

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 770 final

Brussels, 11 December 1981

Proposal for a
COUNCIL DECISION

authorizing certain Member States to raise the level of the interest rate subsidy provided for by Directive 72/159/EEC on the modernization of farms

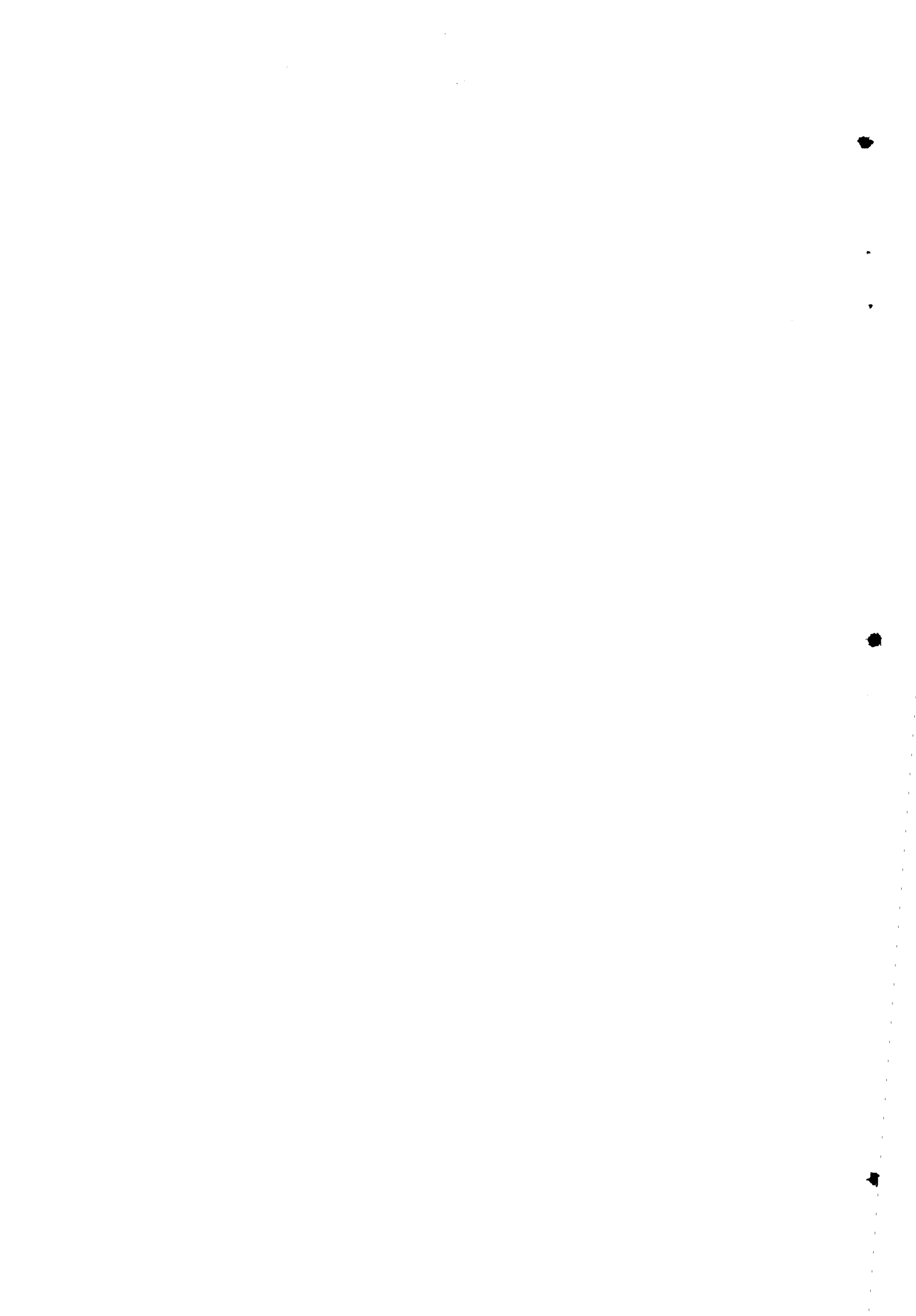
and

Proposal for a
COUNCIL DECISION

amending Decision 76/402/EEC on the level of the interest rate subsidy, provided for by Directive 72/159/EEC on the modernization of farms, to be applied in Italy

