

European Communities

EUROPEAN PARLIAMENT

Working Documents

1977 - 1978

13 December 1977

DOCUMENT 375/77

Report

drawn up on behalf of the Committee on Agriculture

on the amended proposal from the Commission of the European Communities to the Council (Doc. 156/77) for a regulation concerning producer groups and associations thereof

Rapporteur: Mr G. VITALE

By letter of 8 June 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Articles 42 and 43 of the EEC Treaty, to deliver an opinion on the amended proposal for a Council regulation (EEC) concerning producer groups and associations thereof.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

On 21 June 1977 the Committee on Agriculture appointed Mr Vitale rapporteur.

It considered the proposal at its meetings of 20/21 September, 20/21 October and 3/4 November and at the latter meeting adopted the motion for a resolution by unanimous vote with two abstentions.

Present: Mr Ligios, acting chairman and vice-chairman; Mr Liogier and Mr Hughes, vice-chairmen; Mr Vitale, rapporteur; Mr Albertini, Mr Andersen, Mr Corrie, Mr Creed, Mr Früh, Mr Howell, Mr Hunault, Mrs Krouwel-Vlam, Mr Lemp, Mr Ney and Mr Pisoni.

The opinion of the Committee on Budgets is attached.

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A

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the amended proposal from the Commission of the European Communities to the Council for a regulation concerning producer groups and associations thereof

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Articles 42 and 43 of the EEC Treaty (Doc. 156/77),
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 375/77),
1. Considers that the proposal submitted by the Commission can contribute effectively to promoting the formation of producer groups and associations thereof in those regions of the Community where they are most needed;
 2. Gives its approval to a territorially limited measure, having regard to the impossibility, evidenced by the failure of previous proposals, of arriving at uniform Community rules in this field and also to the serious structural deficiencies of the regions in question as regards the supply of agricultural products;
 3. Considers that a greater concentration of supply, which could be achieved by the formation of groups and associations, would not only enable the objectives of Article 39 of the Treaty to be pursued more expeditiously, but would also help to overcome certain difficulties that have adverse effects on the Community budget by reducing surpluses of certain products, improving the quality of supply and ensuring a more effective control on the way in which Community funds are spent;
 4. Asks that potatoes should also be included in the list of products to which the regulation applies;
 5. Considers that it should be left to the Member States concerned to decide whether to include in producer groups persons other than agricultural producers;

¹ OJ No. C 146, 22.6.1977, p. 2

6. Takes the view that the concept of 'producer' should be defined in the present regulation and that the Standing Committee on Agricultural Structures should not be asked to define it;
7. Considers it essential, if the Regulation is to be as effective as possible, that it should be made valid for a period of five years and that the upper limits of the aids laid down in the proposal should be raised;
8. Considers also that the groups and associations mentioned in this regulation should have priority as regards access to the investment aids laid down in Regulation 355/77 concerning the improvement of the conditions under which agricultural products are processed and marketed¹;
9. Approves the Commission proposal, subject to the amendments indicated;
10. Requests the Council of Ministers to approve it as soon as possible, in view of the fact that in a resolution adopted at its meeting of 14/15 February 1977 it undertook to approve it by 30 June 1977;
11. Requests the Commission to adopt the following amendments, pursuant to Article 149, second paragraph, of the EEC Treaty.

¹ OJ No. L 51, 23.2.1977

Amended proposal for a Council Regulation (EEC) concerning producer groups and associations thereof

Preamble, recitals and Article 1 unchanged

Article 2

This Regulation shall apply to the products of the soil and to the livestock products listed in Annex II to the Treaty, excluding the following products:

- products referred to in Article 1(2) of Council Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables;
- fishery products falling within headings 03.01 to 03.03 of the CCT;
- hops, heading 12.06 of the CCT.
- potatoes falling within heading 07.01 A of the CCT;
- silkworms ex. 01.06 of the CCT.

Article 2

This Regulation shall apply to the products of the soil and to the livestock products listed in Annex II to the Treaty, excluding the following products:

- products referred to in Article 1(2) of Council Regulation (EEC) No. 1035/72 on the common organization of the market in fruit and vegetables;
- fishery products falling within headings 03.01 to 03.03 of the CCT;
- hops, heading 12.06 of the CCT;
- deleted
- silkworms ex. 01.06 of the CCT.

Articles 3 and 4 unchanged

Article 5

1. Producer groups shall:

- be set up for the purpose of jointly adapting the produce and output of the producers who are members of it to market requirements;
- consist of:
 - (a) producers, or
 - (b) producers and other persons whose activity is calculated to facilitate the attainment of the object of the group, on condition that these be set up under a legal form provided by national law for the specific purpose of ensuring that producers, whether individual or associated, retain control of the groups and their decisions.

