

# European Communities

---

446  
EUROPEAN PARLIAMENT

## Working Documents

1976 - 1977

---

16 June 1976

DOCUMENT 162/76

### Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 241/75) for a regulation concerning common measures to improve the conditions under which agricultural products are marketed and processed

Rapporteur: Mr R. HOWELL

1.2.1  
PE 42.353/fin.



By letter of 11 September 1975 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 proposal from the Commission of the European Communities to the Council for a regulation concerning common measures to improve the conditions under which agricultural products are marketed and processed.

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

The Committee on Agriculture appointed Mr Ralph Howell rapporteur on 2 October 1975.

It considered this proposal at its meetings of 19/20 November 1975, 22/23 March 1976 and 3/4 June 1976.

At its meeting of 3/4 June 1976 the committee unanimously with one abstention adopted the motion for a resolution and the explanatory statement.

The following were present : Mr Houdet, Chairman; Mr Laban, Vice-Chairman; Mr Howell, rapporteur; Mr Boano, Mr Brégégère, Mr De Keersmaecker (deputising for Mr Lücker), Mrs Dunwoody, Mr Frehsee, Mr Früh, Mr Gibbons, Mr Hansen, Mr de Koning, Mr Martens, Mr Ney and Lord Walston.

The opinion of the Committee on Budgets is attached.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION . . . . .	5
B. EXPLANATORY STATEMENT . . . . .	9
 <u>ANNEX I</u>	 26
I. FORMS OF PRODUCTION REGULATION AND MARKETING IN AGRICULTURE	28
II. AGRICULTURAL MARKETING STRUCTURES IN THE MEMBER STATES OF THE EEC	45
 <u>ANNEX II</u>	
OBSERVATIONS by Mr Howell, Mr Van Oeveren (Commission Official), Mr Frehsee, Mr Brøndlund Nielsen, Mr Hunault, Mr Houdet, Mr de Koning and Mr Noè on the question raised on 24 January 1975 in Paris by Mr Howell, on the Marketing Boards	78
Opinion of the Committee on Budgets	97

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 proposal from the Commission of the European Communities to the Council for a regulation concerning common measures to improve the conditions under which agricultural products are marketed and processed

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
- having been consulted by the Council pursuant to Articles 42 and 43 of the EEC Treaty (Doc. 241/75),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 162/76),
- having regard to the memorandum on the reform of agriculture in the European Economic Community (Doc. 194/67),
- having regard to the proposal from the Commission of the European Communities to the Council for a regulation concerning agricultural producer groups and their federations (Doc. 20/67),
- having regard to the Second Report drawn up by Mr Bading on behalf of the Committee on Agriculture (Doc. 170/67),
- having regard to the amended proposal of the Commission of the European Communities to the Council for a regulation concerning producer groups and their federations (Doc. 45/70-VI),
- having regard to the Interim Report and a further Report drawn up by Mr Baas on behalf of the Committee on Agriculture (Docs 34/71 and 176/71),
- having regard to the need to ensure reasonable prices to producers of agricultural produce and stable supplies to consumers,
- having regard to the necessity to encourage horizontal and vertical integration in the agricultural sector,
- having regard to the importance of agricultural assets at the Community and international levels,

<sup>1</sup> OJ No. C 218, 24.9.1975, p.4

1. Is of the opinion that measures to improve the processing and marketing of agricultural produce should be implemented with the minimum of delay, and approves the Commission's proposal subject to the following reservations;
2. Points out that the Commission's proposal represents a limited step which will result in a decrease in the total real amount of Community aid to be granted for the improvement of marketing and mixed production/marketing structures, and which will make no substantial contribution to reducing agricultural surpluses and limiting the need for intervention;
3. Believes that the serious market imbalances, particularly in the dairy sector, demonstrate that the question of marketing and processing should not be separated from that of production, but should be considered in terms of achieving: a better balance between supply and demand; to increase returns to the agricultural community and protect their interests in the face of an increasing concentration of buyers; to bring about reasonable and more stable prices for the consumer; to improve the quality and variety of produce offered to the consumer; and to help develop the Community's agricultural assets to their fullest extent;
4. Emphasises that efforts to improve market equilibrium require, above all, greater discipline on the part of producers and that such discipline:
  - (a) is acceptable to producers only on condition that it is linked to a greater role for those producers in developing market policy;
  - (b) and will be effective only when carried out through organizations of producers able to promote their joint strength and implement collective decisions;
5. Believes, in consequence, that efforts in this direction must be based on measures to clarify the objectives of Community agriculture through an increased responsibility for producers in market policy, so as to:
  - (a) reduce the problems caused by undue political interference in production, safeguard the interests of the consumer, and reduce the need for onerous budgetary expenditure;
  - (b) increase the degree of long range thinking on market trends and the most effective use of the Community's agricultural resources;
  - (c) introduce greater day-to-day flexibility in adjusting market policy;

- (d) improve producers' technical resources, and in particular their information on market situations and prices, in order to establish annual market trends and the conditions under which produce should be placed on the market;
  - (e) develop sales promotion and publicity;
6. Believes that this can be achieved progressively by means of:
- (a) adoption by the Council of the regulation concerning producer groups and coordination between producer groups;
  - (b) the organisation of producers in the major agricultural sectors on a long-term contractual basis, adapted to national requirements, and within independent bodies, whose principal concern would be to regulate on a day-to-day basis, under the general supervision of the Commission, the conditions for the marketing of produce within each major agricultural sector, so as to provide the basis for a more continuous adjustment of supply to demand and to improve quality of agricultural produce to the consumer.
7. Invites the Commission to examine the possibility of employing, as a condition for the grant of aid from the EAGGF in the processing and marketing sector, contractual links between producers and processors, with the gradual introduction of 'model contracts' between non-organized producers and processors;
8. Requests the Commission to undertake an examination of the most successful national or regional producer organisations and cooperatives within the Community, so as :
- to provide the basis for the rational development of production and marketing measures;
  - and to indicate those sectors where increased producer organisation is most urgently required;
9. Requests the Commission to present a report to the Council and the European Parliament three years after the entry into force of this proposal on the effects of marketing structures, and on the basis of that report propose modifications, where appropriate, to the present provisions;

10. Requests the Commission to incorporate the proposed amendments in its proposals to the Council, pursuant to Article 149, second paragraph, of the EEC Treaty.



---

Proposal from the Commission to the Council for a  
regulation concerning common measures to improve  
the conditions under which agricultural products  
are marketed and processed

---

Preamble, recitals and Article 1 unchanged

Article 2

1. The specific multiannual programmes shall be designed to develop or rationalise the processing or marketing of one or more agricultural products or groups of products in a part or the whole of the Community.
2. The specific programmes shall be drawn up by :
  - (a) the Member States,
  - (b) interested trade or inter-trade organisations or by a representative group of undertakings,
  - (c) particularly in the case of programmes for a region or zone covering territory situated in more than one Member State, by the Commission, acting in accordance with the procedure laid down in Article 25.

Article 2

1. unchanged
2. The specific programmes shall be drawn up by :
  - (a) the Member States,
  - (b) interested trade or inter-trade organisations or by a representative group of undertakings, representing producers, processing or marketing enterprises,
  - (c) particularly in the case of programmes for a region or zone covering territory situated in more than one Member State, by the Commission, acting in accordance with the procedure laid down in Article 25.

Articles 3 and 4 unchanged

Article 5

1. Having studied the programmes, the Commission shall consult the trade organisations existing at Community level which are most representative of the producers, processors and dealers affected.

Article 5

1. Having studied the programmes, the Commission shall consult the trade organisations existing at Community level which are most representative of the producers, processors and dealers concerned and workers affected.

Paragraphs 2 and 3 unchanged

Article 6 unchanged

---

<sup>1</sup> For full text, see OJ No. C 218, 24.9.1975, p.4

Article 7

paragraph 1 unchanged

2.

Add to paragraph 2 :

(f) retraining of  
workers engaged in the process-  
ing and marketing of agricul-  
tural produce.

paragraphs 3 and 4 unchanged

Articles 8 to 12 unchanged

Article 13

1. Applications for aid from the Fund shall be submitted to the Commission each year before 1 October. The Commission will decide on the merits of such applications before 31 December of the following year.

Article 13

1. Applications for aid from the Fund shall be submitted to the Commission each year before 1 October. The Commission will decide on the merits of such applications before 30 September of the following year.

paragraphs 2 to 5 unchanged

Article 14 unchanged

Article 15

Article 15

Add after point (h) the following :

(i) projects intended to contribute to an improvement in the employ-  
ment of workers and for the re-  
training of workers required by  
the restructuring of markets in  
the sectors concerned.

Articles 16 and 17 unchanged

Article 18

1. The estimated time required for carrying out the common measures is ten years.

Article 18

1. unchanged

2. Five years after this regulation enters into force, the common measures will be re-examined by the Council upon a proposal from the Commission.

2. Three years after the entry into force of this regulation the Commission will draw up a report for the Council and the European Parliament.

3. On the basis of the report, and the opinions expressed by the Council and the European Parliament, five years after this regulation enters into force, the common measures will be re-examined by the Council upon a proposal from the Commission.

paragraphs 3 and 4 become paragraphs 4 and 5 respectively

Articles 19 to 27 unchanged



EXPLANATORY STATEMENTPurpose of the Commission's proposal

1. The purpose of the Commission's proposal is to provide for common measures financed under the Guidance Section of the EAGGF to improve processing and marketing of agricultural products, by means of the modernisation of undertakings in this sector of agriculture.
2. The objectives of the Commission's proposal on the improvement of the conditions under which agricultural produce is marketed and processed are defined as 'the encouragement and modernisation of undertakings engaged in the marketing or processing of agricultural products'<sup>1</sup>. Its objective is the rationalisation and regrouping of businesses concerned with processing and marketing, in the belief that this will lead to greater efficiency, with the benefits of this process being transmitted to the producer and the consumer.
3. Aid is to be granted from the EAGGF in the form of capital subsidies, either as a lump sum or in instalments. The subsidy from the fund may not exceed 25%; the beneficiary shall contribute at least 50%; and Member States shall contribute a sum equal to at least 40% of aid granted from the fund (Article 19).

Proposed changes from the present system of granting aid for the improvement of marketing structures

4. This document stresses the importance attached by the Commission to improving processing and marketing in the agricultural sector. This document is presented as being a new step forward. The closer examination of the future overall financial contribution by the Community to these aims shows that there will be no great alteration from the amount of aid presently granted by the EAGGF for the improvement of this sector.
5. It must be remembered that the improvement in marketing and production/marketing in the Community is already covered by individual projects financed under Article 800 of the Guidance Section of the EAGGF. In 1973 approximately 84 m.u.a. were allocated for this purpose. In 1974, the figure approached 123 m.u.a..

By 1977, when this proposal is to enter into force, it is expected that appropriations for common measures will reach the ceiling laid down for the Guidance Section. In such an event, individual projects (which are financed from the balance available between annual appropriations and forecasts of expenditure on common measures) will come to an end. It is proposed that 80 m.u.a. will be spent. Consequently, overall expenditure from the Guidance

---

<sup>1</sup> Article 1, page 8, Doc. 241/75.

Section on the improvement of processing and marketing will decrease, rather than increase, as one might have been led to expect.

It is significant to recall that the Commission's memorandum on the Improvement of the Common Agricultural Policy stated that the implementation of measures concerning the improvement of marketing structures and producer groups would involve no increase in the expenditure of the Guidance Section of the EAGGF.

6. Moreover, the conditions under which applicants would receive aid will be less favourable than at the moment since normally subsidies granted by the EAGGF for individual projects in this sector are 45% instead of 25%, as suggested by its proposal, for the improvement in quality of products<sup>1</sup>, while the beneficiary's contribution is fixed at 20 - 38% rather than 50%<sup>2</sup>.

7. Consequently, the principal objectives of this proposal may be seen as:

- (a) bringing aid presently granted from the Guidance Section of the EAGGF in the marketing sector under Community rather than national criteria;
- (b) ensuring for the grant of aid for the improvement of marketing structures once there no longer remains sufficient appropriations to finance individual projects.

#### Criteria for the granting of aid from the EAGGF

8. The principal change that will result from the introduction of Community criteria will be that individual projects will no longer be considered, but only those which form part of a wider regional programme to improve a particular sector. In fact, according to Article 10, aid may only be granted to projects included in specific multiannual programmes designed to improve the processing and marketing of one or more agricultural products in a part or whole of the Community.

These specific multi-annual programmes shall be drawn up by :

- (a) Member States;
- (b) trade organisation(s); or
- (c) the Commission (article 2).

Programmes shall be forwarded by Member States who must give a favourable opinion (article 4).

The Commission shall consult trade organisations, representing producers, processors, and dealers (Article 5).

---

<sup>1</sup> See Regulation 17/64/EEC, Articles 11(1) and 12(2)b, O.J. No 34, 27.2.1964, p. 5864; and Regulation 2684/74, O.J. No L 228, 25.10.1974, p. 5.

<sup>2</sup> See Regulation 17/64/EEC, Article 18(1).

9. The types of projects eligible for aid are as follows (Article 15) :
- (a) guiding production in the direction sought by the CAP or promoting the production of new products or new outlets;
  - (b) projects likely to lighten burdens of intervention mechanisms;
  - (c) projects which in the long term will remove the need for intervention;
  - (d) projects in regions eligible for aid from the Regional Development Fund or any particularly disfavoured regions;
  - (e) projects improving marketing channels;
  - (f) projects improving the quality of products and the use of by-products;
  - (g) projects incurring research;
  - (h) projects on the dissemination of agricultural information.

10. Projects must not jeopardise the protection of the environment, consumer interest, nor alter the conditions of competition (Articles 11 and 21).

11. The total cost for the first five years is estimated at 400 m.u.a. (Article 18(3)). The estimated time required for carrying out the common measures is ten years (Article 18(1)). Common measures shall be re-examined by the Council five years after the regulation enters into force.

#### Community measures to improve marketing structures in agriculture

12. The improvement of the conditions for the marketing of agricultural produce from the outset has been at the forefront of efforts to improve the structure of Community agriculture.

13. Thus, Regulation 17/64/EEC<sup>1</sup> provided for the granting of aid for the improvement of marketing and mixed production/marketing structures. In 1974, 123 m.u.a. were allocated for these purposes. Such aid is granted for individual schemes at a local level, such as the improvement of dairies, collection centres, and processing plants.

14. In 1966 a new range of schemes was put forward, which never came into effect.

15. It was not until the Mansholt plan for the reform of European agriculture that measures were conceived which went beyond the level of the individual factory.

In the memorandum on the plan an overall global approach to the problem of directing production in the direction required by demand was developed.

The Commission argued that only fundamental measures could achieve the double objective of improving producer incomes and solving market disequilibria. The memorandum and ensuing proposals were clearly based on the philosophy that particular proposals, such as producer groups and marketing reform, could only

<sup>1</sup> O.J. No 34, 27.2.1964

gain their significance within this global approach, which should include control of markets and a regional and social policy. One fundamental objective was to increase the freedom of initiative for farmers and to encourage the decentralisation of decisions from a purely national to a regional and Community level.

16. The memorandum outlined a three-stage plan, in which each element was intimately related to the others. It is, therefore, impossible to consider any one proposal, such as marketing reform, without reference to the whole package of proposals.

17. Producer groups formed the first stage in the improvement of marketing structures, to allow production to respond more to Community demand and at the same time to give producers sufficient negotiating powers, particularly with regard to drawing up contracts<sup>1</sup>.

