

European Communities – Joint Information Service

Newsletter on the Common Agricultural Policy

Weekly

No. 34

May 1965

The development of agricultural structure policy  
as a branch of the common agricultural policy

Published by the Division for Agricultural Information in collaboration with the Directorate  
General for Agriculture of the EEC Commission – 12, Avenue de Broqueville, Brussels 15

I. Structure policy: an integral part of the common agricultural policy

Nearly all industrial countries experience difficulties of varying complexity when they turn to the task of fitting agriculture into the general pattern of the economy in an attempt to establish a fair relationship between farm incomes and those enjoyed by workers in other similar industries. The only way to solve this problem is to strike a better balance between manpower resources and the other factors of production in agriculture (land, capital). The attainment of this economic objective is crucial to the future pattern of farming and the development of structure policy. But economic measures confined to agriculture will not be sufficient for the purpose.

The thoroughgoing and rapid changes of an economic nature which are required in agriculture are, and will continue to be, a source of friction, both on the social and human plane.

There were problems of this nature in all the individual Community countries, but they have become much more acute since the Common Market was set up.

- (a) As a result of the integration of the Member States' economies into a single market, the economy as a whole is expanding more vigorously, and this tends to widen the gap in income per worker between the agricultural and other sectors; this is why greater efforts are required if agriculture is to find its proper place in this single market.
- (b) The establishment of a common market in farm products implies, among other things, the development of uniform procedures for setting up a common organization of agricultural markets and fixing common price levels for the chief farm products. The approximation of prices has an immediate impact on the organization of farms, the pattern of crops and the effectiveness of land tenure systems. Hitherto, these matters were affected only by national agricultural policy, whereas the guiding factor now must be the common agricultural policy and the requirements it imposes, as was recently illustrated by the decision to introduce common cereal prices on 1 July 1967.
- (c) Furthermore, the Community must - particularly through its agricultural policy - honour its commitments towards non-member countries and play an active role on world markets. If these objectives are to be achieved, it is essential to make Community farmers more competitive by improving agricultural structures.

In addition then to market, price and trade policy, the common agricultural policy must embrace the structural and social aspects of farming. As regards agricultural structures it is essential for the Community to:

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- (i) strike a balance between decisions on the integration of agricultural markets and those on structural development;
- (ii) draw up a policy on structures calculated to strengthen the position of agriculture in a fully expanding economy.

Article 39(2 a) of the Treaty of Rome stipulates that in working out the common agricultural policy, due account shall be taken of the special nature of agricultural activities arising from the social structure of agriculture and from structural and natural disparities between the various agricultural regions.

The objectives laid down in Article 39(1) of the Treaty for the common agricultural policy apply equally to structure policy. These are:

- (i) to increase agricultural productivity by ensuring optimum utilization of the factors of production;
- (ii) to increase thereby the individual earnings of persons engaged in agriculture and thus assure them of a fair standard of living.

In order to attain those objectives with all due speed, while pursuing the task of integrating agriculture into the economy as a whole, the Community began at a very early stage to set up machinery for regulating markets and prices; this made it necessary to take parallel decisions in favour of an active policy of structural adaptation.

## II. The background to structure policy decisions since 1958

### (a) The Stresa Conference

The Stresa Conference, held in 1958, laid down a number of basic rules for implementing the common agricultural policy:

- (i) The policy of adapting agricultural structures must be closely dovetailed with market policy with the ultimate aim of achieving balance between production and sales outlets, due regard being had to export and import trends.
- (ii) Structural improvement must be designed to ensure that the return on capital and labour employed in agriculture compares with what they could earn in other sectors of the economy.
- (iii) Family farms are an important feature of European agriculture and must be maintained; every effort should be made to increase their economic capacity and competitiveness.

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- (iv) Agricultural workers must be retrained and greater efforts made to industrialize predominantly agricultural areas as a means towards the gradual solution of the problems of unprofitable family farms.