2. Associations shall consist of recognized producer groups and shall pursue the same objectives as those groups.

Article 5

1. Producer groups shall be set up for the purpose of jointly adapting the produce and output of the producers who are members of it to market requirements.

They shall consist of agricultural producers.

2. unchanged

¹ For complete text see OJ No. C 146, 22.6.1977, p. 2

3. The concept of 'producer', for the purposes of paragraph 1(a), shall be defined according to the procedure provided for in Article 17 within 2 months from the entry into force of this Regulation.

3. The term 'agricultural producer' shall mean the farmer who, operating individually or as member of a group, produces for the market and who, either individually or as a group member, is the owner of an agricultural holding and can dispose, either in whole or in part, of the product for which the group to which he belongs is recognized.

4. (new) The Member States may allow other persons to become members of these groups, provided their activity is calculated to facilitate the attainment of the object of these groups and on condition that the groups be set up under a legal form provided by national law for the specific purpose of ensuring that producers, whether individual or associated, retain control of the groups and their decisions.

5. (new) Agricultural producers' cooperatives and consortia of such cooperatives set up to process and market products complying with the requirements laid down in this regulation may be recognized as producer groups.

Articles 6 to 9 unchanged

Article 10

1. The concerned Member States shall grant to recognized producer groups, during the three years following the date of their recognition, aid to encourage their formation and facilitate their operation. The amount of such aid, for the first, second and third year respectively,

- (a) shall be equal to
- a minimum of 1.5%, 1% and 0.5% and
 - a maximum of 3%, 2% and 1% of the value of the produce to which the recognition refers and which are placed on the market;

- (b) may not exceed 60%, 40% and 20% of the actual formation and operation expenses.

However, the aid provided for in paragraph 1 may be paid over five years.

2. Larger amounts may be fixed by the Council for certain regions and for certain products for a specified period, acting by a qualified majority on a proposal from the Commission.

Article 10

1. The concerned Member States shall grant to recognized producer groups, during the five years following the date of their recognition, aid to encourage their formation and facilitate their operation. The amount of such aid

- (a) shall be equal to
- a minimum of 2% for the first year, 1.5% for the second and 1% for the following three years and
 - a maximum of 5% for the first year, 4% for the second, 3% for the third, 2% for the fourth and 1% for the fifth, of the value of the produce to which the recognition refers and which are placed on the market;
- (b) may not exceed 60% for the first year, 40% for the second and 20% for the following three years of the actual formation and operation expenses.

2. unchanged

Article 11 unchanged

Article 11a (new)

Recognized producer groups and associations thereof shall be given priority in the allocation of the investment aids laid down in Regulation 355/77 concerning the improvement of the conditions under which agricultural products are processed and marketed.

Articles 12 to 21 and Annex unchanged

EXPLANATORY STATEMENT

1. The problem of a common measure to promote the formation of groups and associations of agricultural producers has been under discussion for over ten years. It was in February 1967 that the Commission submitted its first proposal (Doc. 20/67). This was followed by two further proposals amending the first one, which were submitted in May 1970 (Doc. 45/70) and June 1971 (Doc. 77/71) respectively. At the time these documents were submitted they were discussed on a number of occasions both in Parliament and in the Council, but it proved impossible to arrive at a final text capable of bridging the differences of opinion within the Council. In May of this year the Commission submitted the proposal we are now considering, which contains a number of amendments aimed at resolving these differences of opinion and thus enabling the Community to take action in an area where it is very urgently needed.

The 1967 proposal and the subsequent amendments of 1970 and 1971

2. With a view to identifying more clearly the new features contained in the proposal we are considering, it will be helpful to recall to mind the points that gave rise to discussion in the past and that formed the subject of later amendments to the Commission's original proposal:

(a) field of application: whereas, according to the 1967 proposal, the regulation was to be applied to all products from agricultural holdings, except for fruit and vegetables already provided for by Regulation 159/66 the later 1970 proposal included fruit and vegetables also, as well as fishery products and oilseeds. Finally, the third proposal excluded fishery products, since in the meantime Regulation 170/71 had been enacted for this sector;