(submitted to the Council by the Commission)

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EXPLANATORY MEMORANDUM

Within the framework of Article 8 (1) (b) of Directive 72/159/EEC the granting of aids in the form of an interest rate subsidy in respect of investments necessary for carrying out a farm development plan is one of the main incentives on offer to farmers whose development plan has been approved. In accordance with Article 8 (2) this interest rate subsidy shall not exceed 5 % and, in principle, shall cover loans extending over a period of 15 years, which Member States may, however, extend to 20 years for investments in immovable property and reduce to 10 years for other investments. The interest rate remaining payable by the beneficiary may not be lower than 3 %.

However the Council acting on a proposal from the Commission and voting as provided for in Article 43 (2) of the Treaty, may authorize a Member State, for a specified period, to grant interest rate subsidies exceeding 5 %, if such action is warranted by the situation of the capital market in that Member State, and, in addition, to lower the minimum rate payable by the beneficiary to 2 % in certain regions.

At its session of 22 July 1981, the Council took note of a statement by the Commission representative reaffirming that his Institution would continue to study the general problem of the interest rates charged to Community farmers and that it would submit to the Council, as soon as possible but not later than the end of 1981, its conclusions and, if appropriate, its proposals for resolving this problem.

A study already presented to the Council shows how both nominal and real interest rates increased between 1973 and 1980. Since this study appeared, the situation has deteriorated further and the financing of farm investments has become an even more serious problem. Two points may be made to illustrate how the borrowers' position has worsened.

- Given the growing need for capital which is a feature of modern agriculture, notably as a result of inflationary pressures, and the rise in interest rates, farmers who borrow money find themselves in a difficult position. If the repayments are too heavy, farmers are dissuaded or prevented from contracting loans since they will be unable to achieve the comparable income on completion of their development plan (the essential condition for approval of the latter).
- As farm incomes decrease, farmers have fewer profits to plough back into their business and either have to borrow more money to finance their investments or abandon them altogether.

These two points may be studied in relation to each Member State, to illustrate how economic conditions altered between 1973 and 1980.

I. Increase in nominal rates

- At the time when Directive 159 was adopted, the decision to authorize all Member States to grant a 5 % interest rate subsidy (7 % in certain regions) could be justified by the fact that nominal rates varied little from one Member State to another. Only in Denmark and Luxembourg did they differ appreciably from the average.
- The trend followed by nominal rates between 1973 and 1981 indicates that :
 - a) they have risen considerably in the various Member States,
 - b) they now differ widely from one country to another. In one group of countries, namely Denmark, United Kingdom, Ireland and Italy, nominal rates are now higher than the unweighted Community average (15.5 %).

The two facts mentioned above indicate how the overall position of the borrower has deteriorated in the Community. It has become even more intolerable, however, in the four countries listed above.

II. Trend in incomes

If both the net surplus available to the farmer¹⁾ for investment and his annual income are decreasing, he must limit the amounts ploughed back into the business in order to safeguard his income. In such cases he may not make the necessary investments or he may finance them by obtaining loans on unfavourable terms when interest rates are high.

The index for the net farm surplus at 1975 prices followed a downward trend in almost every case between 1975 and 1979. The drop was particularly sharp in Germany, the United Kingdom and the Netherlands and less so in Ireland, where no appreciable drop was recorded until 1979. No data on the net farm surplus are available for Denmark or Italy.