The second stage was to be formed by European professional and inter-professional groups. In order to facilitate the rationalisation of proposals set out above, it was suggested that professional and inter-professional groups should be set up on a European level by products or groups of products. Such groups would have the authority to :

- create an information system on markets;
- establish a price reference system;
- exercise effective control over quality norms;
- establish at the beginning of marketing campaigns, on the basis of annual forecasts, the conditions for placing a product on the market;
- organise promotional and publicity campaigns;
- and encourage the development of relations between producer groups, on the one hand, and transformation and the marketing industries, on the other, and in particular to organise contractual relations between the two.

The third stage is the subject of the present proposal.<sup>2</sup>

Progress, however, was slow despite resolutions of the Council which were to follow.

18. The basic goal, which was to inspire much of future Council decisions, is made clear in the Council Resolution of 21 April 1970 on an improved control of agricultural markets. The Council agreed 'to continue to take, as a priority, the necessary measures to ensure an improved control of the markets by a policy for agricultural production which will make it possible to limit budgetary charges.'<sup>3</sup>

---

<sup>1</sup> Doc. 45/70 - IV Modified proposal for a Council regulation concerning producer groups and their federations, p. 2.

<sup>2</sup> Doc. 241/75

<sup>3</sup> O.J. No C 50, 28.4.1970, p. 2.



19. Regulation 729/70 of 21 April 1970 laid down that common measures to achieve the objectives set out in Article 39(1)a of the Treaty could be financed by the EAGGF, that is 'to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour'<sup>1</sup>.

20. In its resolution of 25 May 1971 the Council agreed to undertake such common measures and to base them on Community criteria. Section 4, "Common Structural Measures", provided for measures to improve marketing of agricultural products. Two measures were envisaged:

- (a) aid in favour of producer groups and their federations;
- (b) a study by the Commission of problems arising in connection with the marketing and processing of agricultural products and submission by the Commission of proposals with a view to attaining the relevant objectives set out in Article 39 of the Treaty.

21. In July 1971, the Commission forwarded a modified draft proposal on producer groups.

Agreement was reached in the Council, except on the following points : whether non-land based products and all the products in Annex II should be covered; whether aids should be obligatory; and whether the proposal should be in the form of a regulation or a directive.

In a Resolution of 24 March 1972, the Council undertook to adopt the Commission's proposal before 1 October 1972, together with measures on long-term contracts, the transparency of the market and improvement in the processing sector.

In a further Resolution of 20 September 1972, the Council, undertaking to take up these matters rapidly, invited the Commission to draw up draft regulations on the improvement of the processing and marketing of agricultural produce.

The Council has not yet reached a decision on producer groups, though this is expected in the near future.

The European Parliament is now invited to consider Commission proposals to encourage the preparation, at the initiation of either official departments or of relevant private sector organisations, of action programmes for specific

---

<sup>1</sup> This article may be interpreted to include the following objectives, since sub-paragraph (b) begins with the words 'thus to ensure' :

- a fair standard of living for farmers;
- stabilised markets;
- availability of supplies;
- and that supplies reach consumers at reasonable prices.

sectors to encourage the development of rationalisation of agricultural marketing and processing equipment. These should be submitted for approval at Community level. Assistance from the Guidance Section of the EAGGF will gradually be concentrated on investment schemes forming part of such programmes.

22. The Committee on Agriculture, in reports<sup>1</sup> drawn up by Mr Bading and Mr Baas have stressed the principal problems to be dealt with :

- (a) the importance of making produce adapted to demand, in terms of the variety and quality offered;
- (b) that the Commission should continue to examine the problems of the marketing and processing sectors and that this would involve an examination of the problem of vertical integration;
- (c) the necessity to ensure that as the number of buyers available to the producer decreases, the producer's position will not be increasingly weakened.

These aims remain equally valid today. In fact, they should be considered essential priorities in view of the difficulties facing European agriculture and the lack of any general forward policy in the major sectors. Market management on a purely day-to-day basis must inevitably lead to measures which come too late and involve excessive expenditure from the EAGGF.

#### Development of the Community's agricultural assets

23. In addition to the basic principles enunciated in the past by the Committee on Agriculture, one must clearly point out that in today's world agriculture is fast becoming the most important international resource, replacing even petroleum. It is essential that the Community's agricultural resources be developed to their fullest potential in order to ensure security of supplies in the Community and allow Community producers to play their role in supplying the needs of third countries.

#### The producer v. the processing and marketing businesses

24. The basic concept underlying this proposal is that encouraging the merger of processing and marketing businesses into large enterprises will in some way benefit the farmer. This seems to ignore the fact that in the majority of countries of the Community, the processing and marketing sectors are highly developed. Indeed, in many cases, large businesses dominate particular sectors and have an important influence on determining prices for producers and even the conditions of production. In such a case, the problem from the producer's point of view is to maintain his negotiating position as the economic strength of those to whom he sells his produce increases. Vertical integration is beneficial to the farmer, provided that he is protected from certain of the effects of his increased dependence upon a decreasing number of buyers of his produce.

<sup>1</sup> Docs. 170/67, 34/71 and 176/71

25. One way to do this might be to seek to ensure by some legislative means that the development of the processing and marketing sector benefits the producer. Accordingly, by Article 9 of the Commission's proposal, aid will only be granted to projects which help to improve the situation of the agricultural sector in question; and in particular those which enable a representative number of producers of the basic agricultural product to obtain an adequate and lasting share in the resulting economic benefits. This, of course, would be extremely difficult to judge.

The only means available, as the Commission demonstrates in Article 9, is to seek to ensure that long-term supply contracts concluded between producers and processors are fair. However, long-term supply contracts only cover a very small percentage of Community production, and no solution is offered for the vast majority of producers.

In any case, one would run into the problem of defining what is a fair contract. Would it not have been better for the Commission to have proposed that where long-term supply contracts are in force aid can only be granted to projects in which use is made of the 'ideal contract' which exists in a number of countries.

#### The need for a global approach

26. It is clear from the examination of the Commission's proposal given earlier, which is reinforced by past resolutions of the European Parliament, that it is not sufficient to concentrate attention upon marketing and processing enterprises alone.

The aims of proposals for this very important sector must be more clearly defined if grants of aid from the EAGGF are to be justified.

Production must be geared to the needs of the consumer, both in terms of quality and quantity. Greater integration of the production and marketing stages must be achieved. Moreover, the producer's market position must be safeguarded.

The broader terms of reference as originally conceived by the Commission in the Mansholt Memorandum should be retained in examining this particular proposal.

27. In view of the observations above, it would seem advisable to examine the problem in the wider terms of the producer and the processor. What is required is a more complete horizontal and vertical integration within major agricultural sectors. Only in this way would it be possible for agricultural production to be aligned more closely to the requirements of the consumer and the marketing sector.

It is this link between the production and the processing/marketing stage which is of paramount importance.

28. On the other hand, it is equally important to ensure that the farmer is not subject to continual political interference, which can only result in uncertainty, loss of confidence and fluctuations in production detrimental to the consumer.

The aim should be to allow independence and private enterprise to be safeguarded on the one hand, while providing, on the other, an organisation sufficiently comprehensive to tackle the problems facing the major agricultural sectors. One way to achieve this is to provide for the possibility of farmers coming together into collective bodies endowed with the powers to fulfil the central function : bringing production into line with the market possibilities.

It is fundamental that flexibility should be maintained and top-heavy bureaucratic structures avoided.

29. A first and absolute priority must be the encouragement of producer groups and their coordination at regional and national levels.

It must be emphasised, however, that the role of producer groups should not simply be limited to implementing decisions made in Brussels concerning basic policies of prices, price relationships and quality criteria.

There is much talk today concerning the financial co-responsibility of the producers. It has become evident that this concept will never be accepted and translated into fact until it is accompanied by co-responsibility for the producer in market management.

It is only in this way that it will be possible to link production to the needs of the market, which is the aim of these calls for co-responsibility and the Commission's proposal under consideration.

Attention must be concentrated on the level of the producer. Producer groups, as presently conceived, are a first essential step. But that in itself will not solve the problem of the present market imbalances.

The Commission should reconsider setting up independent inter-professional organisations (but acting, of course, under its general supervision) to give their full-time consideration to one particular agricultural sector, to tackle the problems peculiar to that sector and the relationship between products within it.

30. Such bodies would be more able to develop the form of long-range thinking that the Commission, confronted with the solid mass of information on the problems raised by many and varied sectors, cannot.

This form of producer organisation under a central body in each sector could provide, in addition to specialised management expertise, greater responsibility for the farmer, both in the development of management rules and for the market situation. Rights would be shared, as with the risks.

31. Above all, such an organisation would lead to the right set of questions being asked, as to where European agriculture should be going in each sector; only then can the solutions to the fundamental problems be found.

32. Such a system would be in the interests of the producer, in providing stability. For the same reason the consumer would benefit. And given that the farmers would rely on their collective strength to ensure reasonable income levels rather than Community and national aid, the call of agriculture on the Community budget would be reduced considerably.

The aims should remain those which have been stressed in the past by the Committee on Agriculture<sup>1</sup>:

- (a) the importance of making produce adapted to demand, in terms of the variety and quality offered;
- (b) that the Commission should continue to examine the problems of the marketing and processing sectors and that this would involve an examination of the problem of vertical integration;
- (c) the necessity to ensure that as the number of buyers available to the producer decreases, the producer's position will not be increasingly weakened.

The steps which should be taken are as follows :

- (a) an examination of the possibility of employing 'model contracts' between producers and processors as a condition for the granting of aid from the EAGGF in the marketing sector;
- (b) promoting producer groups and coordination between producer groups;
- (c) encouraging the drawing up of collective contracts, at a local, regional or national level, between producers and processors, in the framework of the multi-annual programmes proposed by the Commission, under the supervision of a coordinating body, or bodies, spanning agricultural production and marketing in the major agricultural sectors;
- (d) the organisation of producers on a long-term contractual basis adapted to national requirements, and within independent bodies in the major agricultural sectors, whose principal concern would be to regulate on a day-to-day basis, the conditions for the supply of produce within each major agricultural sector, under the general supervision of the Commission.

---

<sup>1</sup> See paragraph 22

### Examination of existing regional and national bodies

33. Another important step would be to examine the way in which producer groups, cooperatives and marketing boards work in the Member States. In certain countries, these bodies are already highly developed. Conclusions could then be drawn from the most successful to provide the basis for drawing up proposals for a Community organisation.

34. It is extraordinary to suggest, as does the Commission in Article 7(d) and Article 15(h) that one reason for granting aid shall be to establish the sort of facts that would enable one to decide whether the grant of aid is justified in the first place. This is putting the procedure back to front. Proposals must be drawn up on the basis of a proper understanding of the real needs and the true possibilities of European agriculture. An examination of the producer-marketing organisation at work in Member States is a first essential step.

### Textual problems

35. It is extremely difficult to determine the types of projects which shall be eligible for aid due to continual repetitions in the text.

There are the criteria for the specific multi-annual programmes : these are eight in number.

Following this, there are criteria defining acceptable projects. These criteria are laid down in three separate places in the text : Articles 7, 10 and 15. In these articles, five, three and eight criteria are given respectively.

36. The confusion created by this repetition of criteria is considerable and is not reduced by the obscurity of the criteria included. For example, by Article 10(a) projects must be "... aimed, directly or indirectly, at an adaptation or guidance of agriculture necessitated by the economic consequences

of the common agricultural policy or at meeting the requirements of that policy". This is devoid of any meaning whatsoever.

Moreover, other criteria are so ambiguous in their aims as to represent mere pious hopes. For example, Article 15(c) allows aid to be granted to projects "... which in the long term will remove the need for intervention". There is little likelihood of any measure limited to the processing-marketing sector being able to achieve this aim; nor would it be possible to judge whether in the long term any particular measure could achieve this aim.

37. A degree of redrafting is required to simplify and make more coherent the presentation of conditions for the granting of aid, which are, after all, the most important of the provisions.

### Conclusions

38. The improvement of marketing of agricultural produce is of particular importance, and the Committee on Agriculture has drawn attention, in the past, to the need for measures in this field<sup>1</sup>.

39. The Commission has stressed the importance of action in this sector and has promised to put forward measures in the Mansholt Plan, and again in the Memorandum on the improvement of the CAP, and the Communication on the stock-taking of the CAP<sup>2</sup>.

40. The present proposal is the outcome of the Commission's long period of reflection. It can be said to constitute a limited step towards improving the conditions under which agricultural produce is processed and marketed. As such, it can meet with the approval of the Committee on Agriculture, subject to the following reservations and observations.

41. However, the problem of marketing extends beyond the rationalisation of enterprises engaged in processing and marketing.

A first aim must be to ensure that agricultural production is geared to the needs and tastes of consumers, both in terms of quantity and quality.

The basic need at the moment is to create a greater link between production and consumption patterns.

42. Such efforts must begin with the producer, and this cannot possibly be achieved until the producers are organised and have a degree of co-responsibility for market management.

---

<sup>1</sup> See reports drawn up by Mr James Scott-Hopkins on the improvement of the Common Agricultural Policy (PE 35.083) and on the stocktaking of the Common Agricultural Policy (Doc. 115/75)

<sup>2</sup> Docs. 194/67, 251/73 and 529/74

43. One should bear in mind the context in which the proposal under consideration was originally conceived, as part of a three-stage plan involving the development of producer groups and professional associations, as well as the improvement of marketing enterprises.

44. The aims of this wider approach should be as follows :

- (a) the importance of making produce adapted to demand, in terms of the variety and quality offered;
- (b) that the Commission should continue to examine the problems of the marketing and processing sectors and that this would involve an examination of the problem of vertical integration;
- (c) the necessity to ensure that as the number of buyers available to the producer decreases, the producer's position will not be increasingly weakened.

45. The steps to achieve this should be as follows :

- (a) an examination by the Commission of the employment of model contracts between producers not organized in groups and cooperatives and processors as a condition for the granting of aid from the EAGGF in the marketing sector;
- (b) promoting producer groups and coordination between producer groups;
- (c) encouraging the drawing up of collective contracts, at a local, regional or national level, between producers and processors, in the framework of the multi-annual programmes proposed by the Commission, under the supervision of a coordinating body, or bodies, spanning agricultural production and marketing in the major agricultural sectors;
- (d) the organisation of producers on a long-term contractual basis adapted to national requirements, and within independent bodies in the major agricultural sectors, whose principal concern would be to regulate on a day-to-day basis, the conditions for the supply of produce within each major agricultural sector, under the general supervision of the Commission;
- (e) an examination of the working of producer groups, cooperatives and marketing boards in Member States.

46. Such a wider approach would be in the interests of the producers and consumer, and would lighten the burden of the EAGGF on the Community budget.

47. Furthermore, it should be borne in mind that the measures proposed would do little more than take over the present role played by individual projects, but on terms far less favourable to the beneficiary.

While common criteria, rather than national, are to be preferred for the operation of the Guidance Section of the EAGGF, the fact the beneficiary



must now contribute 50%, and the Member States 40%, will mean :

- (a) that the enterprises and regions most in need of assistance may not be able to benefit from this measure;
- (b) that Member States, considering their relative contribution to be excessive, may not pass the necessary implementing legislation.

48. Consequently, and in view of the importance of the improvement in this sector to European agriculture, certain members of the committee suggested that the contribution of the beneficiary be set at 40%, particularly for developing regions.