(b) incentive measures: under the first proposal, recognized producer groups and associations thereof were given starting-up grants and investment aids granted by the Member States. The next proposal adopted more restrictive criteria in that it abolished starting-up grants to associations of producer groups and also to fruit and vegetable producer groups which had already benefited by these aids under the regulation specifically governing them. It also did away with non-repayable investment aids and replaced them by a rebate of the interest due on loans contracted, it initiated supplementary aid to recognized groups of beef, veal and mutton producers and finally it obliged Member States to grant the aids provided for to recognized groups. The third proposal, that of June 1971, adopted stricter measures, abolishing the supplementary aid to groups of beef, veal and mutton producers, denying aid to existing groups not in need of adaptation measures and making investment aids subject to a prior check on the economic soundness of the investments themselves;

(c) criteria for recognition: one feature common to all the Commission draft proposals was the requirement that in order to be recognized the group or association should adopt common rules for the production and marketing of their products. Whereas, however, in this respect, the proposal of February 1967 placed an additional obligation on the members of the group to sell their product to the group or association, the later proposals imposed a less strict obligation, according recognition also to groups which did not engage in marketing activity but which confined themselves to regulating the manner in which their members marketed their goods. The various proposals also contained various criteria concerning the economic dimensions of groups and associations and whereas in the first proposal it was laid down as a criterion for recognition that such groups or associations should control, for each product in respect of which they sought recognition, a quota not exceeding 5% of the entire EEC production, so as to avoid the formation of dominant positions contrary to Article 85(1) of the Treaty, in the later proposals not only does this limit disappear, but a contrary dimensional criterion is laid down seeking the denial of recognition to groups so small in size that they would be unable to guarantee an adequate concentration of supply;

(d) Community financing: whereas, according to one of the earlier proposals, the EAGGF, Guidance Section, was to reimburse to Member States 30% of the chargeable expenditure (at a total cost to the Community of 120 million u.a. for the five-year period 1971-75), the later proposal, applying a more flexible criterion, reduced the Community's share of the financing to 25%, but laid down at the same time that the Community's participation could, in certain underprivileged regions, be raised by Council decision to 65%.

The present proposal: territorial delimitation of the field of application

3. The multiplicity and complexity of the differences of opinion that manifested themselves and the difficulty of coping adequately with them led the Commission to submit a fourth proposal - the one we are now considering. The field of application of this proposal is limited territorially to those areas in which a common measure for rehabilitating the market through concentration of supply is very urgently needed. This proposal is of particular interest to Italy, even though it may be extended by Council decision to other regions, should such prove necessary.

The first problem confronting us is that of judging the wisdom of a regulation initiating a common measure, the effect of which is virtually confined to one Member State, even though its field of application may be extended subsequently. The wisdom of this regulation must obviously be considered not in the light of abstract principles but on the basis of the facts revealed by a series of studies published by the Commission on the structural situation in the Member States and, in particular, on the structure

of the supply of agricultural products.

4. The Committee on Agriculture is of the opinion that approval should be given to the enactment of a territorially limited measure permitting action to be taken in a situation such as that of Italy, which is quite different from that of other regions of the Community.

The salient point that emerges from a decade of debates is that the difficulty in achieving a regulation applicable throughout the entire territory of the EEC is due to the basic differences in the contractual arrangements in force between agriculture and other sectors, the degree of horizontal and vertical integration already achieved, the forms of economic organization uniting producers and the respective legislations on this matter. From the initiation of the common agricultural policy up to the present time these structural differences have not only not diminished but have, in fact, become even greater. It would, therefore, be unreasonable to expect a single set of rules for producer groups and associations to be worked out within a short space of time. On the other hand, the absence of measures designed to facilitate the formation of groups and associations in those regions where the market is less well-organized prevents the objectives of Article 39 of the Treaty being achieved not only in these regions, but throughout the entire territory of the Community, and at the same time throws a heavy financial burden on the Community as a result of market crises which could be averted by a proper organization of producers.

Special features of the Italian situation

5. There can be no doubt that Italy is that region of the Community where the need for a common measure to encourage producer groups is particularly striking. Given the existing structures at farm level, the supply of agricultural products is particularly lacking in cohesion. It should be remembered that there are nine times as many agricultural holdings in Italy as in the United Kingdom, almost twice as many as in France and one and a half times as many as in the German Federal Republic. At the same time the average size of agricultural holdings in Italy is ten times smaller than in the United Kingdom, about four times smaller than in France and half the average size in Germany and Belgium. Finally, the percentage of holdings of less than 50 acres, which stands at about 44% in the United Kingdom, 60% in France and 75% in Germany, accounts for 93% of all farms in Italy.