The number of farm plans for improvements to farm structures pursuant to Directive 72/159/EEC has fallen, largely as a result of rising interest rates and the deterioration of farm incomes. In Germany, the drop in the number of plans is attributable to budgetary constraints. Between 1979 and 1980 the number of development plans approved fell by 72 % in Denmark, by 69 % in the Netherlands, by 48 % in the United Kingdom, by 40 % in Ireland and by 19 % in the Federal Republic of Germany. In Belgium, there has been a slight increase in the number of plans whilst in France there has been a more substantial increase.

(1) The farmer's net surplus is equal to the gross value added at factor cost less depreciation and the wages bill.

III. Conclusions

In these circumstances, the failure to adopt a new decision on interest rate subsidies could prove inconsistent with the recent Council decision to amend Directive 72/159/EEC by giving a more flexible interpretation to the idea of the "comparable income" so that the less prosperous farmers may more easily qualify for development plans.

Another possible consequence is a general slowing-down of investments at the very time when agriculture may have to make special efforts to rationalize production and to improve the processing of agricultural products, in view of the changes which will have to be made in the way the prices and markets policy is applied.

For these reasons, the Commission considers that the Community should take action to limit the burden placed on farmers by the increase in interest rates.

Such action could be selective in nature : a further interest rate subsidy could be granted to take account of the level reached by interest rates in 1981. This facility is already available to Italy and Ireland, until 31 December 1981 and 31 December 1983 respectively.

Accordingly, the Commission is proposing :

- a) that the existing Decision's period of validity be extended until 31 December 1983 in the case of Italy, for reasons of continuity - from the legal point of view - but above all because the problem remains unsolved;
- b) that an additional interest rate subsidy be applied in all Member States until 31 December 1983. The subsidy, a selective one which would depend on the rate of interest now obtaining, would be 3 % in the case of the Member States whose present nominal rate is higher than the unweighted Community average (Denmark and the United Kingdom) and 2 %, subject to a certain maximum, for the other Member States. This facility is already available to Ireland until 31 December 1983. The estimated annual cost to the budget of this measure is about 25,5 million ECU over two years.

Financial impact on the 5-year financial envelope

- a) Proposal for a Council decision amending Decision 76/402/EEC on the level of the interest rate subsidy provided for in Directive 72/159/EEC on the modernisation of farms, to apply in Italy.

This proposal extends the conditions for application in Italy for two additional years. The costs of the extension are already included in the tables of expenditure envisaged for 1980 to 1984 on the hypothesis that the period of validity of this measure would be extended.

- b) Proposal for a Council Decision on the level of interest rate subsidy provided for by Directive 72/159/EEC on the modernisation of farms.

The expenditures relating to this proposal which fall due during the 5-year period 1980-84 amount to 51 million ECU, of which 25.5 million ECU apply in 1983 and the same amount in 1984. The table of estimates of expenditure for 1980-84 (see annex) was recalculated in November 1981, taking account in particular of the delays in the commitment of certain new measures and of the lower degree of utilisation of other measures with reference to the previous estimates. It is estimated that of the 5-year envelope of 3.755 million ECU, 3.600 million ECU are or will be used for the financing of the existing legislation. The remaining 95 million ECU allows for the financing of this proposal.