49. The Committee requests that the Commission should report to the Council and the European Parliament on the effectiveness of the measures presently proposed three years after their entry into force, and every two years thereafter; and that the initial report should be the basis for drawing up modifications where necessary.

50. The Commission has itself stressed the importance of making regulations as clear and simple as is compatible with an acceptable legal text, in order that they should be as comprehensible as possible to those who use them, and one can add in this case, to ensure that aid is directed towards desirable projects. If Community criteria are to replace national criteria, they should be as precise and as discriminating as possible. Unfortunately, this is not the case. The text of the Commission's proposal is not as coherent as one would wish, containing many repetitions and ambiguous, occasionally meaningless phrases. The Committee on Agriculture suggests, therefore, that a degree of redrafting is required before final adoption of this proposal.

51. One final point is of considerable importance. The European Parliament has been called upon to give its opinion on a number of proposals for the structural improvement of agriculture. One can cite the proposals concerning producer groups as an example. A number of these proposals, however, have yet to be adopted by the Council. In other cases, proposals have been adopted, but the necessary implementing legislation is not passed by Member States. The Committee on Agriculture urges, therefore, that action be taken on proposals concerning the improvement of marketing and producer groups with the minimum of delay.

I. FORMS OF PRODUCTION REGULATION AND MARKETING IN AGRICULTURE

II. AGRICULTURAL MARKETING STRUCTURES IN THE MEMBER STATES OF  
THE EEC

## C O N T E N T S

	<u>Page</u>
<b>FORMS OF PRODUCTION REGULATION AND MARKETING IN AGRICULTURE . .</b>	<b>28</b>
Increasing tendency to farmer cooperation	29
Different methods of cooperation	30
The different marketing organisations defined	30
Cooperatives	31
Marketing Boards	32
Contractual farming	34
Mixed organisations	34
Advantages and disadvantages of the principal instruments : contracts, quotas and producer organisations	35
Degree of vertical integration in EEC countries	36
Producer Groups : Community Policy	39
Producer Commodity Boards and planned production : Community Policy	41
<b>AGRICULTURAL MARKETING STRUCTURES IN THE MEMBER STATES OF</b>	
<b>THE EEC . . . . .</b>	<b>45</b>
Belgium	46
Denmark	48
France	52
Germany	58
Ireland	60
Italy	62
Luxembourg	63
Netherlands	64
United Kingdom	71

PART ONE

FORMS OF PRODUCTION REGULATION AND  
MARKETING IN AGRICULTURE

## Increasing tendency to farmer cooperation

1. The great majority of farmers in the Community operate in a free market system. Producers, whether individual or collective, find outlets for their products through auctions, commission selling or spot deals.

Within this free market system two distinct trends have become apparent in the last fifty years :

- an increase in specialisation of function where the producer has very little role to play in the marketing and processing of his products;
- an increasing tendency for producers to group themselves to achieve the advantages of cooperation, either at the production stage or at the marketing and processing stage (vertical integration).

2. This increasing tendency to practise cooperation is a reflection of the inherent weakness felt by the individual producer in the face of powerful market force. Though it is true that most movements towards cooperation have received their impetus from economic pressures submitted in times of crisis, an awareness of advantages offered by a sharing of the costs and services has played an equally important role.

Thus, the individual farmer has become aware :

- on the one hand of his weakness in face of a smaller number of buyers of increasing size and strength;
- and on the other of the difficulties of obtaining technical and commercial service at an acceptable cost.

This has led to horizontal groupings, in which size and discipline are the most important factors : these two factors, together with the characteristics of each market determine the success or failure of individual groupings.

These groupings may extend beyond the mere production stage in an attempt to influence marketing outlets, thus increasing vertical integration.

Such vertical integration has also been achieved on an individual basis through contracts signed between individual or collective producers and the buyers.

Contracts may be generalised to cover all production through marketing boards, having monopoly of sales from the producer, and powers to establish production objectives and producer prices.

### Different methods of cooperation

3. In order to improve their income by means of increased organisation, there are two principal directions in which producers can proceed :

- either through attempts to limit costs by pooling agricultural machinery, labour, finance or land;
- or by attempting to increase returns from produce by establishing quality norms, improving marketing methods or by directly influencing market prices.

4. In the first category can be included producer groups and cooperatives either concerned with the pooling of machinery (40,000 in Germany and 400,000 in France), labour or land (group farming which is confined mainly to France and Spain and is beginning in Belgium and Norway).

5. This paper will be concerned primarily with the second category of organisations, those mainly concerned with prices rather than costs.

6. These organisational farms can in their turn be divided into those seeking to improve the marketing of produce :

- (a) either by regulating the quality of farm produce or by improving marketing methods and strengthening the producer's voice in contractual negotiations : certain producer groups, cooperatives, marketing groups and contract farming;
- (b) or by directly influencing the market price through regulation of supply : marketing boards, certain cooperatives employing price or quota systems to regulate supply, together with promotional efforts.

### The different marketing organisations defined

7. In order to prevent later confusion, it would be prudent at the outset to distinguish in broad terms the different characteristics of each marketing form :

- (a) Cooperatives : Cooperatives provide members with services which cannot be obtained individually except at too great a cost. Often beginning by the forming of credit cooperatives, then extended to cover buying of inputs, machinery and the organisation of production, cooperatives are now increasingly interested in marketing, either directly or through link-ups with private firms;

- (b) Non-statutory marketing boards : These are common organisations acting as a financial agent for the buying and selling of produce, often directly under the control of the farmers using their services ;
- (c) Statutory marketing boards : These are distinguished from the former by the fact that they are the sole buyers of produce and thus have a monopoly in each particular sector ;
- (d) Mixed organisations : Voluntary mixed organisations set up under the joint ownership of producers and independent marketing concerns for collaboration in preparing produce for market or processing;
- (e) Contract farming : Contract farming can be defined as a commitment to provide an agricultural commodity of a type, at a time and in a quantity required by a known buyer, often involving a degree of transferred management responsibility and to some degree a transfer of commercial risk. There is also some stated basis for fixing the price at which the produce is to change hands. Four different types of contract can be defined :

Marketing contracts : specifying only the conditions of sale of farm output, with no control by the buyer over production methods;

Buying contracts : covering only the purchase of farm inputs by the producer, and excluding contracts containing provisions relating to the output;

Transferred management contracts (full) : covering farm production with major inputs supplied by the buyer, who retains ownership of them and has full control over producer's activities until delivery is effected;

Transferred management contracts (partial) : covering purchase of some farm inputs on credit from the buyer, who also has some control over production methods, and subsequently purchases the producer's output.

### Cooperatives

8. Cooperatives are the traditional processing and marketing organisations in a number of countries. There has been a tendency for much wider groupings of cooperatives concerned with rationalising the market and improving quality.

In certain countries, cooperative marketing organisations have been given official legal status, with special powers to regulate prices.

In Sweden, for example, the Marketing Association pool farmer returns from both domestic and export sales.

In Denmark, individual Export Boards, established largely by cooperatives, stabilise farmers' returns by pooling export prices, both over periods of time and between the various markets.

9. Cooperatives exist in all Member States but they vary greatly as regards their economic importance, their size, their procedures, their legal form, their structure, their internal rules, etc.

The economic importance of cooperatives varies from one country to another and also from one sector of agriculture to another.

Thus, in the Netherlands and in Denmark they occupy a particularly important place in the economy. On the other hand, in the United Kingdom, despite the long history of the first cooperatives which date from the end of the last century, they only occupy a secondary position in the sale of agricultural products, probably a result of the existence of marketing boards for certain agricultural products.

Milk, a highly perishable product, is the one most marketed by cooperatives in all the Community countries. In Ireland all milk produced is collected by the cooperatives which hold a special licence for this purpose. At the same time they process 75% of all milk collected.

In the Netherlands and in Denmark almost all milk is collected by cooperatives.

Other perishable products dealt with largely by cooperatives are fruit and vegetables. There are considerable variations between the percentages of vegetables sold by the cooperatives in the different countries, 100% in the Netherlands, 5% in Italy and between 10% and 50% in the other countries. Except in the Netherlands (95%) the percentage of fruit sold through cooperatives in each Member State is higher than the percentage of vegetables. Cereals which are easily stored and which in certain countries are traditionally produced by small farms are also largely marketed by cooperatives (70% in France, the Netherlands and Luxembourg).



Varying percentages of pig and poultry products are also marketed by cooperatives. Thus in Denmark cooperatives market 91% of pigmeat while in the United Kingdom the proportion is only 7%. The variable percentages of these products marketed are due to the fact that these sectors are often closely linked to industries providing the 'inputs' for livestock farming.

Sugar beet is rarely marketed through cooperatives. Since it is a product which is only intended for processing, sales through cooperatives are practically nil in countries where there exists a processing industry not organised on a cooperative basis.

On the other hand in countries such as the Netherlands cooperatives sell the product (63%) and do the processing.

### Marketing Boards

10. Marketing boards in the fullest sense of the term are found in the United Kingdom, Canada and Australia.

In the United Kingdom, marketing boards are successfully operated in the milk, hops and wool sectors.

In Canada they operate mainly as negotiating agencies in the wheat and dairy sectors.

In the United States, voluntary schemes exist for wheat, feed grains, cotton and tobacco, but participation is a condition for receiving price support.

In other countries, bodies exist which resemble marketing boards in their operation. In the Netherlands, the Central Bureau of the Horticultural Auctions has established a minimum price scheme for fruit and vegetables, intervention being financed by commodity funds made up of levies on the annual turnover of auctions.

In Denmark, a high degree of market regulation has been achieved by associations of cooperatives, and in the dairy sector, quotations are established for the entire country.

Certain other forms of regional contractual arrangements come close to the non-statutory marketing boards in their activity. For example, in France the 'loi complémentaire' of 1962 encourages, by means of financial assistance, producer marketing groups to establish quality norms, stable contracts and to practise price regulation. These 'groupements de vente' have shown considerable development and now cover 20% of the inter-regional trade in fruit and vegetables.

### Contractual farming

11. Contract farming is found most extensively in the United States, where 90% of broilers and seeds, 75% of sugar and 70% of citrus fruit production is governed by contracts. In Europe, sugar beet is the principal crop regulated by contracts.

12. As a product intended for processing, sugar beet is sold in practically all Community countries solely or almost solely under contract. A very high proportion of the garden peas grown for canning companies is sold under contract (the whole of production in Denmark and in Belgium and almost all in Germany, France and the Netherlands).

As regards table poultry, production and marketing are frequently organised by means of contracts or agreements between the compound animal feedingstuffs industry, the selection and mass-production undertakings and the slaughterhouses. On the other hand in the fresh egg sector contractual arrangements with the requirements of compound animal feedingstuffs, the selection and mass-production undertakings and the packing centres are considerably less frequent, amongst other things because a considerable proportion of production is marketed directly by the producer to the consumer or sold on the markets.

Contractual sales for pigmeat represent statistically only a very small percentage, but it is apparent that contractual arrangements for pigmeat production are on the increase. They are most widespread in the United Kingdom and the Netherlands.

### Mixed organisations

13. The concentration and specialisation of the processing and marketing sectors have led to the creation of new types of local or regional organisations linking producers and outlets, and occasionally resembling regional marketing boards.

In North America, regional organisations have assumed responsibility for orderly marketing : marketing order programmes, if accepted by a referendum, become binding on all producers and distributors.

In France, encouraged by legislation enacted in 1964, collective, local or regional contracts can be made binding by a majority vote. These "contrats professionnels" between representatives of producers and processors can be at a regional or even national level.

In Denmark, considerable progress has been made in creating joint organisations run by producer cooperatives and processing and distribution businesses. The latter may even include foreign outlets, such as the British Cooperative Society.

Advantages and disadvantages of the principal instruments : contracts, quotas and producer organisations

14. Each type of organisation provides advantages but also involves certain disadvantages. It is difficult a priori to determine which is the most suitable system without reference to a particular market or country.

Different patterns of organisation are to be found in each country and these reflect both patterns of historical and cultural development as well as production.

However, it is evident that criteria to judge the benefits offered by each system can be established :

- the degree of security or technical services offered to the farmer;
- the degree of vertical integration introduced into the market;
- or the limits placed on the individual farmer's freedom.

Contracts

15. Contract farming and mixed organisations introduce a degree of vertical integration into the market by combining two or more successive stages of the production/processing/distribution chain, under the direction of a single corporate, cooperative or private venture. While complete vertical integration is rare, often it involves control of the individual farmer by non-farming interests and a limiting of his managerial freedom and financial rewards. This is particularly true since it is difficult for the individual producer to build up a countervailing strength against the large processing and marketing concerns. Model contracts provide some protection for the individual producer but the practice is not widespread.

On the other hand, contract farming and mixed organisations offer a degree of safeguard against the hazards of the market through assured prices, allow for the development of the market by the introduction of guaranteed production and supply, and possibly quality controls, increase the availability of capital, disseminate new technology through improved crop varieties and breeding stock, and feedback information on market trends.

## Quotas

16. Quotas are implemented normally to deal with problems related to excessive supply, usually where some form of Government intervention is operated. The tendency of supported prices to lead to increased production is directly restrained in order to give producers a satisfactory return while limiting costs.

There are two principal ways of operating a quota : wither through a price mechanism, the global quota; or through allocation of permitted production quantities, the individual quota.

### Global quotas

One of the difficulties of an overall production quota for a country or region is that of enforcement. This is usually implemented by means of a price disincentive - a lower price being given for excess production, so that price supports, where they exist, are not granted at a constant rate.

The United Kingdom, in the milk sector, establishes yearly a standard quantity based on consumption and a reserve amount. Milk sold in excess of this amount, is paid a pool price, equal to that for milk employed in the manufacturing industry.

### Individual quotas

These provide more effective control but create greater practical difficulties. They are most effective where production is sold to a limited number of processing centres. Most countries operate a system of contracts for sugar beet between producers and refineries, with the total quantity of the contract being fixed by the Government.

In the United Kingdom, hop producers are given a basic marketing quota, received every five years, and no guarantee is given for excess production.

Individual quotas are very difficult to apply to major agricultural products, due to the diversity of marketing outlets. The only solution available is to control the area planted.

### Transferable quotas

The more effective the quota, the more likely are the undesirable effects on efficiency : there is little possibility of increased specialisation or incentive to managerial skills. The problem is one of establishing the base period and then introducing the necessary degree of flexibility.

One solution is to allow quotas to be transferred. Each quota is given a price, the seller receives a financial reward for relinquishing the quota and the buyer calculates his increased income. The result is a transfer from high cost to low cost producers, which has the effect of encouraging the inefficient former to leave agriculture.

In the United Kingdom, basic quotas for hops can be sold. In 1950, there were 951 producers, and in 1965, 744.

There are few transferable quota systems in operation, since there are very few effective individual quota systems operated.

#### Price differentiation

The effects of quotas can be mitigated by a tier system of prices, with decreasing prices paid for produce delivered beyond basic quotas. A two-tier system is common. In Britain a two-tier system exists for milk, with a lower price paid for milk delivered beyond the standard quantity. Between 1904 and 1908 and 1964 to 1969 similar schemes existed for wheat and barley.

#### Conclusions to be drawn on quotas

17. The examples of quota systems described above illustrate their immense variety. When it is realised that, to combat surplus production of a single commodity, several countries have elected to apply different systems, it is obvious that the effectiveness of the measures applied may also have varied considerably. In this respect, the different systems are distinguished by the degree of obligation they impose, and the use they make of differential price levels.

