the principle of instructing and advising farmers and farm workers with a view to:

- (a) Continuing in farming along completely different lines (this change may comprise an alteration of the type of production, a reorganization of the structure of the farm, a change of farm or a change in employment within agriculture);
- (b) Switching to a different industry;
- (c) Stopping work for good.

Purely technical and economic advice in the framework of the coming adaptation process cannot achieve the desired result. Advice for the farming community must also take account of the attitudes of individuals and groups towards the social changes. Those dispensing it must attempt to modify attitudes and patterns of behaviour which originate in unjust circumstances deriving from the past. Resistance to social changes must be dispelled or attenuated by fully informing those concerned of the background to and the direction of this change.

This form of advice is highly relevant to the preparation, introduction and execution of measures now needed.

It does not matter whether the advice is given officially or by the private agricultural organizations; the important thing is that it should be given by agencies enjoying the confidence of the farming community.

Personnel who have had advanced agricultural vocational and academic training are needed as advisers. Social science graduates must also have a thorough knowledge of agriculture. The advisory service will treat the farming community as a specific population group, the aim being to help farmers and farm workers to a fuller understanding of the situation and to encourage them to take the right decisions in the circumstances.

4. Proposal for a Council directive on the reduction of farmed areas

Not all land made available and land becoming free can be assigned to farms capable of development. In the first place this would be a practical impossibility, and secondly, in view of the agricultural surpluses and the tendency for production to continue increasing, it would not be sensible either. On the other hand, the public's desire for more space for recreation, better air and cleaner water has grown keener of late. For this purpose large areas are needed for the improvement of public health.

In this directive the Commission's purpose is to make a European contribution to a vital question which has long ceased to be a national problem and is now a Community problem. What more practical and more rapid remedy for the malady of environmental blight than the afforestation for health and recreation purposes of areas no longer needed for farming, with the additional benefit of air and water filtration? The programmes which the Commission envisages for this will, as far as possible, lead to the constitution of woodlands of a size allowing them to be exploited rationally. After subsidies and compensation, the owners of the new woodlands must be as well off as they would have been had they obtained an average rental value for comparable areas of farmland.

The Member States are called upon to introduce aid arrangements by means of which farmland is to be permanently withdrawn from agricultural production for purposes of afforestation or for leisure or public health purposes. In addition they are to draw up afforestation programmes and programmes for action in the field of leisure and public health.

5. Proposal for a Council directive laying down supplementary provisions for the directive on the modernization of farms and for the directive providing incentives to farmers to withdraw from farming and encouraging the redeployment of land to improve agricultural structures

This directive supplements the proposals for improving the production structure by making allowance at the same time for the

organization of production with a view to the restoration of lasting equilibrium on the agricultural markets. The implementation of its provisions will supplement the objectives of the directive on the modernization of farms, i.e. farmers are to be enabled to adopt modern types of farms and new types of farming and to be encouraged to expand as far as possible farms and types of farming whose output will not give rise to any fresh surpluses.

Under the farm development plans, farmers are to be entitled to a special guidance bonus if they bias their production towards beef, veal and mutton. Both production and demand forecasts show that beef and veal production in the Community will fall short of requirements and that even the world market cannot sufficiently satisfy this shortage.

This guidance bonus is intended as far as possible to spur on efforts already being made and is designed to increase the farmer's earnings and meat production. It will be gradually scaled down.

As in the directive on the modernization of farms, the Commission again opposes an industrialized agriculture lacking its own feed support. Therefore, investment facilities are only to be granted for pigmeat, egg or poultry production when at least half of the feed can be produced on the farm itself. This should put a stop to an increasing tendency for surpluses to emerge in these lines of production.

The Commission would like to see dairy farming confined as far as possible to areas where grassland farms predominate. Grassland and fodder cropping farms lie at the lower end of the income scale in all the EEC member countries, and the danger of overproduction is greatest in the case of milk. Measures for promoting an increased dairy stock are therefore to be made dependent on permanent grassland comprising at least a third of total farmland after the implementation of the farm development plan.

The introduction of an additional bonus for stopping milk production and for slaughtering dairy cows could well induce the owners of milk-producing farms to avail themselves of incentives under the regulation and abandon farming altogether.

6. The improvement of the market position of agriculture: proposal amending the proposal for a Council regulation on farmers' groupings and associations thereof

The measures discussed so far can only be fully effective if agriculture is integrated more closely into the market. The Commission reminds the Member Governments that, on 21 February 1967, it had already submitted to the Council a proposal for a regulation on farmers' groupings and associations thereof. The Council made no real effort to discuss this proposal, much less adopt it.

It is true that the Member States have, of their own accord, incorporated some of the Commission's ideas in their own laws and regulations. Many farmers' groupings have been set up in the member countries, notably in the fruit and vegetables sector but also elsewhere. In addition to this, the Member States have built up further legislation. Thus, each member country is now investing immense sums in national funds which are expected to yield advantages in the common agricultural market. There is hardly any Community agreement. The danger of distortion of competition is steadily growing. With the present proposed modification the Commission is seeking:

- (a) A minimum of Community agreement;
- (b) Adjustments based on experience obtained since 1967;
- (c) Full incorporation of the proposal on farmers' groupings in the package deal.