ANNEXE

ENGAGEMENTS

19.11.81

PREMIERE PERIODE QUINQUENNALE : JANVIER 1980 A DECEMBRE 1984

MECU

Nomenclature 1981	Nomenclature 1982	Titre	Dépenses 1980	Estimations des dépenses					Total quinquennal 80-84
				1981	1982	1983	1984		
CHAP. 80	CHAP. 40	PROJETS D'AMÉLIORATION DES STRUCTURES AGRICOLES	139,6	150	148	148	148	733,6	
800	400	Projets individuels	-	-	-	-	-	-	
8010	4010	Projets de commercialisation transformation	82,4	98	98	98	98	474,4	
8011	4011	Applie.355 au Mezzogiorno & Sud France	49,5	44	42	42	42	219,5	
8012	4012	Applie.355 à l'Irlande	7,7	8	8	8	8	39,7	
CHAP. 81	CHAP. 41	ACTIONS SOCIO-STRUCTURELLES DE CARACTERE GENERAL	92,5	120,8	107,6	129,8	135	585,7	
810	410	Modernisation des fermes	86,5	114,9	102	122	127	552,4	
811	411	Cessation de l'agriculture	0,7	0,8	1,2	1,5	1,5	5,7	
812	412	Mesure socio-économiques	5,3	5,1	4,4	6,3	6,5	27,6	
CHAP. 82	CHAP. 42	ACTIONS EN FAVEUR DES REGIONES DEFAVORISEES	210,4	278,5	354,1	370,7	326,2	1.539,9	
820	420	Direct.conseils à zones défavorisées	88,7	110,4	147	152	152	650,1	
8210	4210	Programme forêts méditerranéennes	33,3	50	50	40	10,7	184	
822	4211	Programme infrastructure méditerranéenne	29,0	34	25	25	12	125	
8220	4220	Consuliers techniques en Italie	-	-	0,5	0,5	2,2	3,2	
8221	4221	Programme irrigation Mezzogiorno	47,8	55	54	54	49,2	260	
8222	4222	Programme élevage bovin en Italie	-	-	p.m.	5	14,7	19,7	
8230	4230	Programme viticole Sud de la France	5,5	9,2	18,4	11,4	2,2	46,7	
8231	4231	Programme irrigation en Grèce	-	1,2	2,6	2,6	2,6	9	
8232	4232	Programme contre inondations Héralt	-	-	0,3	0,3	0,3	0,7	
8233	4233	Programme viticole Charentes	2,4	4,0	3,7	0,7	p.m.	10,8	
8234	4234	Programme Intégr. Lotier	-	-	p.m.	0,3	2,4	2,7	
8239	4235	Programme G.C.A.	-	-	p.m.	5	17	22	
8240	4240	Programme drainage Irlande	3,7	9,3	12,6	15	10	50,6	
8241	4241	Programme drainage Irlande/Irlande du Nord	-	-	0,3	2	2	4,3	
8242	4242	Programme West Irlande	-	5,4	17,0	20	20	62,4	
8243	4243	Programme viande Irlande/Irlande du Nord	-	-	5	14	8,5	27,5	
8244	4244	Action vétérinaire Irlande	-	-	1,5	3	1,5	6	
825	425	Programme ovin Groenland	-	-	0,2	0,5	0,7	1,4	
8250	4250	Programme Intégr. Illes Occident. Ecosse	-	-	p.m.	2,4	2,4	4,8	
8261	4261	Programme viande bovine Irlande du Nord	-	-	2	5	5	12	
8262	4262	Projets secteur certains Irlande du Nord	-	-	3	2	1	6	
827	427	Programme Intégr. Sud Est Belgique	-	-	2	1	1	4	
828	428	Programme infrastructure R.F.A.	-	-	9	9	9	27	
CHAP. 83	CHAP. 43	ACTIONS STRUCTURELLES LIEES AUX MARCHES	133,1	165,9	153,5	133,3	96,6	682,4	
8300	4300	Groupements de producteurs	-	-	1	2	3	6	
8301	4301	Groupements de producteurs d'huile	0,1	1,6	p.m.	p.m.	p.m.	1,7	
8302	4302	Groupements producteurs fruits et légumes	1,7	2,1	1,6	1,6	1,6	8,6	
8303	4303	Groupements producteurs produits de terre	-	-	p.m.	1	1	2	
8311	4311	Peter viande bovine	1,3	0,1	p.m.	p.m.	p.m.	1,4	
8312	4312	Non-commercialisation du lait	32,3	106	68,4	62	31,4	350,1	
8313	4313	Eradication maladies bovine	31,6	29,7	16,2	9	p.m.	86,5	
8314	4314	Prelae cessation exportations laitiers	-	-	-	-	-	-	
8315	4315	Eradication peste porcine	-	-	3,3	19,6	13,3	36,2	
8320	4320	Prelae reconversion vignobles	10,1	12,8	12,2	p.m.	p.m.	35,1	
8321	4321	Prelae abandon vignobles	-	2	17	15,5	15,5	50	
8322	4322	Prelae cessation viticulteurs	-	-	0,3	0,6	0,8	1,7	
8323	4323	Restructuration collective vignobles	-	4,5	27,5	16	25	73	
8330	4330	Plan arborées	6,0	5,2	6	6	5	28,2	
8332	4332	Assainissement production fruitiers	-	1,9	p.m.	p.m.	p.m.	1,9	
CHAP. 84		ACTIONS STRUCTURELLES DE LA PECHE	15,3	19,9	25,2	25,2	32,7	118,3	
840	360	Action Intégrales et projets struct.écologie	15,2	19,8	25	25	32,5	117,5	
842	362	Groupement producteurs pêche	0,1	0,1	0,2	0,2	0,2	0,8	
TOTAL ORIENTATION			590,9	735,1	786,4	607	733,5	3.659,9	