The most stringent quota systems (what in Australia and Canada), whether involving one or more price categories, impose an absolute limit on all producers, which may not be exceeded. Under more flexible systems (for sugar in Denmark and the EEC), the quota may be exceeded, the only restriction lying in the fact that surplus quantities do not qualify for any price guarantee. Lastly, the United States quota programmes, with a few exceptions, have always been of a voluntary nature ; the farmer has

never been obliged to limit his output, but if he subscribed to the quota programme, with all the advantages it brought, he committed himself to a strict limitation of his crop areas or output. In these circumstances many farmers, and so a fair proportion of the total output, may elude the quota system.

Nor is the effect of the measures taken the same whether the restriction is placed on the quantities delivered or the corresponding areas or livestock numbers. It is understandable that the authorities prefer the first alternative, which alone enables the supply targets adopted by them to be strictly complied with.

#### Degree of vertical integration in EEC countries

18. The degree of vertical integration in the Community agricultural sector varies considerable, in both the extent and the manner in which it is achieved.

Throughout the Community vertical integration is most common in the broiler industry, eggs, pigmeat, quality grains, some fruits and vegetables and veal calves.

Vertical integration is most pronounced in the United Kingdom, the Netherlands, Denmark and Belgium. It is relatively low in Ireland, Italy and France<sup>1</sup>.

The manner of vertical integration varies considerably from country to country, being mainly achieved by cooperatives in Denmark, cooperatives, commodity boards and contracts in the Netherlands, contracts and marketing boards in the United Kingdom, and contracts and producer groups in France.

Animal food manufacturers are unlikely to continue the critical role played in the past in initiating vertical integration. Food processors and distributors require regular, fixed priced and quality regulated supplies of agricultural produce and therefore are likely to extend the practice of contract farming and ownership integration backwards (though capital costs may inhibit the extension of the latter practice). Ownership integration forwards by producer groups has been implemented principally by cooperatives in Denmark; in other countries, lack of trained management may prove a serious obstacle. Mixed organisations composed of producers and processors/retailers are still rare.

The most significant trend is the growth in concentration of the processing and retailing industry, with the emergence of such giants as Unilever, Nestlé, Dekter, Unigate, Guinness, Evidania, Galbani, Casion, Carrefour, Standa, Albert Heijn, Tesco and Fine Fare.

---

<sup>1</sup> Details are given in the section dealing with individual countries.

However, it would be misplaced to see the problem purely in terms of conflict between the producer and the processor/distributor. As an FAO consultant wrote :

"In the last analysis the problems of vertical integration cannot be reduced to an argument between the virtues of cooperation and the evils of monopolistic society. It is more a question of which form, or combination of forms, give the best prospect for the economic development of the agricultural industry and the social well-being of its workers. It is more than possible that there is a place for all forms of integration depending to a large extent on the commodity, region, farm type, farmers' attitudes and the existing agrarian structure."<sup>1</sup>

#### Producer Groups : Community Policy

19. Vertical integration offers many advantages to the farmer, principally through contributing to more stable producer incomes. There are disadvantages. One result has been an increase in horizontal integration of farmers into producer groups or cooperatives. Vertical integration has encouraged horizontal integration.

These two are not unrelated when considered from the viewpoint of the producer. As vertical integration has progressed, together with an increasing concentration of market outlets into firms of increasing size and power, the producer is faced with the problem of making his interests felt and supplying produce fulfilling quality norms demanded. In certain countries, and notably Denmark and the Netherlands, cooperatives have filled this role. In other countries where contract farming on an individual producer basis is more common, there has been a tendency for horizontal integration to develop, and, in France and Germany, to receive encouragement through legislation. In Britain, where 40% of farm produce is marketed under contract, a Committee of Enquiry came to the conclusion "that there is some scope for more contract farming; that encouragement is required for more horizontal grouping of producers; and that there is urgent need for a coordinating body spanning agricultural marketing and production".<sup>2</sup>

---

<sup>1</sup> Mr John Higgs in 'Structural Reaction to Vertical Integration', FAO ECA Working Party on Agrarian Structure, September 1966.

<sup>2</sup> Report of the Committee of Enquiry on Contract Farming, October 1972, Cmnd. 5099.

Encouragement of producer groups has become an official policy of the Commission, though progress has been slow.

In its Resolution of 27 May 1971<sup>1</sup>, the Council agreed that, in order to improve the marketing of agricultural products, Member States should establish a system of subsidies for producer groups and their federations applying common production and marketing rules. This system was to be made up of :

- a subsidy for the establishment of such bodies;
- in order to facilitate investments required by the application of common production and marketing rules, an interest rate subsidy up to a maximum of 5%, with the interest rate remaining not inferior to 3%; an equivalent sum could be granted by Member States in the form of a capital grant;
- loan guarantees.

In July 1971, the Commission forwarded a modified draft proposal<sup>2</sup> in the sense laid down by the Council, which would replace existing provisions for producer organisations in the fishery and fruit and vegetables sectors, and in which the initial aid to be granted to producer organisations was fixed at 3%, 2% and 1% of the value of the proposed group's production for the first, second and third years respectively and which could not exceed 60, 40 and 20% of real total costs. The Guidance Section of the EAGGF was to reimburse Member States 25% of payments; this figure could reach 65% for unfavoured areas.

Agreement was reached in the Council on this draft proposal except for the following points : whether non-agricultural as non land based products should be included, whether all products in Annex II should be covered, whether aids should be obligatory, and whether the proposal should be in the form of a Regulation or a Directive.

In a Resolution of 24 March 1972, the Council undertook to adopt the Commission's proposal before 1 October 1972, together with measures on long-term contracts, the transparency of the market and improvement in the processing sector.

In a further Resolution of 20 September 1972, the Council, undertaking to take up these matters rapidly, invited the Commission to draw up draft Regulations on the improvement of the processing and marketing of agricultural produce.

---

<sup>1</sup> O.J. No C 52, 27.5.1971, p. 5.

<sup>2</sup> O.J. No C 75, 26.7.1971, p. 23.



Subsequently, in December 1973, in its Memorandum on the improvement of the Common Agricultural Policy<sup>1</sup>, the Commission stated :

"The Commission intends to submit, early in 1974, proposals for common measures on market structures. A proposal for a regulation on farmers' associations and their federations, the purpose of which is the improvement of the conditions under which farmers market their output, has already been sent to the Council.

But the Commission believes that joint action is also needed with regard to agricultural marketing and processing equipment. It therefore intends to propose to the Council joint action to encourage development and rationalisation in this field. In particular, the Commission is planning measures to encourage the preparation, at the initiative either of official departments or of relevant private-sector organisations, of action programmes for specific sectors, to be submitted for approval at Community level; assistance from the Guidance Section of the EAGGF will be gradually concentrated on investment schemes forming part of such programmes."

This is the purpose of the Commission's proposal<sup>2</sup>.

#### Producer Commodity Boards and planned production - Community Policy

20. Direct control of production by means of quotas or marketing boards is not part of Commission policy. In fact, the Commission, in its communication on the Stocktaking of the Common Agricultural Policy<sup>3</sup>, believes that a study should be made of the one sector where a quota and multiple price system exists, sugar, in order to establish alternative methods of organisation.

21. However, one solution to the problem of arriving at a proper adjustment between demand and supply, so as to achieve an optimum utilisation of resources and price stability for the producer and the consumer, is to establish basic production objectives between and within each agricultural market. These would be basic political decisions, and once arrived at, separate bodies, organised by or in conjunction with farmers in each sector, could be left with the responsibility for carrying out objectives laid down. These bodies, regional or national producer commodity councils, would be left the choice of instruments appropriate to each sector, either price mechanisms, contracts or quotas, and would be coordinated within an umbrella organisation administered by the Commission.

At the present, apart from the sugar sector, it is not Commission policy to establish production, import and export objectives, nor to set up market management councils for the principal agricultural sectors.

---

<sup>1</sup> Doc. 251/73, p. 30.

<sup>2</sup> Doc. 241/75

<sup>3</sup> COM(75) 100, pp. 37 and 50.

The table overleaf shows the degree of self-sufficiency of each agricultural sector, and the products for which expansion or contraction of production is desirable and possible.

DEGREE OF SELF-SUFFICIENCY IN CERTAIN AGRICULTURAL PRODUCTS

	Period	EEC - 9	EEC - 6
<u>All cereals</u> :	1956-1960		85
	1971-1972	91	
	1972-1973	90	
<u>Wheat</u> :	1956-1960		90
	1971-1972	99	
	1972-1973	97	
<u>Rye</u> :	1956-1960		98
	1971-1972	103	
	1972-1973	100	
<u>Barley</u> :	1956-1960		84
	1971-1972	102	
	1972-1973	107	
<u>Oats</u> :	1956-1960		92
	1971-1972	102	
	1972-1973	96	
<u>Grain-maize</u> :	1956-1960		92
	1971-1972	58	
<u>Rice</u> :	1956-1960		83
	1971-1972	92	
	1972-1973	67	
<u>Potatoes</u> :	1956-1960		101
	1971-1972	100	
	1972-1973	101	
<u>Sugar</u> :	1956-1960		104
	1971-1972	100	
	1972-1973	92	
<u>Vegetables</u> :	1956-1960		104
	1972-1973	94	
<u>Fresh fruit</u> :	1956-1960		90
	1972-1973	76	

Period		EEC - 9	EEC - 6
<u>Citrus fruit</u> :	1956-1960		47
	1972-1973	34	
<u>Wine</u> :	1956-1960		89
	1971-1972	93	
	1972-1973	89	
<u>Milk</u> :	1956-1960		100
	1971-1972	100	
	1972-1973	100	
<u>Cheese</u> :	1956-1960		100
	1972	102	
<u>Butter</u> :	1956-1960		101
	1972	106	
<u>Eggs</u> :	1956-1960		90
	1972	99	
	1973	99	
<u>Beef and veal</u> :	1956-1960		92
	1972	84	
<u>Beef</u> :	1972	82	
<u>Veal</u> :	1972	108	
<u>Pigmeat</u> :	1956-1960		100
	1972	100	
<u>Poultrymeat</u> :	1956-1960		93
	1972	102	
<u>Sheepmeat and goatmeat</u> :	1972	55	
<u>Meat (total)</u> :	1956-1960		95
	1972	92	

Source : The Agricultural Situation in the Community, COM(74) 2000 final, Volume III, pp. 52-54 incl.

P A R T   T W O

AGRICULTURAL MARKETING STRUCTURES IN  
THE MEMBER STATES OF THE EEC <sup>(1)</sup>

---

(1) The information supplied in this section has been drawn largely from reports on agricultural policy of each state issued by the OECD. Additional information on commodity boards in the Netherlands has been supplied by the Directorate-General for Research and Documentation

## BELGIUM

Cooperatives also play an important role in the marketing of agricultural produce. Agricultural cooperatives operated primarily in the following sub-sectors in 1972 :

- a) Cereals - 22 cooperatives, having a storage capacity of 100,000 tons are in operation.
- b) Dairy - About 50 dairy cooperatives handle more than 60% of all milk production.
- c) Fruit and Vegetables - A total of 22 cooperatives handle about 40% of the vegetable output and about 60% of total fruit production.
- d) Pork - 6 cooperatives handle about 15% of pork production.

Other cooperatives handle such commodities as hops, eggs, flax and animals; however, the overall importance of these cooperatives is less than for those mentioned above.

Production under contract is becoming more and more common in Belgian agriculture as the capital investment required in farming continually rises and as processors and distributors require a more stable quantity of a rather standardized raw product. A study conducted by a professional farm organisation estimated that in 1969 about 90% of all commercial broiler and egg production was under contract. Contractual egg production was risen 30% since 1969. Two-fifths of commercial pork output was also contracted. Production under contract is also important in horticulture. The study estimated that 98% of green pea production, 75% of green bean production and 60% of the carrot output was produced under contract. Percentages for other important vegetables ranged from 10-50%. It is likely that contract production has had a major influence on increases in pork and poultry production. Future moves in vertical integration and contract production are expected, especially in horticulture and in animal production independent of the soil.

### The National Milk Board

The NMB is responsible for improving the production, quality, distribution and marketing of milk and dairy products. It works as an intermediary for the execution of the dairy policy (subsidy on skim milk for animal feed). The NMB also promotes the consumption of dairy products. It is responsible for the control in imports and exports of these products. In 1972, only

BF 19 million were paid to the NMB by the Agricultural Fund, which was a drastic reduction in public expenditure compared to previous years. These funds were in fact spent entirely on the milk-withholding schemes, whereas the subsidy on skim milk for animal feed, totalling BF 556 million, was financed directly by the guarantee section of EAGGF.

## DENMARK

The organisation of the marketing of farm produce in Denmark is particularly interesting because the cooperative system is the most highly developed in that country: 90% of Denmark's farmers belong to cooperatives. Cooperative organisations are essentially concerned with buying production imports and selling produce on behalf of members and in competition with privately-owned businesses.

The cooperatives are most highly developed in the pig and milk sectors: 90% of production is sold through cooperatives. The boards of the cooperative organisations hire specialists to deal with the processing of milk and pigs. Returns to farmers depend on the skill of these managers.

Relations between the individual farm and the cooperative organisation are governed by binding contracts which lay down delivery obligations. Prices are equally regulated. For example, the milk price paid to the individual farmer follows milk quotations fixed for the whole country.

Production levies are applied to a number of farm products with the purpose of financing activities of professional organisations pertaining to production and trade of farm products. At present, production levies are applied to slaughtering and exports of pigs, horses, cattle and sheep, to receiving of milk, production of seed and to use of seeds for planting. Paid by the producers, proceeds from the levies are paid into a fund which is administered by the Agricultural Committee, and the fund is used for financing of activities related to production and trade of the products in question, concordantly with Common Market regulations. Examples of activities financed under this system are market improvements and research related to improvement of processing techniques, development of new products, improvement of meat quality, etc.

Danish agricultural export interest are organised in a number of export boards which operate without government control. The boards are formed by voluntary cooperation of farmers' organisations, processing industries and exporters, meaning that both cooperatives and private industries are represented on the boards. The boards are free to negotiate with Danish and foreign authorities and can impose certain obligations on their members, such as common rules of competition, their main objective being to coordinate sales of the respective commodities for the benefit of the producers. The Export Boards cover all the important export products such as butter, cheese, bacon and pork, cattle, beef and veal, canned meat, eggs and poultry. The responsibility and activities of the boards vary: some



are solely concerned with quality improvement and sales promotion, others cover all exports of their particular products and some only part of exports. Most boards pool the returns from different markets among producers and endeavour to smooth out seasonal and other short-term price fluctuations by operating stabilisation funds. The boards also make an important contribution towards orderly marketing and keep producers informed on developments on the export markets.

There is no special cooperative legislation in Denmark. The liberty to form associations is safeguarded in the constitutional act which gives the citizens the right to form associations for any legal purpose. In certain of the general trade laws, such as the companies act and the tax laws, there may be a few principles to distinguish cooperatives from other types of business, for example the goal being to benefit the members and the surplus to be distributed among the members according to the turnover. Otherwise the cooperative societies and their members are solely responsible for the writing of the by-laws and to decide if they want the society registered. Several national cooperative organisations have worked out standard by-laws for the use of the local societies; however, these are free to use them or not.

