

Newsletter on the Common Agricultural Policy

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A NEW COMMON AGRICULTURAL POLICY ?

SOCIAL AND STRUCTURAL REFORM IN AGRICULTURE

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THE SOCIO-STRUCTURAL REFORM OF AGRICULTURE (x)

The policy on agricultural structures, as defined by the Mansholt Plan in December 1968, proposed to follow up the Common Agricultural Policy with radical action. A clear and tough policy was to be got underway. Tough both in its content and because it would not hide the truth from people and since unlike a prices policy geared to technical problems not directly hitting mankind and its future, a policy on structures sets a basic, vital problem: for it's no longer a case of what is to be done for agriculture, but what is to be done with it, what will become of it? In other words, whereas the prices policy "settled its accounts" with the product, structure policy exploits the product for the benefit of the farmer. Therefore, we should think about agriculture today to decide what it should be in ten years time, and if one feels that there are grounds for changing the current state of affairs, then we must start right away.

That, in a nutshell, is the Mansholt Plan.

In the Mansholt Plan, the agricultural picture was looked at realistically and many flaws were spotted. People, organizations and States accept sacrifices, always trying to help agriculture move forward, whereas in spite of everything it remains for the most part almost static, missing the way to hold onto its viability, whilst all the work done gives no medium or long-term guarantees of progress. Starting from this premise, the Mansholt Plan bravely declared that a policy had to be advocated based on the conviction that to make agriculture viable, a priority attack on the structures was a must, if need be with drastic action where outdated and rigidly indadaptable structures are a drag on development.

(x) Text based on a review made on 9 June 1972 in Verona by Mr. Raymond CRAPS, Director of Agricultural Structures and Economy in the Director General of the Commission of the European Communities.

So the Mansholt Plan was not designed to replace a prices policy with a structure policy. It was designed because we could see that many people, especially the youngsters, could find no chance of making a worthy life in agriculture and were thinking of leaving it, and because a protected agriculture which would always need shelter would offer no future solidity and prospects unless it was renewed in time.

Helping those who want to be helped

The Mansholt Plan has come into being to help all farmers who can or wish to be helped and also those who wish to give up farming. So this spontaneous exodus, natural and inevitable, will be properly directed and humanized instead of being frustrated.

Starting with the premise that over every ten years five million farmers leave their profession, two things may usually be done: either try and stem the flood (although there is nothing to be gained by holding people in a sector who want to get out of it) or let them go and think no more about them. The Community thought there was a third solution: why not utilize the exodus to allow those wishing to remain, especially the youngsters, the new blood of the profession, to modernize their holdings and farm with real going concerns?

When the Mansholt Plan had been published and after many talks, some proposals by the European Commission were accepted in Brussels this Spring. These emerged as three Council approved Directives. The first deals with modernizing farms; the second with withdrawal from agriculture; and the third with socio-economic advice for farmers.

1. Modernizing the farm-holding (x)

This Directive is intended to aid all farmers who, by submitted plans for development, can prove they are capable of making, after a specified period, an income comparable with livings in non-agricultural sectors in the region.

The principle is one of massive encouragement on a selective basis for modernizing agriculture with the selection made not from outside but by farmers themselves who must be able to put up a development plan demonstrating by it that they will be able to reach the specified targets.

This is a key move in the policy of modernizing structures. Over many years, billions and billions of units of account, dollars, lire or marks have been spent on aid for farms, but for them it was meagre and inadequate. Indeed, all this money has been spent with the desire of aiding all comers and too often in helping people who, because aid was to hand, were falling heavily in debt investing in holding which had no hope of ever becoming competitive. Instead of helping these people to make for other occupations, we have, through non-selective aid schemes, depressed them even further.

The outcome agricultural policy up to now in some Member States has been more negative than positive. In the long run, instead of boosting the normal development of agriculture, it has hampered and vitiated it.

The modernization of farm production structures should only be undertaken in favour of holdings which can really become viable. How is this to be done? We know it is not easy to make forecasts and set up a development plan. What should be done to chart progress

(x) Directive 72/159/CE of 17.4.72 published in OJ N° L.96 of 23.4.1972

and be sure that an objective will actually be reached? The problems are greater than one thinks and we have often been faced with the dilemma of: Do we step up production or expand the unit? Although we may be right in thinking that a limited investment may enhance a small sized farm, we would not gain our end, which is to make it practically viable and competitive, if the ground is not available to allow it to expand.