This situation is accompanied by only a modest advance in the processes of horizontal and vertical integration. The table attached to this report, which is taken from the Commission's 1975 report on the agricultural situation in the Community, shows that as little as 13% of all production was marketed through agricultural cooperatives, the highest figures recorded being 35%

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for milk, production of which is concentrated in the more developed regions of the Po valley, and 45% for fruit, cooperatives for which have been developed in recent years partly in connection with the spread of a network of producer groups arising from the special regulation governing this sector. As for the other forms of association that you will find in other countries between agricultural producers and upstream and downstream agricultural industries (producers of technical equipment, food preserving industries), these are practically non-existent in many sectors. For example, the long-term contracts between feedingstuff producers, wholesale traders and processing plants which operate so widely in all other countries of the Community in the pigmeat, beef, veal and poultry sector, thus making an important contribution to the entire livestock industry, are few and far between. Other forms of vertical integration too, such as, for example, the 'farmstead' integration so widespread in the United States and of which there are some examples also in Europe, are quite unknown in Italy. It is true that there are certain sectors in which inevitably close links exist between producers and processing concerns, the products in question being intended for industrial conversion. In addition to sugar beet and tobacco, these products include certain fruit and vegetable products that are grown for canning (e.g. tomatoes and peaches). In these cases, however, the contracts are simple supply contracts renewed yearly, on the basis of which the processing concern often confines itself to giving mere technical assistance. In effect, the market in Italy is dominated by demand forces in view of the enormous difference in bargaining power between industrialists and agricultural producers. According to Professor Butterwick, who has studied the processes of vertical integration in the EEC on behalf of the Commission, 'in Italy the food processing concerns prefer to take advantage of the disorganization and lack of transparency of the market in order to dominate their agricultural partners, whose position would undoubtedly be considerably strengthened if they could produce under contract'.

6. This situation in a country that accounts for more than 40% of all agricultural holdings in the Community cannot but represent an obstacle to the development of the entire common agricultural policy. A greater concentration of supply on the part of producers in Italy (or in other areas where producer groups are not highly developed) would not only enable the objectives of Article 39 of the Treaty to be more effectively pursued but would also dispose of certain difficulties that are having adverse effects on the entire Community budget. It would, for example, permit greater control to be exercised over the allocation of Community funds for the integration of olive oil and hard wheat prices and, in the long term, allow these prices to be reduced, since programmes for the improvement of production and marketing would make it possible to narrow the gap between the guide price and the market price. Similarly, in the wine sector it would be possible to evolve programmes for the development of vineyards, to improve quality to contain surpluses and thus to prevent both the burdens imposed by the need for distilling and a recurrence of the disputes between Community countries that we have had in the past.

7. List of products: the Commission's new proposal excludes from the list of products for which recognition may be sought those for which there are already special rules governing producer groups within the framework of the common organization of the market in question, namely, fruit and vegetables, fishery products, hops and silkworms. The rapporteur feels there should be no objections to these exceptions, since the formation of producer groups in these sectors is already governed by special rules which are valid, as is only proper, throughout the entire territory of the Community. Particularly as regards the production and marketing of fruit, the existing regulation has produced positive results in Italy also, inasmuch as less fruit is being delivered to the intervention agencies, which means that the groups now in existence by virtue of the regulation in question, which by now control about 45% of production, have been able to take care of marketing. The deficiencies in the vegetable sector, on the other hand, could not be remedied by including these products in the new list, since they are caused by various internal factors, such as the structure of the holdings, which are very small and very numerous, their links with local markets and the fact that they are dominated by a system of powerful middlemen who control prices and production.

Potatoes are a special case. The exclusion of this sector from the products listed by the Commission seemed illogical to the Committee on Agriculture, which therefore proposes an amendment including potatoes in the list. While it is true that at the beginning of 1976 the Commission submitted a proposal on the common organization of the market in this sector (Doc.512/75), it is also true that this proposal is still only in the pipeline and does not seem likely to be adopted in the near future. Until such time as it is adopted, it would seem advisable to include potatoes in the present regulation, with the proviso that, as soon as the regulation in question is adopted, the arrangements laid down therein will be applied to that sector.

8. Recognition: according to the Commission proposal, producer groups may include persons other than agricultural producers, provided they are constituted under a legal form provided by national law for the specific purpose of ensuring that the producers have control of the groups. The concept of 'producer' is not defined; the task of definition is referred to the Standing Committee on Agricultural Structures. It is also laid down that, in order to be recognized, producer groups must not hold a dominant position in the common market, but there is no indication of the criteria used to define what is meant by the term 'dominant position' (only in the explanatory memorandum accompanying the proposal is reference made to the condition of recognition, already accepted by the Council, as regards producer groups and associations thereof in the hops sector). Finally, the proposal provides that it is for the Member States to take a decision on whether to grant recognition within three months from the time recognition is requested.