Along with industrialisation of the Danish economy, food manufacturing and especially food marketing have concentrated on larger and more integrated units. A generation ago, food marketing was disintegrated, often carried out by local processing industries or independent dealers. Today, trade of Danish farm products is organised in a few, large and highly-integrated market organisations which in many cases have gained control over successive links of processing and trade. An important factor for this development has been the strong competition which the Danish farm export has met on foreign markets, and which has forced Danish exporters and marketing institutions to coordinate their activities. Considerable integration has taken place on the vertical plane, often on the initiative of processing industries which have increasingly gained control over the selling of their products. Indeed, this has had significant implications for the trade, especially for the wholesale trade, where the number of independent dealers has fallen rapidly. The retail trade has also been affected; however, the main initiative here has come from chain-stores, foodstores and from cooperative consumer societies.

A considerable concentration has taken place in the cooperative food and supply industries in recent years where a large number of local societies have merged or have been dissolved. In some cases the concentration has led to establishment of nationwide organisations; in other cases, the development has tended towards regional or provincial organisations. As a result, the number of local societies has diminished rapidly as indicated by the following figures:

	NUMBER OF LOCAL CO-OPERATIVE SOCIETIES		
	1962	1967	1972
Dairies .....	1,094	735	274
Bacon factories .....	62	61	26
Cattle sales organisations .....	58	55	39
Poultry-packing plants .....	4	4	1
Local egg export associations .....	1,480	1,020	0
Seed sales associations .....	1	1	1
Farm supply associations .....	1,788	1,503	840

SOURCE: Information provided by the Central Cooperative Committee.

Rationalisation of food processing and marketing structures began in the dairy sector where a number of large associations have developed, reducing the number of dairies by about 800 during the past decade. The largest association, Dairy Association Denmark, holds about 14% of the total milk delivery and the six largest associations account for about one-third of the total milk production. The structural reform process continues in the dairy sector; however, no specific aim is established as to whether future developments should go in the direction of large regional associations or establishment of one nationwide dairy association.

The cooperative bacon factories were relatively large units from the start and the structural adaptation consequently started rather late. Until 1968, there were 62 independent cooperative bacon factories; however, in 1972 amalgamation had reduced the number to 26 of which 8 are large societies with more than one slaughtering plant. The tendency in this sector is clearly towards establishment of large regional associations.

The cattle marketing societies mostly sell cattle on behalf of members in the traditional market places to exporters and slaughterhouses. The number of cattle marketing societies in 1962 was 58; in 1972 the number was reduced to 39. However, this is not so much a result of concentration, but several societies have been dissolved because an increasing number of cattle are sold direct to slaughterhouses or exporters.

National cooperative societies have developed in both the egg and poultry-packing sectors. In the case of poultry packing, four regional societies have merged into one association, the poultry-packing cooperative DANPO, while in the egg sector, local collecting societies have been integrated into the national egg export association. The seed marketing society was originally established as one national society.

The farm supply cooperatives are in the process of adjusting their structure which in the course of some years is expected to result in one national cooperative society, DLG. This society was founded in 1969 as a merger of three regional feedingstuff cooperatives and one national fertilizer cooperative. Several local supply societies have integrated with the national society, reducing the number of local supply societies from about 1,800 in 1962 to 840 in 1972.

The agricultural cooperatives are of great economic importance to Danish farmers. In 1972, about 1,700 large and small cooperatives handled a total turnover of D.Kr. 13.3 billion of farm produce and farm supplies. Of a total of 4.4 billion kg of milk produced, cooperative dairies received about 3.8 billion kg, or 86% of the production, corresponding to a total turnover of about D.Kr. 3.1 billion. A large part of the butter and cheese was sold through the cooperative marketing societies Andelssmør and DOFO which held 65 and 25% respectively of the market in 1972.

In 1972, cooperative bacon factories slaughtered 10.6 million pigs, corresponding to 92% of the production. The total turnover of the cooperative bacon factories was D.Kr. 6.5 billion, and about half of the production was exported to the UK as bacon through the Danish Bacon Factories' Export Association. Several by-products are marketed and processed in meat factories and canning factories which are owned jointly by cooperative bacon factories.

The cooperative cattle marketing associations held a total turnover of about D.Kr. 500 million in 1972, corresponding to a market share of nearly 40%. A similar share in the market was held by the poultry-packing cooperative DANPO which had a total turnover of about D.Kr. 170 million. Nearly all production of poultry is maintained under production agreements between producers and poultry-packing stations. Total turnover of the Farmers' Cooperative Egg Export Association was about D.Kr. 75 million in 1972 corresponding to a market share of 49%, and a similar share was held by the Danish Farmers' Cooperative Seed-Growing Association. The farm supply cooperatives hold an estimated 45-50% of the market for grain and feedingstuffs and 43% of the market for fertilizers. Total retail sales of farm supplies in the cooperative sector amounted to about D.Kr. 2.3 billion in 1972; in the same year, total turnover in the central organisation of cooperative farm supplies was about D.Kr. 1.6 billion.

## FRANCE

### Application of market regulation measures for the major commodities

In the past, attempts were made (Office du Blé) to control French agricultural production directly. Those far-reaching powers have now been reduced to those required to administer EEC Regulations, though in some sectors grants are given to encourage producer groups and guide production.

#### Cereals (Office National Interprofessionnel des Céréales)

As well as being responsible for the actual application of the EEC regulations, which demands considerable organisation, supervision and administration, ONIC is the advisory body on all problems concerning the organisation of the cereal markets.

The regulations applied in France before 1967 have been retained. Under these the farmers could only deliver their grain to approved 'collectors' (dealers or cooperatives), which are called 'Organismes de collecte'. These agencies levy certain parafiscal charges at the production stage, and also, on wheat, at the flourmilling stage.

The latter tax is refunded on any flour exports. The different charges levied at the production stage are shown below. They reduce the price obtained by farmers from Frs. 2 to 3 per quintal (representing 4 to 5% of the threshold price).

#### Other Sectors

Other organisations cover oilseeds (SIDO), sugar (FIRS), livestock and meat (ONIBEU), but these are principally bodies to administer EEC Regulations.

A global organisation exists to organise agricultural markets and direct production, the Fonds d'Orientation et de Regularisation des Marchés Agricoles (FORMA). FORMA acts through private interprofessional bodies: SIBEU (livestock and meat), INTERLAIT (dairy products) and SNIPOT (potatoes).

In addition to administration of EEC Regulations, FORMA finances measures in favour of producer marketing groups, quality promotion, advertising campaigns and rationalisation of livestock production.

The rationalisation measures include :

- regional contracts to restructure cattle production;
- bonus payments to calf producer groups;
- credit facilities in stock-raising contracts;
- building and stock improvement subsidies in the pig sector;

- advances for price equalisation funds in the egg and broiler sectors;
- premiums for sheep producer groups.

As a consequence of assistance to producer groups in the pig sector, these groups now control more than a third of the total pig market.

#### Types of producer cooperation

France is the country showing the greatest variety on forms of cooperation between producers, which may be the following :

- associations;
- recognised producer groups;
- cooperatives;
- federations of cooperatives
- S.I.C.A. (Société d'intérêts collectifs agricoles);
- syndicates.

### Organisation of agricultural producers in the commercial field

The institution of such organisation, on the basis of the farmers' own initiative, remains a basic objective of agricultural policy. A three-tier structure is involved:

- local producer marketing groups imposing certain disciplines of their members;
- Agricultural Economic Committees to harmonize the disciplines and lay down common rules at regional level;
- such discipline may be made mandatory for producers outside the groups by adopting the procedure to extend the application of the rules.

Unequal results have been obtained in different sectors. For fruit and vegetable growing, the organisation has, in certain cases, reached the mandatory stage, although with varying degrees of success, whereas for stockfarming, meat production and vine growing, it has not yet passed the producer group stage. There is a National Association for fruit and vegetables (AFCOFEL) - which co-ordinates the action of the Economic Committees. In the egg sector, equalisation funds were instituted in 1971, following a glut on the market.

In 1971, the Government took new steps to give the economic organisation of agricultural producers a fresh start. The principle was laid down that for aids or priorities granted in other areas of agricultural policy, preference should be given to farmers adhering to producer marketing groups.

### Agreements between producers and processors for Agricultural Commodities

Each year a number of agreements between producers and processors (Accords interprofessionnels), ratified by Ministerial Decree, determine, among other things, the quantities produced and the prices paid to producers. In 1972 such agreements were applied for canned peas, prunes, canned celery, tomatoes for processing, and machine-picked coarse French beans for canning.

Contracts are also concluded between organised wine producers - grouped in co-operatives and their unions or SICA's - and wine dealers or distributors, to develop the sales of certain local wines. The FORMA gives some assistance in financing such sales promotion campaigns. A growers-processors agreement was also concluded for the 1972-73 season in the beet-alcohol sector. Stock-raising contracts and the conventions to balanced

milk and meat production fall into the same category. Although somewhat limited results have been achieved so far, the new efforts deployed mark an intention to resort more extensively to contractual arrangements to ensure more balanced markets.

### Co-operatives

The co-operative plays a frequently important yet variable part in all aspects of the food and agricultural sector's activity. In addition to the 5,100 co-operatives registered by census, there are approximately 13,000 co-operatives for the use of farm machinery, 62 artificial insemination co-operatives and 1,400 mini-co-operatives for the manufacture of gruyère cheese. The co-operatives have a total membership of over 5 million for about 1,5 million farms, one farmer generally belonging to a number of co-operatives.

The annual survey for 1969 of the Statistical Service of the Ministry of Agriculture shows that, in terms of turnover, the co-operatives are largely concentrated in five sectors: cereals 33%, milk 22%, agricultural inputs 11%, wine-making 7%, slaughter products 6%. The proportion of the national trade in agricultural products accounted for by co-operatives in the original six EEC countries is higher in France than the average for the other countries in the case of four products: cereals, wine, eggs and poultry. Furthermore, it is estimated that co-operative enterprises account for 22% of the turnover of the agricultural and food industries. Co-operatives are mainly involved in the production of mass consumer goods with a low value added. The manufacture of more elaborate products requires extensive installations, new techniques and large-scale sales promotion, and is mainly the province of private industry. In addition, the management of co-operatives is often insufficiently adapted to the requirements of modern times. Equally, co-operative discipline is a concept that sometimes clashes with the individualism still shown by the majority of farmers.

### Legal Status of Agricultural Co-operatives

The promotion of co-operation has always been an objective of agricultural policy. This activity is also within the scope of actions to promote the organisation of agricultural producers in the marketing field. A number of co-operatives have, in fact, been recognised as producer marketing groups. Before 1967, their legal status clearly reflected their social function. They accordingly enjoyed preferential loan terms from the Crédit Agricole, and subsidies for investments, if these were in line with the orientation desired by the Authorities. They also had favourable tax treatment: co-operatives were exempt from company tax.

The Order of 1967 has intended to remedy the disadvantage of the "social constraints" imposed on co-operatives constituted under civil law, which tended to impair the commercial vigour of the entreprises, and their adaptability to current economic conditions. Under this Order, a new category of commercial-type co-operatives was created. They were allowed to admit to their membership, inter alia, certain individuals and corporate bodies whose activities were complementary to those of the co-operative. They were also empowered to put through transactions, within certain limits, with non-members. To counter-balance the greater flexibility allowed in the commercial field, most tax concessions were withdrawn from the co-operatives, but end-of-year payments to members could still be deducted from their taxable income. Co-operatives formed under civil law continued to exist. They were allowed, under the Order, to do one-quarter of their total business with non-members. They were given five years to choose between the old and the new status.

However, a new single status, allowing for certain options, was introduced in 1972, for the whole co-operative movement. All co-operatives have to conform to the same rules. Non-co-operative associates (individuals or corporate bodies) are admitted, e.g. the "Caisse Nationale de Crédit Agricole" (and its subsidiary companies) Chambers of Agriculture, etc. No non-cooperator can hold more than 10% of the total votes. To avoid jeopardising inter-company relations, the co-operatives are entitled to take shares in other companies, provided such holdings are approved officially. Their tax position also reflects a combination of the old status with that of 1967.

#### Cerealgrower-Stockfarmer Solidarity Fund

This fund was introduced in 1970, at the initiative of the farmers' organisations, and with the agreement of the authorities. It is constituted from the proceeds of an increase in a para-fiscal charge levied on cereals, which the farmers' organisations consider a voluntary contribution. The object of this Fund is to counterbalance the effects on the different sectors of French agriculture of the present relationships between the farm prices determined in the EEC. The Fund supplements governmental action to rationalise production conditions, marketing and processing of livestock products.



Its interventions are decided and defined by a Management Committee mainly composed of farmers' representatives, in which the representatives of the Administration have only to ensure that the intervention of the Fund is consistent with the agricultural policy of the Government. The interventions of the Fund take the form of loans for actions in the technological field (e.g. selection of livestock) or for economic activities at farm level (e.g. establishment of price pooling funds), and the taking of holdings in companies. The latter action is designed to promote the structural adjustment of processing and marketing of livestock products and to reinforce the participation of producers' organisations in the sectors concerned.

A part of the Fund's resources are set aside for action in the cereal sector, mainly consisting of the acquisition of holdings in firms in order to improve their equipment and reinforce their commercial structures in the fields of storage and marketing, especially for export.

## GERMANY

Cooperatives play an important role in marketing of farm products in Germany. However, the market shares of agricultural cooperatives vary widely from one product to another. In the dairy industry the position of specialised cooperatives is traditionally strong. Structural changes, in particular the closing-down or amalgamation of many dairy plants, not only reduced the number of cooperatives from 5,175 in 1961 to about 3,400 in 1971 but also left barely 750 of them to sell their products through retail stores and shops.

In cereal trade general purchase and sale cooperatives hold a 50% share in farm sales while in potato trade their trade has decreased to only 15% (about half of the crop is directly sold to the consumer and one-third is marketed through private trade channels). In the field of fatstock trade, private slaughtering firms and the meat processing industry had about 8 and 19% in cattle and pig sales respectively. Egg-collecting trade accounts for one-third of total sales; direct sales to consumers are still important in this sector.

Under the Market Structure Act, horizontal and vertical integration of agricultural producers, i.e. the former of producer groups and their associations as well as the cooperation of producer groups and food-processing industries, can be promoted. Financial grants, related to the costs of administration, quality control and an advisory service, are degressive and restricted to the first three years of operation. Additional subsidies may cover up to 25% of the cost of investments for improved marketing and implementation of common rules for production and quality and for the pre-packing and storing of the products concerned. However, while both producer groups and food-processing enterprises may qualify for the subsidies, there is a general restriction insofar as subsidies are not given when the regional capacities of processing and market facilities are considered to be sufficient in number and size.

By the end of 1973 some 657 producer groups had been recognised by the authorities under Federal or State legislation while another 109 groups were existent. Although the number of producer groups gives no indication as to their regional importance, there are however already some regions and branches with a considerable number of producer groups. In Schleswig-Holstein, for instance, groups specialised in high-quality wheat

production account for nearly the total output of the region. Piglet and pig-producer groups keep a share of about one-fifth in that regional market. In Lower-Saxony, with an annual output of some 8 to 8.5 million fat pigs, the producer groups reached a 10% share. In Rheinland-Pfalz, with two-thirds of the total German vine-growing area, 15% of producers are associated in producer groups. (Strong producer groups also exist in fishing).