Change in nominal interest rates between 1973 and 1981

Country	Rate in 1973	Rate in 1980	Rate in Oct. 1981	73/81
D	10.3	10.5	13	+ 2.7
FR	9.5	11.6	13.75	+ 4.25
IT	9.3	17.5	19.6	+ 10.3
NL	11.8	11.4	12	+ 0.2
NEL	9.2	12.9	15	+ 5.8
LUX	6.6	9.3	9.75	+ 3.15
UK	11.1	16.8	17.5	+ 6.4
IR	12.5	18.0	18.5	+ 6.0
DK	14	20.5	20.9	+ 6.9
GR	4	14	14.0	+ 10

(Source: European Central Bank, "Annual Report 1981", p. 100)

Trend in net farm surpluses

		1974	1975	1976	1977	1978	1979
FRG	a)	15.239	18.010	19.016	17.913	17.959	15.225
	b)	90.8	100	102.2	92.9	89.5	73.2
FR	a)	50.608	49.048	52.166	55.088	60.826	68.821
	b)	116	100	96.6	93.5	94.5	96.2
NL	a)	5.770	6.820	8.080	7.840	7.960	7.235
	b)	93.3	100	108.8	99.3	95.9	84.2
BEL	a)	49.769	52.219	65.459	54.572	60.161	60.207
	b)	108.8	100	116.2	90.8	93.6	92.2
LUX	a)	1.978	2.074	1.943	2.343	2.430	2.479
	b)	112.8	100	83.2	97.3	98.1	91.5
UK	a)	944.3	1147.7	1458.4	1454.2	1484.8	1519.1
	b)	96.9	100	110.9	97.4	90.8	80.5
IR	a)	329.3	476	537.7	741.1	839.2	725.5
	b)	73.8	100	93.2	113.8	115.9	88.3

a) net surplus per farm in national currency

b) net surplus expressed as an index (in constant terms, 1975 = 100)

Number of development plans approved per year

	1977	1978	1979	1980
DEUTSCHLAND	6.514	5.820	5.290	4.300
FRANCE	2.597	4.457	5.566	6.400
NERLAND	2.860	3.036	3.241	1.300
BELGIQUE/BELGIE	1.652	1.985	2.133	2.200
LUXEMBOURG	:	:	15	:
UNITED KINGDOM	7.145	7.631	5.147	2.600
IRELAND	2.921	4.197	3.697	2.200
DANMARK	1.313	2.120	1.848	500
EUR-9	25.002	29.156	27.128	:

Proposal for a
COUNCIL DECISION

authorizing certain Member States to raise the level of the interest rate subsidy provided for by Directive 72/159/EEC on the modernization of farms

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Directive 72/159/EEC of 17 April 1972 on the modernisation of farms⁽¹⁾, as last amended by Directive 81/528/EEC⁽²⁾, and in particular the second subparagraph of Article 8 (2) and the second subparagraph of Article 19 (1) thereof,