The Commission proposals in the matter of conditions for recognition pose a very delicate problem, in view of the fact that the principal territorial field of application of the regulation is Italy. Last July, in fact, the Italian Senate adopted virtually unanimously a bill laying down 'rules for agricultural producer groups', under which persons other than agricultural producers were barred from being members of such groups. The exclusion of these persons was decided upon precisely because of the special supply structure characterizing the Italian market for agricultural products. The thinking behind this was that, in a market largely dominated by demand and a situation of extremely piecemeal supply, where farmers had virtually no bargaining power vis-à-vis a centralized demand which could easily replace homegrown products by imported ones, it was not a good idea to encourage processing concerns, wholesalers and financial institutions to become members of agricultural producer groups lest these latter should be turned into downright straitjackets for the farmers, who would, in practice, be left with no power of decision. It is true that the Commission proposal contains the safety clauses mentioned above, namely,

- (a) that the activity of persons other than agricultural producers shall be such as to facilitate the attainment of the object of the groups;
- (b) that these persons shall be constituted under a legal form specifically provided by national law;
- (c) that in every case the producers shall have control of the groups.

Here we have three highly restrictive conditions; yet they are not such as to be completely reassuring. As far as the Italian situation is concerned, the primary objective to be pursued at the present time is horizontal integration of the agricultural producers so that they may increase their bargaining power and improve their entrepreneurial capacity through the self-governing bodies that are producer groups. Bearing in mind the fact that, while the present proposal avowedly refers in the first place to Italy, the possibility is not excluded of its being applied in other regions with different possibilities and requirements, the Committee on Agriculture proposes a different wording for Article 5 (1) (b) to the effect that the question whether the 'persons other than agricultural producers' referred to should be allowed to be members should be left to the Member States to decide. This would enable the law to be applied in such a way as to take account of the special structural features of each country and so prevent any conflict with a bill adopted almost unanimously in the country most widely and directly concerned.

The Committee on Agriculture realises that the opinion of the European Parliament may not be subordinated to decisions taken in a national parliament. It feels obliged, however, to point out this circumstance, in view of the fact that the document,

as it stands at present, would probably meet with opposition at Council level, which would only have the effect of causing further delays in arriving at any decision.

The definition of 'producers'

9. A considerable amount of perplexity has been occasioned by the Commission's proposal to refer back to the Standing Committee on Agricultural Structures the task of defining the concept of 'producer', thus leaving in the air a point which has been extensively discussed in the past.

The perplexity arises from the fact that the definition of the concept 'producer' is of fundamental importance, not only from a technical but also from a policy point of view, if the regulation is to function effectively. The Commission cannot, therefore, extricate itself from its responsibility and from Parliament's control in respect of such a vital point, leaving the Standing Committee free to decide, for example, whether cooperatives, such as those for the manufacture of wine, cheese, oil, etc., should be excluded or included.

The Committee on Agriculture proposes, therefore, that the referral procedure laid down in Article 5 (3) of the proposal should be rejected and that a definition of the concept 'producer' should be included in the document. This term should be taken to mean an agricultural producer who produces for the market, either individually or as member of a group, and who, either individually or in association, is the owner of an agricultural holding and can dispose, either in whole or in part, of the product in respect of which the group was set up and recognized.

10. The Commission's draft proposal does not deal explicitly with the problem of legal and other relations between cooperatives and producer groups. This is a question that deserves some consideration.

As far as cooperatives set up for the purpose of harvesting, processing and preserving products are concerned, three possibilities might be envisaged. They could either become members of producer groups and accept the rules governing such groups (in this case it would be necessary to decide whether each member of the cooperative should have a vote at meetings of the group, or whether the cooperative should be represented by its chairman, with a multiple-vote system), or the cooperative itself, subject to appropriate adjustments to its statutes, could be recognized as a producer group, or finally the cooperative could be regarded as a producer and be able to combine with other cooperatives operating in the same sector to form a group with them.

A paragraph should therefore be added to Article 5 to spell out in the text of the proposal the various possibilities open to cooperatives.

With regard to marketing cooperatives on the other hand, these could hardly expect to qualify for membership of producer groups, seeing that they form a subsequent link in the chain, their purpose being to collect a certain percentage of the supply of products given them by their members on the basis of simple supply contracts. These cooperatives could, however, take advantage of the aids provided for in Regulation 355/77.