On the basis of the law initiating a Sales Promotion Fund an organisation for the promotion of sales of German food products (Central Marketinggesellschaft der deutschen Agrarwirtschaft-CMA) was founded in 1970. The financing of the CMA is made through contributions paid on all agricultural products marketed; during the first few years the Federal Government offers a degressive subsidy through the budget of the Ministry of Agriculture (1970 DM 50 mill., 1974 DM 11 mill.). The total budget amounted to DM 50 million in 1970, DM 75 million in 1971 and DM 82 million in 1973. In 1974 the total budget will be about DM 85 million, it is expected to rise to a total of DM 80-DM 90 million. The CMA's main activities are: sales promotion for German food products on domestic and foreign markets; promotion of high quality products through improvement of quality standards.

#### COOPERATIVES IN GERMANY

(% 1971)

SALES		PURCHASES	
Milk to dairies	78	Fertilizers	64
Cereals	50	Feedstuffs	60
Vegetables	36	Machinery	27
Calves	30		
Beef	29		
Fruit	23		
Wine	19		

## IRELAND

The growth of production has been accompanied by developments in marketing organisation. A number of State sponsored bodies were set up to develop export markets. Some of these, e.g. An Bord Bainne, The Pigs and Bacon Commission, the Potato Marketing Board, are involved in direct trading. Others, e.g. the Livestock and Meat Commission, are engaged in promotional work. The home market also involved State sponsored bodies, e.g. the Dublin and Cork Milk Boards, and the Sugar Company. Following EEC entry the status, powers and functions of some of these bodies were modified to comply with Community regulations. Important developments in marketing, both at home and abroad, have been made by farming cooperatives, and by cooperative and private interests working together. These changes have affected some products more than others, especially eggs and poultry, creamery milk, cattle and sheep; but changes are spreading through the farming industry.

### COOPERATIVES IN IRELAND (% of market 1973)

SALES		PURCHASES		PROCESSING	
Milk	100	Feedingstuffs	40	Milk	90
Pigmeat	36	and fertilisers		Milk products	80
Beef	35		Livestock auctions	60	
Cereals	22		Beef processing	65	
Eggs	16		Pigmeat processing	39	
Fruit	16		Pig fattening	15	
Vegetables	10		Artificial insemination	70	

Most cooperatives in Ireland exercise multiple functions, a reflection of the mixed agriculture typical of Ireland. On the other hand, this characteristic renders more difficult the development of a strong centralised farmer organisation in each sector.

The expansion in farm output has provided the raw materials for the growth of industries based on agriculture. In view of the rapid industrial development during the past decade, it might have been expected that the agricultural-based industries would play a proportionally smaller role in the total transportable goods sector. In fact there has been surprisingly little change. Some individual industries have expanded much more rapidly than others. For example, the slaughtering, preparation and processing of meat, other than bacon factories, has increased very sharply, as has also the dairy products industry.

Many of the agricultural processing industries are of a comparatively large size by the standards of Irish industry. Bacon, meat, dairy products, milling and brewing are all employers of over 4,000 people, with net outputs of £5 million and upwards in 1968. These industries, apart from milling, are mostly export orientated. The industries vary in their system of ownership. Dairying is dominated by cooperatives; both meat and bacon are partly privately owned and partly cooperative; the milling industry is primarily in the hands of private business interests, while the brewing industry is dominated by one major concern.

The increase in output envisaged as a result of EEC entry will mean a greater supply of raw materials for the agriculture-based industries. The returns to farmers for a number of products will depend to a greater extent on market prices than has been the case in the past. Rationalization and modernization of processing facilities is essential. Substantial further investment in the extension and modernization of dairy plant is being undertaken, including an increase in the number of skim-milk powder plants and other milk processing facilities. While a considerable amount of progress has been made towards the reorganisation and rationalization of the creamery industry, a great deal still remains to be done. Recent legislation facilitating amalgamation of creamery societies should result in more rapid progress.

The continuation in the upward trend in cattle production will result in increased exports. The distribution of exports between live cattle and beef will be determined by economic forces. The meat export factories are well equipped and conform to the Community's sanitary requirements, and their capacity is sufficient to cope with a substantial expansion of production.

There is already a high degree of farmer ownership and participation in the agricultural processing industries and it is desired, as far as practicable, that this situation should continue. It has been recognized, however, that in certain circumstances advantages in the field of management, marketing and technology may accrue from foreign investment in food processing and that investment of this kind will continue to be necessary in the interests of the food processing industry as a whole and the farming community.

## ITALY

As a result of the situation of structures of production, supply is very fragmented and the first phase of marketing is the bulking of small consignments. These bulkers often exercise considerable influence over the farmers, particularly insofar as they advanced credits to them. The expansion of the cooperatives, which do not usually enjoy these credit facilities, is thereby limited. The importance of the cooperatives is most marked in Northern Italy. The part they play is mainly confined to milk production and the wine sector (30% of the total output of wine grapes).

Generally speaking, the marketing system is somewhat unwieldy, which leads to high margins. There are an immense number of retailers. Up to 1971, legislation favoured farmers to come into the trade sector and stipulated that they must be highly specialised. After the 1971 census, the number of sales points of the food retail trade was estimated to be 408,000 (1 for every 132 inhabitants on average). An inquiry also stated the importance of the banking role of this sector; 57.4% of the sales being made under credit terms. The food industry also mainly consists of small enterprises; in 1971, 87% of food firms (excluding drink manufacturers) employed under ten people and represented only 18.5% of the total turnover in this branch. The value added for processing and distribution represented 99.3% of the value of supply at origin in 1971.

### COOPERATIVES IN ITALY (% 1973)

Fruit .....	46	Eggs .....	5
Milk .....	35	Vegetables .....	5
Cereals .....	15	Pigmeat .....	negligible
Poultry .....	10	Beef .....	negligible
Sugar beet .....	7		

While a very large number of small cooperatives exist, a large proportion of agricultural produce is distributed by cooperatives grouped together by the 'Federconsorzi', which has a strong centralised character and infrastructure for stocking and processing.

In conclusion, one can state that in Italy there exists a serious problem, due to the relative lack of organisation of the farmer, who is confronted by a processing and distribution industry becoming concentrated increasingly into a fewer number of firms with growing power. Though cooperatives do play an important part in certain sectors, they are to be found mainly in the North while the agricultural population is concentrated in the South.

## LUXEMBOURG

Cooperatives are the most important form of farmer organisation in Luxembourg - 90% of associations are cooperatives.

Reorganisation in the dairy sector has led to the disappearance of a large number of local dairies. About 90% of milk processing and marketing is now in the hands of three cooperatives : CELULA, LUXLAIT and LADUNO.

The Centrale Paysanne is also developing a 30-hectare agricultural complex at Mersch including processing and storage facilities to enable farmers to market their products. The Mersch Agrocenter comprises a milk powder plant, a slaughterhouse which includes a meat processing plant, storage facilities for cereals and fruit, a seed-packing plant, a compound feed factory, an egg-grading centre and a honey-packing centre.

There is close collaboration between the Fédération Agricole d'Achat et de Vente (Agricultural Buying and Selling Federation) and the Centrale Paysanne, so that the installations of Fédération Agricole supplement the institutions of the Centrale Paysanne. The two organisations have combined their production of compound feeds, for purposes of rationalisation, in the Silocentrale plant at the Mersch Agrocenter. These installations for receiving, drying and storing grain, together with the compound feed plant, help greatly in regularising the grain market and improving the quality of the cereals harvested and stored.

### COOPERATIVES IN LUXEMBOURG (% 1973)

Production		Collection		Purchases		Services	
Meat	30	Milk	91	Mixed feeding-stuffs	65	Machinery	45
Fattened livestock	25	Cereals	70	Fertilisers	70	Artificial insemination (beef)	70
Eggs	20	Potatoes	40			Credit	75
Seeds and plants	95	Fruits	35				

## NETHERLANDS

In the Netherlands, a substantial part of farm produce is manufactured and traded through cooperative organisations. Cooperatives hold their largest market share in horticultural products, most of which is auctioned, in milk and dairy products and in the processing of potatoes (starch) and sugar-beet. A considerable proportion of pigs and poultry for slaughter go to private industries, quite a few of which are owned by large food-manufacturing companies which also participate in exports of processed food. Although controlling less than 30% of the production, cooperatives have gained considerable influence on the poultry and egg markets by concentrating their activity under a few headings. Also, cooperatives maintain most exports of eggs, and more than half the supply of feed and fertilizers is sold through cooperative suppliers.

The production of broilers, veal and slaughter pigs is highly integrated. Nearly all production of broilers, two-thirds of the production of veal and about 40% of the production of pigs is organised on contract basis, under which the supply and marketing sectors call the tune: meat and feedingstuffs' dealers through commission contracts; feeding-stuffs' industry through guaranteed price contracts; and the processing industry through delivery contracts. Integration has been carried out to a lesser extent in the egg sector; however, sharing of price risk between producer and distributor is common.



COOPERATIVES IN THE NETHERLANDS (% of market 1971)

PROCESSING

Milk and milk products :	- milk collection . . . . .	88
	- butter production . . . . .	95
	- cheese production . . . . .	94
	- milk powder production . . . . .	93
	- condensed milk . . . . .	73
	- sales of milk for direct consumption . . . . .	71
Meat and livestock :	- pork . . . . .	29
	- beef . . . . .	18
	- veal . . . . .	11
Sugar . . . . .		63
Industrial potatoes . . . . .		80
Flax . . . . .		28
Poultry . . . . .		25

SALES

Milk products :	- butter . . . . .	81
	- cheese . . . . .	79
	- powdered milk . . . . .	55
Eggs . . . . .		20
Fruit and vegetables . . . . .		83
Plants and flowers . . . . .		78
Wool . . . . .		91
Potatoes for direct consumption . . . . .		28
Seed potatoes . . . . .		40
Cereals . . . . .		60

PURCHASES

Feedingstuffs . . . . .	51
Chemical fertiliser . . . . .	61

SERVICES

Rent of agricultural machinery . . . . .	20
Artificial insemination . . . . .	100
Accounting . . . . .	-
Hay driers . . . . .	72
Managerial assistance . . . . .	100

The role of the Dutch Commodity Boards (Produktschappen)  
in Agricultural Market Organisation

---

On the basis of the Act on the public organisation of enterprises<sup>1</sup> two kinds of bodies were planned :

bodies grouping employers and workers of the same profession (industrial) boards and

bodies grouping enterprises with different functions, given a certain link between these professions, e.g. because they handle the same product (producers, wholesalers, retailers and processing industries (= commodity boards)).

Commodity boards

The establishment of a commodity board is hedged round with several democratic guarantees. A draft law concerning the establishment of a commodity board cannot be submitted to Parliament unless the Minister has previously consulted the Socio-Economic Council. Before it gives its advice, an enquiry is held among the employers and employees in a given sector - that is to say, among the associations in which these professions have been organized in order to ascertain whether they want an 'interprofessional' organisation.

The enterprises bound together in an interprofessional organisation are generally the following: the farmers, the trade (the exporters, the importers, the wholesalers and the retailers) and the processing industry. These three groups are represented in the Executive Committee of the inter-professional organisation<sup>2</sup>.

Decisions, regulations of the Executive Committee of the boards

The Board Committee takes its decisions by a majority vote. When the passing of a regulation is at issue (a regulation has force of law) a majority vote of two thirds is required. The law requires that decisions should be taken in public as much as possible. When a board has the intention of laying down a regulation, the draft is published in an official journal. Objections against the draft may then be submitted during the four weeks following publication.

---

<sup>1</sup> Wet op de publiekrechtelijke bedrijfsorganisatie 1950

<sup>2</sup> Thus there are as many employers as employees in the Committee; the Executive Committee of the Commodity Board for Fruit and Vegetables, for instance, has 8 seats for growers (4 for the employers and 4 for the agricultural workers), 6 seats for the trade (3 for the employers and 3 for workers) and 2 for the processing industry (one for the employers and one for workers).

Regulations of the commodity boards are promulgated by the inter-professional bodies themselves. They cannot be opposed to the policy of the Government or of the Community and they must therefore be approved by the Minister of Agriculture.

#### Revenue

The commodity boards desire their financial resources from a levy imposed on associates and they are entirely financed by the enterprises of the sector. The way in which these levies are imposed varies for the individual commodity boards.

Apart from these revenues public funds are allocated to the commodity boards, which are used exclusively for well-defined tasks entrusted to the boards by the Government.

#### Role of the commodity boards

According to the law their role consists in serving the common interest of the enterprises for which they have been established and of the persons concerned. The board has to protect the interests of the group, but it must also serve the general interest, given its public-law character. The commodity boards have been given self-regulating powers with regard to matters defined in a general way : 'matters having relation to the economic intercourse between various stages of production and marketing, with the inclusion of prices, if or as far as laid down by the law'.

An exception has been made with regard to establishment, expansion and closing down of enterprises and to import and export matters that cannot be regulated autonomously by the commodity boards. Seven of the fourteen commodity boards in existence have been given certain autonomous powers of price regulation.

Apart from these autonomous powers, the commodity boards also exercise authority on a basis of 'joint administration'. In so doing, they do not have to adhere to the terms of the Act described before, but base themselves on the objectives of the Acts from which they derive these powers.

#### Activities of the commodity boards

- a) delivery of import and export licences, fixation and imposition of import and export levies, granting of export refunds (all of these by virtue of the Import and Export Act and the Community regulations);

- b) fixation and imposition of domestic levies, fixation and granting of domestic supplements (by virtue of the Agriculture Act).

These levies, refunds and supplements do not figure on the budget of the commodity boards, but on that of the Ministry of Agriculture, the fact being that they are paid into or taken from the Agricultural Equalisation Fund, which forms part of the national budget. Taken together, they constitute one of the most important means which enable the commodity boards to perform a role in market organisation - in the framework of the general agricultural policy - with regard to agricultural products and their derivatives. In this way the commodity boards act by order of the Government.

- c) In order to support the market position of certain agricultural products responsibility for marketing has been given to a Bureau that has been established for the purchase and sale of agricultural commodities. In these matters the commodity boards take an active part.
- d) By virtue of the Agricultural Export Act rules have been issued concerning quality and packaging which must be observed in the case of export. In the implementation of this Act the commodity boards do their part, sometimes by actually fixing these rules on the basis of delegated powers, sometimes by giving relevant advice to the Ministry of Agriculture and Fishers.

#### Autonomy

In addition, the commodity boards make use of their autonomous powers, for instance, when issuing rules concerning quality, composition and packaging of products, or concerning details of contents being required to figure on packages.

The object of these regulations is sales promotion by means of improved quality.

The commodity boards also find scope for activities in the field of market organisation by way of independent action; this applies to research work (for instance, as regards disease control) and publicity. Large amounts are voted for research and sales promotion.

Consequences of Community legislation for commodity boards in the Netherlands

In 1963 the Crown issued an Administrative Order authorising delegation of the powers vested in the Minister of Agriculture to the management committees of the commodity boards.

When the Community introduced a number of market organisations, the Minister of Agriculture issued the "overdrachtsbeschikking bevoegdheden Landbouwwet" (Order of the delegation of powers under the Agriculture Act). This Order defines in detail the commodity boards' powers as regards implementation of the common agricultural policy.

In 1968 the "Beschikking landbouweffingen en landbouwrestitutieregime" (Order on agricultural levies and refunds system), which governs other aspects of the implementation of the common agricultural policy, was issued.

Before the common market organisations (C.M.O.'s) were established, many commodity boards financed their budgets by fixing and collecting charges on imports or exports. This was not compatible with the common market, as these charges were considered to have the same effect as customs duties. The commodity boards' powers to levy charges were therefore modified to fit in with the new situation. In some cases this took the form of levying charges not only on imports and exports but also on the domestic wholesale trade. In others the system of levies was applied to slaughtering (Poultry Board).