(b) The Commission's proposals of 30 June 1960

These proposals map out the general course which the Commission feels must be followed in promoting and adapting agriculture so that it can enjoy its share of economic growth.

The conclusions of the Stresa Conference reappear in the proposals in the form of the following principles:

- (i) Structure policy must be designed to remove the causes rather than to combat the effects of low farm incomes; these causes are closely bound up with the present imbalance between the number of farmworkers and potential production and income.
- (ii) The aim of this policy should be to reorganize the bases of production and to achieve the best possible combination of the factors of production on all farms which can reasonably be expected to show a profit.
- (iii) The policy should therefore be concerned with farms employing hired labour as well as with family farms. For the purposes of the common agricultural policy, the Commission has defined the family farm as one capable of providing full-time employment for at least one or two workers - a number which, with some variation from one generation to another, the average family can be expected to provide - and of ensuring, with rational management, that wages per worker compare with those of similar workers in other industries.
- (iv) Particularly in areas suffering from underemployment, the process of integration depends on what opportunities there are of creating new jobs outside agriculture. It is not possible, however, to move part of the agricultural working population away from the land simply through industrialization and retraining. What is required is a full-scale reorganization of the technical and socio-economic infrastructure of rural areas.

While it realizes that the Member States themselves are responsible for taking measures to improve agricultural structures, the Community must provide an active lead through its structure policy. This is why the Commission has suggested that the Community should seek first and foremost to:

- (1) co-ordinate the agricultural structure policies of the Member States;

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- (ii) contribute to schemes for improving farm structures whenever such schemes further the aims of the common agricultural policy.

The Community's intention to act along these lines was again stressed in its Action Programme of 24 October 1962 for the second stage of the Common Market.

(c) Council decisions

The proposals submitted by the Commission to the Council also state that progress towards the integration of agricultural markets is to keep in step with progress in the field of agricultural structures:

- (i) The regulations of 14 January 1962 concerning the common organization of certain agricultural markets were followed later in the year (4 December) by a first decision relating to the co-ordination of Member States' agricultural structure policies.
  - (ii) At the time when the regulations concerning the common organization of other agricultural markets and the financing of the common agricultural policy were approved, it was also decided that structural improvement schemes would be financed by the Guidance Section of the European Agricultural Guidance and Guarantee Fund.
  - (iii) Along with its proposals for common cereal prices, the Commission submitted a project for Community plans to raise the standard of living of the agricultural population. This was detached from the cereal-price proposals, however, and will be submitted again at a later date; it makes provision for Community intervention, chiefly in the form of measures of a structural and social character.
- (d) The decision on cereal prices takes into account the possible effects of those prices on farm structures as the basis of farm incomes and the need to improve agricultural structures.

The Community is to pay compensation to Germany, Italy and Luxembourg, and the Council has requested the Commission to make allowance, in its financial arrangements and proposals for Community programmes, for the unfavourable position of Italy and Luxembourg as regards farm structures.

III. What the Commission has done in the field of structure policy

In pursuance of the Council's decisions, the Commission has put into effect a number of measures to co-ordinate national structure policies and for the financing of improvement schemes.

A. Co-ordination of national structure policies

The Council decision of 4 December 1962 specifies the methods to be used, the approach to be adopted and the institutions to be consulted in the process of co-ordinating national structure policies.

Methods

The following methods are open to the Commission:

- (1) The exchange of information between the Member States and the Commission on national agricultural structure policies. Thanks to this procedure, a number of essential concepts have already been defined and the following points, put forward by the Commission, approved unanimously:
  - (a) The central concept of structure can be expressed in the relationship between the strength of the active agricultural population and the bases of agricultural income (land, capital).
  - (b) This concept covers practically all the factors of production or any combination of them; it also extends to marketing facilities as well as farm services (credit, advisory services, etc.). The regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund amplifies this concept, laying down the following objectives:
    - (i) improvement of the conditions of production in agriculture;
    - (ii) orientation of agricultural production;
    - (iii) improvement of the marketing of agricultural products.
  - (c) The improvement of agricultural structures must modify the relationship between the number and skills of the working population and the conditions of production; these last must be adapted - given the need for balanced agricultural markets - by lowering production costs and raising labour productivity.
  - (d) The improvement of agricultural structures largely depends on whether, through property transfers, farms which are too small can be increased in size, a question which is closely linked with the transfer of part of the active agricultural population to other sectors of the economy where productivity is higher.
  - (e) Sound agricultural structures will be achieved when farm