11. Investment aids: the new proposal no longer makes provision for investment aids, since producer groups and associations thereof are able to avail themselves of these under Regulation 355/77 concerning a common measure for the improvement of the conditions under which agricultural products are processed and marketed.

This regulation provides for a Community financial contribution of 25% (30% in particularly poor regions) for projects to rationalize the procedures for processing and marketing products.

While this approach on the part of the Commission can be approved, some thought should be given to the question whether it might not be a good idea to give priority to producer groups and associations thereof in the allocation of Community aid to investments pursuant to the said Regulation 355/77. This could be a further incentive to producers to form groups and associations. The Committee on Agriculture therefore suggests that a provision to this effect should be included in the proposal.

12. Finally, it should be noted that the appropriate committees of the Italian Chamber of Deputies and Senate have adopted motions (resolution tabled by Mr Bortolani and motion on the order paper by Senator Truzzi), calling on the government to ask the Community to make the measure provided for in the regulation valid for a period of five years and to raise the upper limits of the aids envisaged. This request was later submitted formally by the Italian government to the Council of Ministers of the EEC with the memorandum of 5 July 1977 on Mediterranean problems. Your rapporteur supports this request and feels that a greater effort is called for on the part of the Communities to tackle resolutely problems whose solution would in the long run save the Community a great deal of money and energy.

ANNEX IPercentage of sales of principal products made through cooperatives (1974)

| | Germany | France | Italy | Netherlands | Belgium | Luxembourg | United Kingdom | Ireland | Denmark |
|---------------|---------|---------|-------|-------------|---------|------------|----------------|---------|---------|
| Cereals | 51 | 70 | 15 | 70 | 14 - 20 | 70 - 75 | 12 | 22 | 40 |
| Pigmeat | 24 | 25 - 35 | 3 | 27 | 13 | o | 5 | 35 | 91 |
| Beef and veal | 21 | 15 | 5 | 26 | n.s. +) | o | 9 | 36 | 58 |
| Beets | 0 | 13 | 10 | 63 | 0 | o | 0 | 0 | 87 |
| Milk | 73 | 42 | 35 | 90 | 65 | 90 | 0 | 83 | 87 |
| Fruit | 70 - 75 | 40 | 46 | 95 | 35 | 30 - 35 | 16 | 16 | 55 - 60 |
| Vegetables | 44 - 50 | 30 | 5 | 100 | 50 | o | 10 | 18 | 50 |
| Eggs | 20 | 25 | 5 | 25 | - | 20 | 17 | 3 | 58 |
| Poultry | 25 | 43 | 10 | 10 | n.s. +) | o | 2 | 30 | 32 |

+) n.s. = of no significance

ANNEX II

NUMBER AND SIZE OF HOLDINGS¹

| Country | Total | Holdings of less than 20 hectares | Average size (ha) |
|----------------|-----------|-----------------------------------|-------------------|
| Germany | 967,809 | 770,530 | 13.5 |
| France | 1,300,000 | 798,000 | 23.5 |
| Italy | 2,439,967 | 2,277,531 | 6.7 |
| Netherlands | 149,566 | 116,944 | 14.2 |
| Belgium | 113,902 | 92,349 | 13.4 |
| Luxembourg | 6,106 | 3,243 | 22.5 |
| United Kingdom | 287,384 | 128,272 | 64.2 |
| Ireland | 270,000 | 184,000 | 17.7 |
| Denmark | 135,923 | 73,087 | 22.1 |
| Europe | 5,670,627 | 4,454,026 | 18 |

¹ Statistics taken from 'Report on the Agricultural Situation for 1975' - The statistics in the first two columns are for 1973

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr M. COINTAT

At its meeting of 21 September 1977, the Committee on Budgets appointed Mr Cointat draftsman.

It considered the draft opinion at its meeting of 1 December 1977 and adopted it unanimously.

Present : Mr Lange, chairman; Mr Bangemann, vice-chairman; Mr Cointat, draftsman; Mrs Dahlerup, Mr Früh, Mr L'Estrange, Mr Notenboom, Mr Radoux, Mr Ripamonti, Mr Scott-Hopkins, Mr Shaw.