Under the 'Overdrachtsbeschikking in- en uitvoerwet 1968' (Delegation Order Import and Export Act 1968), the commodity boards were made responsible for certain Community implementing provisions. The rules governing application necessitated by this delegation are laid down by the commodity boards. In the interest of uniformity within the common agricultural policy, these rules have to be approved by the Minister of Agriculture.

Under the Agriculture Act, the intervention system which forms part of the common agricultural policy is implemented by the 'Voedselvoorzieningsin- en verkoopbureau (V.I.B.)' (Foodstuffs procurement and sales office).

With the establishment of the common market organisations, the commodity boards have lost some of their autonomous powers. Also as regards implementation of the common agricultural policy, they have lost a certain amount of their freedom of action, since the Council regulations

are far more detailed than the directions issuing from the Dutch Minister of Agriculture. However, the consultative role of the commodity boards (as also that of the industrial boards) has become more important as a result of the common agricultural policy. It has been found that the Minister of Agriculture and trade and industry need the commodity boards to help prepare and define the position which the Minister of Agriculture will adopt in the Council.

## UNITED KINGDOM

Britain has had a long experience with marketing boards which date back to the serious difficulties facing the farmer in the period following the First World War. In 1922 the National Farmers' Union set up the Permanent Joint Milk Committees by which it attempted to organise the collective selling of milk. However, these committees had no compulsory powers, merely negotiating contracts between producers, distributors or manufacturers. If production had been restricted this scheme may have worked, but in the surplus situation undercutting of prices was inevitable. It became evident that compulsory powers were needed.

The 1931 and 1933 Acts provided for the setting up of marketing boards at the request of the producers themselves. These can be voted out of existence by the producers, as was the Tomato and Cucumber Board. The Ministers can also wind up the boards, as was the case with the British Egg Marketing Board.

The primary purpose of these marketing boards is to combine producers so that there is one strong seller instead of many weak ones. In this way an assured market is created, together with best prices and supply is regulated in relation to demand. Marketing boards are, in effect, cooperative organisations, in which producers have a direct voice and obtain their powers from their position of monopoly buyers and their authority to speak and act for producers.

### Milk Marketing Board

Set up in October 1933, the Milk Marketing Board has been the most successful. This is partly due to its monopoly powers - all milk must be sold through its agency - which enables it to fix prices to the producer. It also benefits from an ideal situation, having two products, so that the surplus from the main market, milk, can be taken off and sold to the second, the butter and cheese industry by means of a pooled price. The Milk Board, therefore, operates on price disincentives to discourage excess production, rather than individual quotas.

The average guaranteed price is broken down into separate guaranteed prices for each of the five marketing areas. Standard quantities are also laid down for each area. They were originally fixed at the level of output obtaining in 1953/54; since 1960 they have been adjusted in accordance with changes in liquid sales and increased to provide a reserve to ensure adequate supplies throughout the year. They are now some 28 per cent above liquid consumption for the United Kingdom as a whole. Sales above the standard quantity are made at a lower price corresponding to actual realisation through manufacturing. Each Milk Marketing Board pools its receipts from sales for the liquid market and for manufacturing, and pays a pool price to producers selling milk to or through the Board. This arrangement means that the lower price for sales in excess of the standard quantity is seen by individual producers only as a reduction in their average return per unit.

In 1962 the entire cost of supporting milk prices was transferred from the Exchequer to the consumer. Taking one year with another there is no subsidy on milk. Contrary to many expectations, over-production has been controlled by the prices mechanism.

The board has enabled many technical advances to be made in both quality and health control as, for example

- introducing tuberculine-testing ;
- setting up the National Milk Recording Scheme which has increased the yield;
- setting up the artificial insemination service ;
- and carrying out extensive advertising and marketing schemes at a cost of £3 million per year.

#### Hops Marketing Board

In 1932 lowered prices led to the introduction of the Hops Marketing Board which in turn brought about friendly relations between the producer and the buyer.

The organisation is based on individual quotas : a fixed basic quota and a percentage annual quota calculated on the basis of the previous five years' sales. No subsidies are granted. The system includes transferable quotas, which have had the effect of encouraging a transfer of production from high cost to lower cost producers and reducing the total number of producers.



## Other Boards

The Potato Marketing Board has a much more limited scope and is now predominantly a support buying organisation : it also influences, although it does not control, the acreage planted. The British Wool Marketing Board is responsible for marketing virtually all the fleece produced in the United Kingdom. In Northern Ireland there are marketing boards for seed potatoes and pigs.

### Importance of contracts, marketing board schemes and BSC in the disposal of agricultural output in the United Kingdom, 1970/71

Commodity Group	Percentage total output disposed of under contract	Percentage total output disposed of through marketing board schemes
Fat cattle and calves .....	2	0
Fat sheep and lambs .....	2	0
Fat pigs .....	43	14
Poultry .....	29	0
Eggs .....	22	0
Milk and milk products .....		98
Wool .....		100
Cereals .....	36	
Sugar beet .....		100
Potatoes .....	9	0
Vegetables .....	11	0
Fruit .....	15	0
Hops .....		100

## Cooperation

Agricultural cooperation in the UK originated in Manchester in 1867 i.e. about sixty years before the first marketing boards. It sprang from a wish to help farmers to get their requisites, particularly fertilizers, on a non-profit-making basis, and the movement's main interest has continued

to be with supplying a farmer with his needs rather than marketing his produce. From its beginnings the movement rose to a peak in 1920 when societies covered some 235,000 members with a turnover approaching £18 million.

After a decline in the inter-war years, the cooperatives made steady progress from 1940 to the present day. Much of the credit for this is due to the four national bodies - what was until recently the Agricultural Cooperative Association in England (which has now been reformed with the NFU Marketing Department into the Agricultural Cooperation and Marketing Services Ltd) and the Scottish, Welsh and Ulster Agricultural Organisation Societies. The Central Council for Agricultural and Horticultural Cooperation, set up under statute in 1967, has given added impetus. The major categories of produce marketed by societies, as percentages of United Kingdom out-put, were in 1969/1970 as follows :

Poultry .....	1%
Pork and beef .....	7%
Potatoes .....	6%
Fruit (excluding top fruit) and Vegetables .....	12%
Grain .....	14%
Eggs .....	21%
Top fruit .....	30%
Wool .....	31%

Cooperative marketing of livestock is also important (around £55 million in 1969); this covers intermediate marketing, e.g. of weanerpigs as well as fat-stock. Selling cooperatives have in many cases set up their own grading systems to meet the stipulations made by their various buyers. But national grading arrangements not only for cattle and sheep - but also for cereals - may have been a factor in delaying progress in cooperation. There is no reason why there should not be both a cooperative and a marketing board operating for a given product: the former British Egg Marketing Board operated, in many areas, through licenced egg-packers which were producer cooperatives. Agricultural cooperation is less developed in Northern Ireland, compared with other parts of the United Kingdom. This is mainly because the product range is different, the existence of marketing boards for milk, pigs and seed potatoes and possibly the character of the farms and farmers.

### Marketing groups

During the 1960s a further type of cooperation in the marketing field started when small numbers of producers joined together to form marketing groups. The fundamental difference between these groups and the ordinary cooperative is that whilst a member of the latter will not normally bind himself to market his produce through his society, it will be a condition of group membership that all a grower's output, or an agreed proportion of it, will be marketed through the group. He will often also agree to accept some degree of control over variety, breed and, in some cases, methods of production. A group may be registered under the Industrial and Provident Societies Acts, or the Companies Acts or be a partnership or an unincorporated body such as a syndicate.

Marketing groups may be concerned with marketing produce direct to a cooperative society, and in fact the initiation of the formation of the group may have come from the society; others are concerned with marketing through merchants, processors or retail chains often under integrated feed and marketing schemes. Thus the groups specializing in calves and beef are about equally divided between three types :

(i) selling new-born calves to other farmers to rear ; (ii) selling reared animals to other farmers to fatten and (iii) selling fat animals. In many areas the groups specializing in intermediate livestock products are very valuable in that they can bring buyers and sellers together without the animals having to go through the local markets, with the subsequent disease risk. They are also able to even out the flow of animals available by advance planning, and to grade the animals into more even bunches than the individual producer. There has been a considerable expansion in group marketing of this type in the last two decades.

### Contract farming

The report of a Committee of Inquiry on Contract Farming in the United Kingdom was published in October 1972. In this report contract farming is defined as a term of art, not of exact science, covering farming systems for the planned forward production and supply of agricultural or horticultural produce of a type, at a time, and in the quantity required by a known buyer. On the basis of a stratified random sample of 13,000 postal

questionnaires sent to full-time commercial agricultural holdings (85% returned) it was estimated that 17% of holdings had some form of written contract in the survey year (ending 31st May 1971), 12% having disposal contracts. It was estimated that £250 million of output of UK farming (11% of total) was disposed under written contracts, excluding cereals, sugar-beet and commodities covered by statutory marketing schemes, which accounted for another 30%.

In conclusion, one can state that in the United Kingdom only a small percentage of agricultural produce is marketed by cooperatives (about 9%) and is concentrated in sectors where there are no marketing boards.

#### Producer Groups

It is evident that voluntary collective action is less than that found in other countries of the Community. This creates a disequilibrium between the producer and the heavily concentrated buyers. Consequently, the report of the Commission of Inquiry on Contract Farming stated: "The industry should direct its efforts to improving and expanding producer groups where marketing boards do not already exist."

Examples of existing bodies, such as the Durham Potato Growers' Association, the East Riding Farm Produce Association and the West Cumberland Farmers' Trading Association have demonstrated the effectiveness of the countervailing power of these organisations in increasing their members' incomes.

I. PERCENTAGE OF MAIN AGRICULTURAL PRODUCTS SOLD THROUGH COOPERATIVES

Year : 1973  
Unit : %

Product	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg	United Kingdom	Ireland	Denmark
Cereals	50	70	15	70	14-20	70-75	14	22	40
Pigmeat	30	25-35	negligible	27	13	-	7	36	91
Beef & veal	24	15	negligible	26	negligible	-	7	35	65
Sugar beet	0	13	7	63	0	-	0	75	87
Milk	73	42	35	90	65	±90	0	75	87
Fruit - total	70-75	40	46	95	60	30-35	16	) 30	50-55
Vegetables - total	45-50	30	5	100	40	-	10		)
Eggs	20	25	5	25	negligible	±20	16	3	50
Poultry	25	43	10	10	negligible	-	1	30	40

II. PERCENTAGE OF AGRICULTURAL OUTPUT SOLD UNDER PREVIOUSLY CONCLUDED CONTRACTS

Sugar beet	100	83	90	37	100	0	100	100	100
Potatoes	negligible	3	0	70	20	0	15	5-6	±10
Peas	95	90	-	87	100	0	70	-	96
Milk	27	25	5-10	0	23	0	0	9	8
Pigmeat	14-15	25	5-10	41	45	0	35	-	0
Eggs	20-25	35	30	40	80	0	22	10	45
Poultry	73	75	40	90	95	0	48	80	58
Veal	14-15	10-15	negligible	66	90	0	-	-	negligible

Source : The Agricultural Situation in the Community, COM(74) 2000 final, Volume III, pp. 355 and 356.

Observations

by Mr HOWELL, Mr VAN OEVEREN, Commission Official,  
Mr FREHSEE, Mr Brøndlund NIELSEN, Mr HUNAUT,  
Mr HOUDET, Mr de KONING and Mr NOË

on the question raised on 24 January 1975 in Paris  
by Mr HOWELL, on the Marketing Boards

-----

Mr HOWELL

Mr Chairman, I am extremely grateful to you for giving me this opportunity to discuss my ideas. As I have only been on this Committee for six months, I think that you have been very kind in allowing me to present this subject in so short a time. I have not had so much good luck in Britain: I have been trying to put this forward for the last 25 years and have not got enough people to listen to me, although at the present moment, this subject is coming up and the National Farmers' Union is now circularizing all its county branches to discuss the possibility of a meat marketing board.

I would like to start by saying that I have not come here to try to tell the Community how to run agriculture afresh, but I do believe that the problems facing us are proof that the system operating in the Community now and the system which has operated in Britain over the past years have both contributed to present difficulties. New thinking is required if we are to avoid the problems of mountains and subsequent shortages of this or that. These are of no benefit to the producer or to the consumer. The consumer has to pay more for surpluses at a time of the subsequent shortages. Organizations such as the British Milk Marketing Board, whose specific duty is to look at one particular aspect of production, possibly could foresee the snags; and with something similar to the milk fund which exists in the Milk Marketing Board, high prices and low prices could be ironed out.

It might help members to understand what I am talking about if I were to give a brief history of the Milk Marketing Board. I would like to differentiate between statutory marketing boards and non-statutory marketing boards. In Britain, in 1932, the Milk Marketing Board was set up as a statutory marketing board. This meant that every gallon of milk produced in the United Kingdom had to be bought by the Milk Marketing Board. This does not mean that the traders were excluded, merely that the financing of milk marketing was centralized. The board acts only as the central financing point.

At that time, too, we set up the wool board and the hops board. These are the three statutory boards, and all have been a great success. For the sake of argument, since the wool and hops are such minor segments of our system, we can disregard them, and say that we have one major statutory marketing board, for milk. That has been highly successful. I think I can say without fear of contradiction that practically every dairy farmer in the United Kingdom has benefited by it, every dairy farmer wishes it to continue indefinitely, and the consumers have benefited tremendously as milk is provided for them cheaper than any other food commodity.

Other boards have been set up subsequently, with non-statutory powers, and almost invariably they have been failures. I don't want you to get the impression that we think we know the answer entirely in Britain, but we have, I am sure, been right in this one sector. What has amazed me is that we have not had the sense to even attempt to repeat it in other spheres.

If we can run a milk marketing board for 55 million people to such general advantage, I believe it is possible and, in fact, desirable that something similar could be set up for 250 million people. Possibly one would have to think, at the present moment, of individual arrangements in each country, co-ordinated in Brussels.

The Milk Marketing Board would never have been set up had we not had the appalling depression of the 30's. The utter chaos which existed in the milk industry then called for extraordinary efforts to save the situation, and I believe that we are coming up to such a similar position in meat. Therefore, we are presented with an opportunity to straighten out our affairs and stabilize agriculture. The existence of the Milk Marketing Board has put stability into a very large sector of the British agricultural industry. I feel that we could profitably look at its history over 40 years and see where we could copy this experience, and benefit not only in the field of milk in the Community but in the fields of meat and cereals and sugar.

We should ask ourselves just what we are trying to do. The failure to ask this question is in some degree the cause of the Community's present difficulty. If we decided that it was desirable to be self-sufficient in milk and milk products, and charged a body to achieve this, then I believe we would be able to think of our European agriculture as a whole and decide how much of our basic resources should be used for milk production.

We could carry out this exercise with sugar. For instance, I don't believe we know what we are trying to do in sugar; whether we are trying to be self-sufficient, whether we hope to export sugar, or whether we imagine that we are always going to be net importers of sugar in the foreseeable future.

This sort of argument could be repeated for cereals and meat. We should envisage in the future separate bodies, identifiable organizations under the overall control of the Commission, charged with carrying out basic objectives established by the Commission, in the first place, with the help of the Parliament and the Council of Ministers. If this were done, I think we would separate, we would divide this great mass of information which enters the Commission.