The Council had this problem in mind when it approved the second Directive.

2. Withdrawal from agriculture and appropriation of the released land for structural purposes (x)

What does this Directive mean? For all those who feel that they cannot remain in tomorrow's agriculture, the Council decided to get the Member States to suggest schemes allowing them to leave agriculture. But this must mean "a honourable retreat" and not the headlong rout from agriculture that has been going on for so many years. "Honourable retreat" from agriculture means that in taking this decision, some advantages may be gained but that in leaving the farmer is aware that he is helping to benefit agriculture. Indeed, the farmer wishing to go will receive a premium or indemnity, provided that in withdrawing he puts up his land for sale or rent to another farmer who will use it to develop his holding according to the objectives of modernization.

So one can say that farmers who give up their holdings receive money from the State not for their withdrawal but because they are performing a service by making their land available to those remaining who can thus make their holdings viable.

(x) Directive 72/160/CE of 17.4.1972 published in OJ L.96 of 23.4.1972

What are the inducements to withdraw from agriculture ?

Farmers wishing to benefit from the scheme will be treated according to age. Obviously the position of anyone wishing to remain in agriculture will vary enormously according to whether he is young or has almost reached the end of his working life. So the Council has arranged that farmers between age 55 and 65 will be offered, over a period not exceeding 10 years (meaning up to retirement age) a substitute income in the form of an indemnity and it must be enough to induce the elderly farmer to give up agriculture.

The Commission's proposals four years ago had anticipated aid of 1,000 dollars per year to any farmer leaving the profession.

The Council has not decided what sum will actually be paid.

But it has decided that for every indemnity granted by the government to a married farmer in this situation, the Community will contribute up to 900 dollars which is a little bit less than what was originally intended. The Council, however, has not specified what the farmer will actually receive. It has only specified the sum involved in the intervention by the EAGGF, meaning the financial intervention by the European Community.

For all other farmers under age 55, but who meet the objective conditions for leaving agriculture, it will be less a question of substitute income against withdrawal than the offer of a new job, an alternative career. They must therefore be offered scope for occupational redevelopment and the chance of starting off in a new profession with a small initial capital. It is therefore anticipated that the State will grant a premium computed as a ratio of the land released and its capacity to improve the agricultural structure of those

staying in the profession.

For instance, a farmer leaving his land at age 40 will receive a single premium as a ratio of the ground area, provided that it is made available to those wishing to stay in agriculture and who submit a plan for development.

3. Socio-economic advice and professional qualification (x)

This Directive was never discussed at length, but socio-economic advice and professional qualification are certainly all-important. Indeed, structural development hinges on men themselves who must be capable of deciding their own fate and that of their whole family as well. It is up to men to decide whether they stay in agriculture and improve the structures of their holdings or leave and know where to go.

This is a whole complex of acute problems, but which seem to have been hushed up for nobody talks about them. So many farmers have gone and so many others have stayed mistaken in the choice they made. But all this is and remains unknown and secret. One gets the impression that the people facing these huge problems do not dare to talk about them. If the farmers were brought out of this isolation, radical action on professional quality would suffice to give the impetus, the decisive thrust towards improving agriculture.

With its decision, the Council of Ministers has opened the door to a solution of these human problems.

(x) Directive 72/161/CE of 17.4.72 published in the OJ N° L.96 of 23.4.1972

It has decided that Member States should set up a scheme for developing socio-economic advice, a scheme to stimulate professional qualifications for the benefit of the farmers who will stay on in agriculture and a scheme for professional redevelopment for those deciding to leave. It is vitally important to prepare the farming population for the radical change (which will amplify during the next ten or fifteen years) and to prepare them less at the technical level than the general level which embraces all the problems. Certainly technico-economic popularization is important but what we want to provide for the farmer is something quite different; namely: knowledge of all the key factors to make a choice, the decision he must take. Till now, the farmer has worked, taken decisions, made mistakes and left... He has never been helped in his choice, nobody has ever given him all the advice he needed. Socio-economic advice, as we see it, is not just counseling, persuading and prodding the farmer to take this or that decision, but providing the man faced with a serious problem with all the data which will let him take the most suitable decision.