Having regard to the proposal from the Commission,

Whereas, under the first indent of the second subparagraph of Article 8 (2) of Directive 72/159/EEC, the Member States may be authorized to grant interest rate subsidies exceeding 5 % if such action is warranted by the situation of the capital market in the Member States;

Whereas the interest rates currently applicable in most Member States to long-term agricultural loans and the exceptional burden placed on farmers wishing to modernise their holdings by these interest rates, which are well in excess of the minimum laid down by Directive 72/159/EEC, may adversely affect, or even make impossible, the modernization of agriculture which this Directive aims to achieve; whereas the situation is more serious in certain Member States;

Whereas it is therefore necessary to grant further interest rate subsidies, differentiated where possible according to the interest rates obtaining;

Whereas the second subparagraph of Article 52 (1) of Directive 72/159/EEC stipulates that increased expenditure incurred by Member States as a result of an increase in the interest rate subsidies may be declared eligible for assistance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund and whereas the Fund must make a financial contribution towards such expenditure,

(1) OJ No L 96, 23.4.1972, p. 1

(2) OJ No L 197, 20.7.1981, p. 41

HAS ADOPTED THIS DECISION :

Article 1

1. Denmark and the United Kingdom are hereby authorized to increase by 3 % the interest rate subsidies referred to in the first subparagraph of Article 8 (2) of Directive 72/159/EEC and in Article 9 (1) of Directive 75/268/EEC, provided that the interest rate which remains to be paid by the recipient of the aid is not less than that laid down in the Articles concerned.
2. The Federal Republic of Germany, Belgium, France, Greece, Luxembourg and the Netherlands are hereby authorized to increase by 2 % the interest rate subsidies referred to in the first subparagraph of Article 8 (2) of Directive 72/159/EEC and in Article 9 (1) of Directive 75/268/EEC, provided that the interest rate which remains to be paid by the recipient of the subsidy is not less than that laid down in the Articles concerned.

Article 2

Expenditure incurred by Member States pursuant to Article 1 shall be eligible for assistance from the Guidance Section of the EAGGF within the limit fixed in the first subparagraph of Article 19 (3) of Directive 72/159/EEC.

Article 3

This Decision shall apply until 31 December 1983.

Article 4

This Decision is addressed to the Kingdom of Belgium, the Kingdom of Denmark, the Federal Republic of Germany, the Republic of Greece, the French Republic, the Grand Duchy of Luxembourg, the Kingdom of the Netherlands and the United Kingdom.

Done at Brussels,

For the Council

The President

Proposal for a
COUNCIL DECISION

amending Decision 76/402/EEC on the level of the interest rate subsidy, provided for by Directive 72/159/EEC on the modernisation of farms, to be applied in Italy.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Directive 72/159/EEC of 17 April 1972 on the modernization of farms¹, as last amended by Directive 81/528/EEC², and in particular the second subparagraph of Article 8 (2) thereof,

Having regard to the proposal from the Commission,

Whereas the Italian Government has requested an extension of the validity of Council Decision 76/402/EEC³, as last amended by Decision 81/241/EEC⁴, which is applicable until 31 December 1981;

Whereas the rate of interest currently applicable in Italy to long-term agricultural loans is 19.6 %, which is 6.2 % greater than the rate on which Decision 76/402/EEC was based;

Whereas an interest rate of 19.6 % and interest rate subsidies of 9 %, 11 % and 12 % respectively will mean that the recipient is called upon to bear a rate of interest in excess of the minimum laid down by Directive 72/159/EEC,

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- (1) OJ No L 96, 23.4.1972, p. 1
(2) OJ No L 197, 20.7.1981, p. 41
(3) OJ No L 108, 26.4.1976, p.39
() OJ No L 113, 25.4.1981, p. 46

HAS ADOPTED THIS DECISION :

Article 1

With effect from 1 January 1982, Article 4 of Decision 76/402/EEC shall be replaced by the following :

"Article 4

This Decision shall apply until 31 December 1983".

Article 2

This Decision is addressed to the Italian Republic.

Done at

For the Council
The President