The amendments to the original Commission proposal relate to the following fields:

- (i) Extension of the scope of the regulation;
- (ii) Criteria for the recognition of farmers' groupings and associations thereof;
- (iii) Competition rules;
- (iv) Alteration of the subsidy system;
- (v) Community financing.

Extension of scope

The most important alteration to the original proposal is the extension of its scope to (a) beef and veal, pigmeat and mutton; (b) fruit and vegetables (which were hitherto covered by the fruit and vegetables regulation itself); (c) rapeseed, colza and sunflowers, and (d) all fishery products.

Cancellation of the "5% rule"

The concentration of supply on the agricultural markets must be backed by sufficiently large farmers' groupings and above all by sufficiently large associations of such groupings.

In view of the disadvantages of a statutory limitation on the share of production accounted for by the farmers' groupings and the associations, the difficulties hampering enforcement, the difficulties of defining the products and the arbitrariness of the 5% ceiling, it has been decided to drop this restriction. Another relevant point is that outside agriculture business combinations are extremely often to be found which control very much more than 5% of the market.

With regard to the extension of the recognition criteria, although the system whereby the members of a grouping or association are obliged to have their total output marketed by the group on standard terms is probably the most effective, the Commission feels that those groupings or associations which do not themselves market their members' output but lay down specific rules for them in this matter should also be recognized as producers' groupings or associations.

The Commission also recommends the addition to the recognition criteria of a rule requiring a minimum of business activity.

To ensure that the associations are big enough to attain the policy target of higher concentration, it is required that the smallest association must be several times as large as the grouping.

The proposal also states that it is indispensable that the farmers' groupings should have their own legal personality.

Finally, separate accounting for each recognized activity is requisite in the interests of effective control of the use of subsidies granted to the groupings and associations.

Non-applicability of Article 85(1)

The Commission is of the opinion that the clause providing that Article 85(1) of the EEC Treaty and national law on restrictive agreements are not applicable should be deleted.

Alteration of the subsidy system

Cancellation of the "start-up" subsidies for recognized associations

The associations are made up of recognized groupings which are already receiving or have received start-up subsidies. There is an inducement to groupings to establish associations solely in order to qualify for a second round of subsidies. Start-up subsidies should therefore be accorded to groupings only.

Obligation to grant subsidies

The danger that considerable distortions of competition may ensue if the allocation of subsidies is left to the discretion of the Member States cannot be ruled out. In order to avoid such distortions as far as possible, ceilings should be fixed for subsidies granted by the Member States.

Introduction of a supplementary start-up subsidy for recognized groupings of beef, veal and mutton producers

In some Member States experience in setting up and enlarging the groupings producing beef, veal and mutton have not been encouraging. Community demand for meat is heavy and quality changes are also needed. There is therefore a case for subsidizing a greater proportion of the

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start-up costs in this sector than for the other groupings. The normal rates of start-up subsidies - 3, 2 or 1% - should, in the case of groupings of beef, veal and mutton producers, be increased to 5, 4 or 3% of the value of the products offered.

Modification of the investment subsidy arrangements

The investment subsidies in the form of outright grants envisaged in the Commission's original proposal have now been dropped. In the main, they are replaced by investment subsidies in the form of interest subsidies, as opposed to direct aids. This kind of subsidy presupposes, or will entail, a greater sense of responsibility on the part of the beneficiaries.

Introduction of a flat-rate development aid for recognized associations

In most cases only a relatively limited concentration of supply can be attained through farmers' groupings, because farms are spread over wide areas. Given the general market circumstances, remoteness from the consumer, and developments in marketing techniques, heavier concentration than that which can normally be achieved through farmers' groupings is very often required. This objective can be attained if existing groupings form associations.

This is the argument for promoting the amalgamation of recognized farmers' groupings in recognized associations through an adequately proportioned "development aid".

Community financing

In the opinion of the Commission improvement of the marketing structure is primarily the responsibility of the Member States; consequently the Community should not contribute more than 30% to financing in this field.

Concluding considerations

These proposals complete a section of the Commission's agricultural planning. They cover the main problems which must be attended to if satisfactory further development of the common agricultural policy is to be ensured. It is clear that the market organizations and trading regulations are not sufficient on their own to maintain and strengthen the common agricultural policy. In its new proposals on structural reform the Commission has deliberately limited the powers it will obtain to the main guiding principles and criteria and has allocated to the Member States responsibility for implementing as appropriate the practical measures. The contents of the proposals dispose of the argument that the Commission seeks only bigger farms and is thereby not giving enough attention to differences between regions and between operating conditions.

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The arrangements can be seen as a four-phase process:

1. Community directives are adopted by the Council.
2. The Member States incorporate them in their own laws, at which point they can make allowance for national differences.
3. Investigation in a Community procedure to verify that the national laws enacted are in line with the aims and requirements of the European Community.
4. Community financing. In order to preserve the Community character of the measures, the Community normally contributes 50% to the financing of the proposed measures.

The new round of negotiations will be of the greatest importance for the success of agricultural integration and the establishment of preliminary conditions governing negotiations on the enlargement of the European Community. The matter is now in the hands of the Council.