To illustrate what is meant by socio-economic advice, we should look at the most typical example of its kind now to be seen in the Netherlands. Here the State subsidizes the work of nearly three hundred experts (not State civil servants but trade organization officers) who act as consultants offering advice. These officers visit the farms, talk with the master of the house and his family and, if he wishes, discuss matters with him, enquire about the general condition of the farm, his financial situation, his family situation, his abilities, providing all the details for him to ascertain the scope before him. This may seem trivial to some people but we feel that such an exercise is decisive because it is often the only way for the farmer to know

precisely the future scope for his career and profession.

The Council has therefore decided to bear part of the expenditure which Member States will have to absorb in training the consultants and in running the consultation services as we have described them and which have nothing in common with agricultural popularization (technical assistance). These services will run alongside but will study the problems from a different and broader angle.

Where modernization of structures demands radical, substantial change, occupational training will be fostered by the Community. When a small farmer has much greater instruments available (after submitting his modernization plan) it is impossible for him to exploit his possibilities, if he cannot get the chance to learn to use his instruments. It would be like giving a car to someone who had always used a bicycle without teaching him to drive. Promotion and redevelopment within agriculture must be financially encouraged by the public authorities.

The three Directives form a framework which the Community is handing to the Member States who must fit it with laws, decrees and national regulations to complete it and make it work.

All these arrangements will have to be made before next year since the Community allows Member States one year to apply the Directives at national level

National arrangements will be judged in Brussels according to their compatibility at Community level and favourable judgement will mean they are eligible for partial financing by the European Fund.

It should be stressed that these Directives do not constitute the whole structure policy. They are only the beginning. Other proposals have already been submitted to the Council and these form an integral part of the structural policy.

Proposals in preparation:

A) The first set of projected measures is market structures. The Commission had already submitted a Regulation proposal on producer groups, a proposal which the Council considered it should take up again later to help in making a more all-embracing decision on market structures.

Since the issue of producer groups applies to only the first stage of marketing after production, the Council wished to take a more overall view of action to be taken concerning market promotion as much as the processing and marketing of agricultural produce.

The Commission has therefore undertaken to submit during the Summer a set of proposals on market structure to the Council who decided to adopt measures before 1st October this year.

Other issues to be studied besides producer groups are moves over the contractual economy or use of the long-term contract for marketing and processing agricultural produce, "vertical integration," meaning modernization and improvement of the different stages of processing and marketing as well as market transparency.

Besides measures for the production phase, the structural policy anticipates action on market structure to be decided in the coming months.

B) Again in the production sector and supplementary to the three Directives already mentioned, the Commission will shortly suggest fresh measures to the Council. One of the first will deal with aid for reforestation of agricultural land and another will cover hill farming.

The Commission is aware that solutions suggested in the Directives for modernizing agriculture in general can be adopted and followed in most parts of the Community but not necessarily everywhere.

Indeed, sometimes and in some areas, conditions are so harsh that if purely economic arguments prevailed, it would mean completely abandoning agriculture.

Naturally, there is no question of coercing Member States into declaring that they want to save hill farming. But thanks to Community action, it is desired to offer Member States, wishing to keep up an agriculture-based economy in underfavoured areas like some of the mountain regions, the chance to benefit from some Community aid. Under the circumstances, measures not based on purely economic criteria will have to be included.

These measures could cover some activity not directly agricultural but linked with it, say in the form of investments made in holdings and intended to get the farmer to take up other activity complementary with farming.

The Commission has not yet put forward proposals on the hill farming sector but has intimated to the Council that it will do so very soon.

The structural policy is not yet complete. There will be at least five other batches of measures to back up the three approved moves and by its nature this policy will require still more provisions.

It is, however, significant that in March 1972 the Council decided for the first time to take a different route going further than the usual measures of the market and prices policies. The Council decided to embark on a common agricultural policy pointed in a direction for which governments had shown at first scant sympathy. If it can be said that in some States structural reform was forging ahead whilst in others it was lagging behind, it is equally true that most of the States felt a certain reluctance to integrate this policy into a Community pattern.

The decisions now taken are a first step in this new direction of the common agricultural policy.

To be able to take this step the Council did its utmost to make the Commission's proposals as flexible as possible and broaden the scope for adapting and varying them. In other words, Member States will enjoy great freedom but must act within in Community framework.

Each Member State will have to do its own sums and set up the framework of its own interventions. The responsibility for its success rests largely with itself. The Community criteria are there and the action to be taken must swiftly follow.

A coming issue of the Agricultural Policy News in the form of technical pamphlets on the 3 Directives will complement N°3.