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incomes are on a par with those earned in similar industries. This is the only way to look at the problem of family farms, but it must not lead to discrimination against other types of farm.

- (2) Compulsory notification by Member States of all draft legislation, regulations and administrative rules on agricultural structure and of projects for long-term plans and regional programmes. The Commission is free to express its opinion on such matters and is obliged to do so when requested by a Member State. Moreover, under the terms of the Treaty, particularly those of Article 155, the Commission can issue recommendations on existing legislation, regulations and administrative rules. The Commission is thus in a position to influence national agricultural structure policies and encourage their adaptation and co-ordination within the framework of the common agricultural policy. For instance, the Commission has already rendered opinions and made recommendations on the establishment of a Development and Rationalization Fund in the Netherlands, a Luxembourg law of 25 May 1964 concerning the consolidation of rural property, an Italian bill providing for reorganization of the structure of holdings and promotion of owner-occupancy. Furthermore, in accordance with Articles 92-94 of the Treaty, the Commission is empowered to examine farm aid measures from the viewpoint of free competition within a true common market. In accomplishing those various tasks, the Commission carries out its function of shaping agricultural structure policy.
- (3) An annual report on structures, complete with:
  - (a) a table illustrating the situation as regards agricultural structures and the structure policies of the Member States, together with a list of the measures taken under those policies;
  - (b) a survey of these measures - relating to type, geographical distribution, scope and financing, with comments on their effectiveness in terms of the objectives of the common agricultural policy and the long-term market prospects for farm products;
  - (c) a statement on the co-ordination of structure policies at Community level, indicating:
    - (i) what action has been taken;
    - (ii) whether Community funds have been provided;
    - (iii) what results have been achieved.

These annual reports, the first of which is in the course of preparation, will note what deficiencies exist, what efforts are being made to overcome them and what difficulties have been encountered;

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they will also provide background material on which to base proposals for Council measures for the co-ordination of the structure policies of the Member States. The annual report is therefore an instrument of unquestionable political value for the integration of structure policy into the common agricultural policy.

The decision of 4 December 1962 charts the course to be followed in co-ordinating structure policies: the objective is to find an effective system in which allowance is made for the need for balanced agricultural markets and regional development.

The social aspects and effects of the adaptation of agricultural structures should also be taken into account. For instance, old persons operating farms which do not show a profit should be given adequate compensation when they cease their activities, and all possible facilities should be provided for young farmworkers who wish to take up other employment.

Viewed as a whole, then, co-ordination is designed to help raise the economic and social status of agriculture to a level comparable with that of other sectors of production.

#### The institutional framework

If co-ordination in the field of structure policy is to be effective, due regard must obviously be had to opportunities and requirements in other fields and close co-operation maintained with the bodies concerned - in this case, the Governments of the Member States and trade associations

The decision of 4 December 1962 set up a Standing Committee on Agricultural Structure, chaired by a Commission representative and composed of government officials responsible for agricultural structure policy in the Member States.

The task of this Committee is to:

- (i) arrange for the exchange of information;
- (ii) discuss the basic principles of national structure policies and lay down guidelines for the future;
- (iii) help prepare some sections of the annual report on structure.

Furthermore, the Committee is consulted whenever the Commission renders opinions on draft legislation, regulations and administrative rules or on long-term plans and regional programmes.

The regulation on the granting of aid by the European Agricultural Guidance and Guarantee Fund stipulates that the Committee shall also be required to render an opinion on the operation of the Guidance Section of the Fund.