I. INTRODUCTION

Previous discussion of proposals

1. The document on which the Committee on Budgets has been asked to give its opinion is the amended proposal for a regulation for a system of aid for agricultural producer groups and associations thereof.
2. The regulation has its origin in the efforts made by the Commission as early as the end of the 1960s to improve agricultural structures in the countries of the European Community. An initial proposal from the Commission was submitted to the Council in February 1967 and amended several times (1970, 1971 and 1972). Parliament last gave its opinion on this matter on 9 June 1971¹, when it approved the substance of the Commission's proposal.
3. The present proposal for a regulation has again been amended to restrict its application to certain regions and considerably reduce the amount involved; it excludes sectors covered by existing regulations and is to be applied only in Italy or in regions with a similarly deficient supply structure for agricultural products.

Grounds and legal basis for this regulation

4. The legal basis for the regulation is provided by Article 39(1) (a) of the EEC Treaty, which aims at increasing 'agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour'.
5. However, it is impossible to introduce uniform regulations binding on the whole Community on account of the profound differences in the structure of agricultural production in the individual regions of the Community.

Application of the regulation

6. In view of the abovementioned structural differences the regulation is to be restricted to regions of paramount importance. It therefore primarily concerns Italy, where, according to the Commission, there is scarcely any collective supply of agricultural produce (only about 13% of production) and only 16% of all agricultural holdings are organized on a cooperative basis. 40% of the Community holdings whose average size is less than the Community average are situated in Italy, and the majority of these are less than 5 ha.

¹ OJ No. C 66, 1.7.1971, p.25

7. The regulation is to be applied not only according to region but also to product, which involves the exclusion of products for which producer groups have been envisaged within the framework of the common organization of markets (e.g. fruit and vegetables). The regulation is therefore based on conditions already provided for in other regulations on the common organization of markets and producer groups, which are to be promoted as part of this organization.

II. THE COMMISSION'S PROPOSAL

Basis

8. The regulation is based on the Treaty establishing the European Communities and in particular Articles 42 and 43, which lay down the measures needed to achieve the objectives set out in Article 39.

Aim of the scheme

9. The purpose of the regulation is to centralize supply and adapt production to market requirements.

Means

10. Provision is made for:

- aid to cover part of the cost of the formation and operation of these groups and associations;
- the restriction to an overall maximum sum for associations, since there are already other sources of aid;
- the obligation on the Member State to grant aid to guarantee the implementation of the system;
- the publication of a list of recognized groups and associations;
- an exact description of the conditions governing the application of the common provisions;
- a time-limit for the aid and a review of its effectiveness.

III. CONTENTS OF THE REGULATION

11. The individual articles of the regulation deal in particular with:

- its field of application as regards territory (Italy and similar regions) and products (Articles 1-3)¹;
- The conditions governing the recognition of producer groups and associations and the definition thereof (Articles 4 and 5);
- the obligations of the producer groups and the detailed rules for applying the regulation (Article 6);
- the amount of and period covered by the aid
 - for producer groups (Article 10);
 - for associations; maximum of 50,000 u.a. (Article 11);
- period covered by the measure: 5 years (Article 13);
- refund and procedural matters, control (Articles 14-21).

IV. BUDGETARY AND FINANCIAL ASPECTS OF THE COMMISSION'S PROPOSAL AND PROPOSED AMENDMENTS

Financial provisions

12. Article 14 of the Commission's proposal provides for 25% of the chargeable expenditure to be refunded to the Member States from the EAGGF, Guidance Section. The Council, acting by a qualified majority on a proposal from the Commission, may decide on Community participation up to 65% of the chargeable expenditure incurred by the Member States concerned.

13. Article 10 deals with the actual amount of aid, which is determined by the value of the produce to which the recognition refers and which is placed on the market, i.e.:

1.5% - 3% in the first year,

1 - 2% in the second year

0.5 - 1% in the third year,

although it may not exceed 60%, 40% and 20% respectively of the actual formation and operation expenses.

14. The Committee on Budgets proposes additions to both articles to ensure the participation of Parliament, as part of the budgetary authority, in these decisions which affect the budget. This also applies to the scope of the regulation referred to in Article 3.

¹ For a list of products and exceptions see Annex to the Commission's proposal.

15. All the proposed measures contained in the regulation and implementing procedures are based on Basic Regulation (EEC) No. 729/70.

Effectiveness of the financial arrangements

16. Without wishing to encroach upon the prerogatives of the Committee on Budgets in regard to the technical agricultural aspects of this regulation, the Committee on Budgets would suggest that certain appropriate measures, which would have to be proposed by the Commission, might enhance the effectiveness of these financial arrangements. Such measures would include:

- the drafting of regional development plans aimed at coordinating production;
- the provision of advisory services for producer groups on business management and administrative questions as well as on technical agricultural matters.