This will create an identity of purpose between the co-ordination of national structure policies and Community schemes for structural improvement; each Member State will have to give consideration to the structure policy of other Member States before adopting a position on Commission proposals for the granting of aid.

On 29 July 1964, the Commission set up an Advisory Committee to deal with problems of structure policy; its task is to represent the views of the trade associations.

B. Financing of structural improvement schemes

The Guidance Section of the European Agricultural Guidance and Guarantee Fund

(see Newsletters No. 25/64 and No. 32/65)

The operations of the Guidance Section concern:

- (1) the adaptation and improvement of the conditions of production in agriculture and the adaptation and orientation of agricultural production;
- (2) the adaptation and improvement of marketing and the development of outlets for farm products coming under the common organization of markets.

The first of these implies the affective co-ordination of the factors of production in agriculture to permit their optimum employment within the economy as a whole and the quantitative adaptation of production to outlets; this may cover both conversion of certain sectors of production - including afforestation - and quality improvement.

The second implies the improvement of distribution channels and Community action to increase consumption of certain products and provide fuller information on the factors which go to determine market prices. The sphere of operation of this Section of the Fund therefore reaches far beyond the domain of agricultural production and fits the concept of structure to modern conditions.

The Fund provides aid in the form of capital subsidies, paid out either in a lump sum or in instalments. Subsidies granted for a given scheme must not exceed 25% of the total investment, of which the beneficiary must provide at least 30%. The Member State on whose territory the scheme is to be carried out must also help to finance it, but this provision may be waived until 1966 if it conflicts with national legislation in force in February 1964.

The Fund may contribute to public, semi-public or private schemes designed to improve agricultural structure provided that they comply with the following general requirements:

- (i) they must be intended to effect an adaptation or orientation of agriculture necessitated by the implementation of the common agricultural policy or designed to meet the requirements of that policy;
- (ii) they must provide adequate assurances that their economic effects will be lasting;
- (iii) they must form part of a Community programme.

Schemes of the first kind (i.e. those concerning agricultural production) must also meet the following special requirements:

- (i) their aim must be to make or keep farms economically viable and to enhance their competitive capacity;
- (ii) they must make adequate provision for advisory services and vocational training;
- (iii) they must help to raise the social and economic situation of workers in agriculture.

To be eligible for grants from the Fund, schemes must be approved by the Member State on whose territory they are to be carried out.

Priority will be given to schemes which are part of a set of measures designed to promote the harmonious development of the overall economy of a given region.

If the resources of the Fund are not sufficient to provide aid for all of the schemes which meet the foregoing conditions, a selection will be made in such a way as to ensure that the Fund's contributions are spread evenly and harmoniously over the entire territory of the Community.

The regulation on the EAGGF came into force in February 1964. The first batch of applications for grants under the Guidance Section in respect of the 1964 budget (9 million units of account) were submitted on 1 July 1964. The schemes involved numbered 250, representing a total investment of 153 million units of account, of which 38 million u.a. were requested from the Fund.

A second batch in respect of the 1965 budget (17 million u.a.) was submitted on 1 October. These relate to 277 schemes, representing a total investment of 239 million u.a., of which 51 million u.a. have been requested from the Fund. The Commission must take a decision on both sets of applications by December 1965.

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Community programmes

From 1966 onwards, schemes for the improvement of agricultural structures will not be eligible for grants from the EAGGF (Guidance Section) unless they form part of a Community agricultural guidance programme. Such programmes will be approved by the Council on a proposal from the Commission. They must state the objective to be attained, the type of measures involved, the areas on which they are to be concentrated together with the total financial outlay and the estimated time required for completion.

These programmes should also take into account previous Council measures to co-ordinate agricultural structure policies.

This is further proof that the Council intends to establish a close link between financial assistance and co-ordination in order to arrive at an effective and coherent Community policy on agricultural structure.

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