In this connection the Commission should be asked whether a study and/or reports on the success or failure of specific projects in other regions of the Community are already available.

17. As a result of the temporary restriction to Italy or similar regions and of the exclusion of a number of sectors, the present proposal accounts for only 20% of the total amount of the original proposal. The Commission estimates the yearly expenditure from the EAGGF, Guidance Section, at 4 m u.a., giving a total of 20 m u.a. over the proposed five-year period.

18. Appropriations totalling 500,000 u.a. were entered in the 1977 budget. In the preliminary draft budget for 1978 commitment and payment authorizations totalling 4.1 m EUA were proposed and were accepted by the Council in its draft budget.

19. While the two original amended proposals¹ contained a highly detailed five-page description of the financial implications, including calculations of cost for each sector and type of financial aid, the Commission confines itself, in the present proposal, to making an overall estimate of expenditure of 4 m EUA per year. This description is totally unsatisfactory. It ought to contain the following items of information:

- percentage of Italy's agricultural production to be covered by producer groups; this would give a basis of assessment for the granting of initial aids;
- estimate of number of associations recognized annually and average aid granted to them;
- foreseeable overall expenditure on these measures and the proportion chargeable to the Guidance Section of the EAGGF.

¹ Doc. 45/70 and 77/71

Control aspects

20. The Committee on Budgets feels that the reports envisaged as a means of reviewing the proposed measures (Article 13(2) and Article 20, final paragraph) should also include information on consumer price trends to enable possible price rises resulting from the centralization of supplies to be monitored.

21. In the opinion of the Committee on Budgets there is inadequate provision guaranteeing the special review of the application of the regulation, intended to ensure the economically efficient utilization of the funds. It has therefore drafted a new Article 21 to be inserted after Article 20, aimed at ensuring sufficient control over the effectiveness of the aid.

V. CONCLUSIONS

22. In the event of the Committee on Agriculture reaching a positive decision on the need for a regulation of this kind to improve agricultural structures, and on condition that the proposed aid can successfully achieve this objective, the Committee on Budgets welcomes the Commission's renewed initiative.

23. The Committee on Budgets reiterates its opinion that the financial statement is inadequate and calls on the Commission to submit to it, before this opinion is adopted, full information of the type supplied with previous proposals in 1970 and 1971.

24. Subject to these reservations the opinion of the Committee on Budgets is favourable. The committee nevertheless feels that wider powers should be transferred to the Commission to enable it to supervise the conditions in which this regulation is implemented and requests a more precise formulation of certain provisions. It requests the Committee on Agriculture to make certain amendments to the articles quoted in the annex to this opinion and relating to

- the need for Parliament to have a say as regards the various financial implications of the regulation (Articles 3 and 10) and
- more adequate provision for financial control (Articles 15 and 16).

If the Committee on Agriculture has already adopted its report, the Committee on Budgets reserves the right to table appropriate amendments in plenary sitting.

Articles 1 and 2 unchanged

Article 3

- | | |
|--|--|
| 1. unchanged | 1. unchanged |
| 2. The Council acting by a qualified majority on a proposal from the Commission may decide to amend the Annex. | 2. The Council acting by a qualified majority on a proposal from the Commission, <u>and after consulting Parliament</u> , may decide to amend the Annex. |

Articles 4 to 9 unchanged

Article 10

- | | |
|--|---|
| 1. unchanged (a) unchanged (b) unchanged However the aid provided for in paragraph 1 may be paid over five years. | 1. unchanged (a) unchanged (b) unchanged The aid provided for in paragraph 1 <u>shall be paid in full at the latest within five years.</u> |
| 2. Larger amounts may be fixed by the Council for certain regions and for certain products for a specified period, acting by a qualified majority on a proposal from the Commission. | 2. Larger amounts may be fixed by the Council for certain regions and for certain products for a specified period, acting by a qualified majority on a proposal from the Commission, <u>and after Parliament has given its opinion.</u> |

Articles 11 to 14 unchanged

Article 15

- | | |
|--|---|
| 1. Applications for reimbursement shall relate to expenditure incurred by the Member States during the calendar year and shall be submitted to the Commission before 1 July of the following year. | 1. Applications for reimbursement shall relate to expenditure incurred by the Member States during the calendar year. <u>These applications, together with full supporting documents and proof of utilization,</u> shall be made available to the Commission before 1 July of the following year. |
| 2. unchanged | 2. unchanged |
| 3. unchanged | 3. unchanged |
| 4. unchanged | 4. unchanged |

Articles 16 to 21 unchanged