The Commission is constantly trying to deal with every problem in agriculture. But if it could hive off the responsibility for milk, meat and cereals to other bodies, then I believe there would be much more long-term thinking. This would increase stability in the agricultural industry, and we could be able to avoid the mountains or shortages of butter or meat and so on, in the future.

Agriculture must have support. It can have support in two ways: from a government or by the large number of weak producers, working in unison and giving themselves support. In my view, the latter form of support is much more desirable than any support which we can get from any government. That kind of support is too much open to political expediency often leaving the agricultural community high and dry just at the wrong time. The right type of support is that coming from the Milk Marketing Board. In Britain we have had no financial help from the government for milk production since the Board was set up over 40 years ago. In fact, I believe that we can prove we have been subsidizing the government itself over that period of time.

There seems to be a tendency for some people to think that it would be a good idea if, now that we have encountered problems with intervention in meat in the Community, we were to attempt the old British system of guaranteed prices. Having farmed through that period myself, I remember what a catastrophic position we had reached in 1969 and 1970, and the over-production experienced in certain spheres. That too failed, and failed as badly as some aspects of intervention. So I urge you not to be attracted to that system of support. It leaves the farming community very vulnerable to political pressure, especially when production rises and the exchequer bill grows. Then the Chancellor is apt to trim it down and leave the farming community in great difficulty.

Mr Chairman, thank you very much for giving me an opportunity to introduce this question here. I am most grateful to you.

Mr VAN OEVEREN, Commission representative

Thank you, Mr Chairman. You will understand that the Commission cannot, at this stage, state its views in precise terms. At present we are considering the matter, but it is still very topical; this is why I have been instructed by the Commission to follow attentively this discussion and the outcome of your reflections.

I would like to avail myself of this opportunity to recall the present situation and the different contributions which are already being made by professional organizations under the present common market organization arrangements.

On the one hand, producers' organizations are able to play an important role in the withdrawal of products in three sectors at Community level. This system has been in operation for some time and enables us to avoid the system of 'public' intervention by national bodies pursuant to Community rules. On the other hand, Community laws exist in a substantial number of sectors under which the Council can take measures to encourage professional initiatives and adapt supplies to the market requirements. These sectors are as follows: beef and veal, flax, hemp, flowers, poultry, pigmeat and silkworms.

One important basis for the Commission's policy so far has been the voluntary nature of all the professional contributions. The Commission has never made any impositions on professional organizations or groups or producers' organizations. Rather, the Commission has until now encouraged initiatives on the part of the profession by offering assistance towards the adoption and operation of professional activities by which farmers have been grouped, into more powerful organizations for the conclusion of marketing contracts.

So, this principle of voluntary action by the professional organizations has in the past always constituted an element of the Commission's policy. As you know, there is an 'all-sector' regulation before the Council which provides for the institution of producer groupings to improve marketing conditions.

The Commission has therefore worked towards greater responsibility for professional organizations. This is the reason why Mr LARDINOIS recently asked COPA whether it would like to consider giving professional organizations a more important European role, principally in the preparation of rules and regulations on different products but also with the prospect of taking on certain responsibilities. Of course, under the present laws, particularly the Community laws, and since the management of markets is entrusted to the Community institutions, the Commission would still be ultimately responsible, in practice, for market management.

I believe we will have a reply from COPA within the next two months; the other professional organizations will be asked the same questions and, in the light of their replies and your discussion, the Commission will be able to formulate more precise conclusions on which, of course, your Parliament will be consulted, I hope during the course of this year.

Mr FREHSEE

Mr Chairman, the subject raised by our colleague Mr HOWELL is a very old topic here in the European Community and in the European Common Agricultural Policy. Since the latter was introduced, since the Treaties of Rome were drawn up and since the Stresa Conference, people have constantly been concerned about the extent of market organizations. This thinking has led to the market organizations that we now have. This is the result of a decade and a half of intellectual effort to find the right path for the agricultural policy of the Community. And the topic is not yet, by any means, exhausted. May I remind you that we are constantly complaining of surpluses and the farmers of declining prices, and that we are also in favour of such measures as quantity controls to counter surpluses, the co-participation levy of which the Commission spoke so strongly a year ago, and many other measures. The topic is under constant discussion and this is now things should be.

It will also be the main subject of agricultural policy discussions once again in the next few days and weeks when we come to consider the stocktaking of the CAP. If a few weeks' time, we shall be receiving a document from the Commission which we shall deliberate in detail here in committee, and the extent of market organization will once again be the subject of controversy. I am already acquainted with the German contribution. A summary of the German contribution to the stocktaking of the Common Agricultural Policy has already been published and is available to us all. And here there are definite proposals - not world-shattering, Mr Chairman, not world-shattering - the German Government has clearly not been able to think up any world-shattering change for the Common Agricultural Policy; nor has the Commission, and nor have we, but we do discuss possibilities realistically. This was referred to yesterday in our discussion on the adjustments to the wine market organization. Limitation of the area cultivated, no planting of vines on old vine lands and a system of permits - there is something of this here too.

So in the next few weeks and months, we shall be considering this topic in connection with the stocktaking of the CAP and for that reason I would like to limit my comments today to fundamental observations from a German point of view, Mr Chairman, not that our colleague Mr HOWELL has given us the British point of view.

Once before, in the murky past, we had a total market organization. And I really mean total, more than Marketing Boards, we had compulsory state administration in the whole agricultural and food sector. Mr HOWELL, you must understand that after our experience of compulsory administration of the whole food sector, with the inevitable Draconian punishment for offenders, after the experience of those days we would not like to introduce anything of the sort

again. We do admit the need for a certain orientation and channelling of production and marketing, but we Socialists, Mr Chairman, albeit originally in favour of Marxist planned economy, even we German Socialists, believe that the principle which must be applied in the orientation of food production and food marketing is that there should only be as much planning and orientation as necessary and that there should be as much freedom as possible. I believe that this principle is generally accepted. So there should only be as much state control and organization as absolutely necessary and inevitable, but no more, no more than can be avoided. So we are in favour of loose control of the whole agricultural policy, loose control and not tight control since we have burnt our fingers once before.

Here I would like to interpose that a marketing board naturally requires a great deal of bureaucracy. We must find out whether the bureaucracy is available, and whether it will not then run to excess. Here, too, one has to constantly try to steer between two extremes. We in Germany are envious of the Dutch 'produktschappen' and your 'Forma', Mr Chairman, and the other French organizations and the success which you have had with your market organizations in France in the last few years. We would like to learn something from them and copy them and this should be the general line, something more than we have in our country but not marketing boards and not top-heavy administration.

If I am rightly informed, Mr Chairman, you have in France a semi-state institution, the Forma, whose board is constituted half of representatives of the professions and half of representatives of the state. We could probably go as far as that, Mr HOWELL, but we reject out-and-out state management of food, or administration of agriculture. What we have in mind at the moment is a strengthening of the line indicated by the Commission with the producer sharing the risk. We believe that the risk involved in agricultural production and the marketing of agricultural products should not be borne exclusively by the State. Agricultural producers are going too far in making this one of their demands.

It is also difficult to have so much planned economy in a free market economy organization. This is a constant concern of ours, as has been shown time and again in this committee. The discrepancy between the planned economy rules which the EEC market organizations give us at producer level and the purely free market economy rules which prevail throughout the distribution level, is a constant source of difficulties for us. If you complain that the share of the producer in the final price of his products is so small that the farmer only receives 21% of the value of a loaf or a roll, only 21%, and on average hardly 50%, if this is your complaint then this is due to the fact that we have control measures at production level and free market economy procedures at the distribution level. The free market economy takes over immediately the product leaves the producer in the food sector.

This explains our difficulties and the fact that we can only take very modified, flexible measures. As you know, I believe that quantity control can be extended as in the case of sugar, where it has been successful. Furthermore, Mr HOWELL, there was a majority in this committee and in Parliament for a resolution to the effect that we should not be self-supporting but rather a net importer of sugar. This is a political decision. But this is only a marginal observation. I only wish to say that quantity control has proved successful for sugar and I believe that it will continue to prove its worth throughout all the future changes on the world market. For example, three months ago, the world market price for sugar was six times the EEC price; now it is just three times the EEC price and expected to fall even further. Conditions are good, the trend is constant and basically there is no acute shortage; the system of quantity control is functioning. I am of the opinion that this system could be extended, although I realize there are technical difficulties in applying it, for example, to the Italian dairy organization, or in Denmark, Holland or the Federal Republic of Germany.

We believe that this is a way of following the principle of having as much planning, orientation, control, intervention and management as necessary, but no more, and as much freedom as possible. Liberals will no doubt be delighted at this statement. It is a kind of social liberal agricultural policy.

We also believe that in orientating production and marketing more weight and emphasis should be given to private initiative. This is what is happening in my country - Mr Klinker, whom you all know well, is chairman of a marketing organization for dairy products which functions very well. It has now been considerably stimulated by the upward trend in butter exports to the United Kingdom. We also have a voluntary market organization for poultry and eggs and this also functions fairly well, not 100%, but fairly well and could be extended to other products.

This in general then is our attitude in Germany, which will once again be made quite clear in the debate on the stocktaking of the CAP. Marketing Boards, and state management of food production and marketing, would be for us too much of a far-reaching decision.

Mr Brøndlund NIELSEN

Thank you, Mr Chairman. For this discussion of principles, I could give, perhaps, some information on the system in Denmark, which, while being liberal, provides, at the same time, for cooperation between the state and the farmers. As I am sure you know, farmers are very strongly organized into cooperatives, which, in turn, cooperate extensively with the government, so that farmers' organizations, in many ways, administer together with the state.

There have been plans at the present time for the introduction of a price freeze on food products on the home market. Not a simple matter in view of the rules of the Community, but it may be possible perhaps for a short period because strong farmer-owned businesses allow for cooperation between the state, the farmers' own organizations and firms.

Similarly, a lot of problems are solved by rationalization in agriculture and the processing industries, so as to make them more effective. I can mention, for example, that last year we had problems in our chicken processing industry. The big cooperative firm in the chicken processing industry, OK, was close to liquidation. However, other branches of the agricultural cooperatives, mainly the foodstuff selling cooperative (one of the biggest firms in Denmark), invested a great deal of capital in the chicken processing industry. This was a way of helping chicken processors to continue with rationalization and so become more effective, without any sort of state intervention.

The same thing exists in all sectors. For example, I can mention the very extensive bacon processing industry which is nearly wholly controlled by the farmers' cooperatives, together with a small part under the control of another group of industries owned by the British Consumers' cooperatives, and between which very good relations also exist.

I merely wish to explain that few ideas to show how we do things in Denmark. I think it is a very good example of what Mr FREHSEE called 'social liberal' agricultural policy; we have a free market and free farmers; and it is they themselves who have got together in cooperatives and work through these organizations with the state. It allows independence and private ownership to be safeguarded on the one hand, while providing, on the other hand, an organization large enough to contribute to solving some of the problems facing the modern society.

Thank you, Mr Chairman.

Mr HUNAULT

Mr Chairman, colleagues, in such a complex field as that of market organization and in particular agricultural market organization, I feel somewhat out of my depth, especially as the speakers who preceded me showed such great command of the subject. Allow me, Mr Chairman, to give a practical point of view. I am not a farmer, but I am mayor of a municipality of 15,000 inhabitants which during the last 15 years has built up an agricultural market - the sixth largest beef and veal market in France - and has constructed a municipal slaughter-house which today has a throughput of 20,000 tonnes. It was constructed 10 years ago.

Through this experience I have been confronted with the problem of the organization of the meat market and of the beef and veal market in particular. And from this same experience I have drawn the following conclusions: there is of course a political problem. One can be liberal or one can be a collectivist, i.e. there is a choice between laissez-faire or total intervention on the part of public authorities - or a middle system. It is quite clear that my preference is for the third solution to the exclusion of the other two. And I do not believe that one could defend either of the first two solutions.

What happens when there is intervention by the public authorities, at any level (even the municipality can intervene in the economic sphere)? In this case, to take an example with which I am well acquainted, the intervention for the organization of the market in live beasts was a municipal undertaking. The slaughter-house is controlled directly by the municipality and it has a throughput of 20,000 tonnes. Here then you have an initial example of intervention by public authorities at municipal level. Of course it is not sufficient and must be placed in a national and Community context. This makes matters more complicated.

But to return to the principle - since one cannot confine oneself to a particular case although it allows the general problem, and general policy to be seen in action - there is perhaps a tendency when one is sitting at a conference table to see problems exclusively from the theoretical and general point of view although they are principally human problems and in this case farmers' problems. I return therefore to my main point, which is the organization of the meat market.

Here I see three possible methods of marketing and market organization. The first is the traditional method. Of course it is not perfect, far from it! It is criticized and has been criticized and will continue to be criticized, but it must be pointed out that the traditional system



has nevertheless prevailed in the distribution sector and as far as I remember I have never heard of any grave shortcomings in the traditional system, which has always been satisfactory. Therefore in my opinion this sector should be left as it is and the traditional system allowed to operate freely. Then there is the second method, which is the 'integrated' circuit with its sub-division into the system integrated by cooperation and the capitalist integrated system.

I shall explain what I mean by returning to the example of the meat market which I experience every day. Every Wednesday 1,500 to 2,000 animals are marketed under the traditional formula: for slaughtering there is a slaughter-house and the producer has the possibility of approaching the cooperative of which he is a member; both the product and marketing are controlled from A to Z.

Then there is the third method, which is integration with capitalist industry. An industrial concern such as the firm of BRIDEL, to take an example from my home area, operates on the contract system - and I am surprised that during this discussion nobody has spoken of or mentioned this possibility, which exists in our country, of a contract economy.

I believe that this is an important way of trying to improve the organization of markets and I believe it is a way which has not been sufficiently used or studied. So much so that I would like to express a wish - and here I address myself to the Commission representative - there would seem to be a difference, even a lack of equality, between the groups of producers who are integrated into the cooperative system and the groups of producers who are bound by contract to industrial concerns. We have just constructed for 8 million francs, a meat marketing centre which is leased to an industrial concern, in this case the firm of BRIDEL, which has contracts in the dairy sector with its producers and which wishes to extend this contract system to the meat sector; it is experiencing difficulties - here there would seem to be a difference in the Community's attitude to groups of producers in cooperative systems and its attitude to those linked by contracts with industrial concerns, who are not accorded the same benefits.

Mr HOUDET

I welcome the fact that, on Mr Howell's initiative, we have undertaken this debate which is far from concluded and which we shall have to take up again, especially in connection with the CAP stocktaking and also on other occasions.

I welcome in particular the fact that in this debate we have heard successively the German point of view, the Danish point of view, the Dutch point of view, the French point of view and the British point of view. I would have liked an Italian representative to outline his country's economic philosophy, as this of course varies from one country to another.

But this debate today has been very fruitful for us. I believe it will be continued and I believe above all that the Commission's representatives will be able to report to their Commissioner our concerns which evidently differ. As Mr HUNAULT recalled we have traditions which have developed in the course of the years. Some countries have had difficult periods at times when other countries have been going through easy periods and it is very difficult to find a common formula for all.

I would like you to report today's discussions to your Commissioners, particularly to Commissioner LARDINOIS, so the Commission will give its attention to this problem which I have often spoken of in general terms to Mr LARDINOIS, the problem of marketing and processing agricultural products. It is a very broad concept which covers many things - I admit - but it is particularly relevant to basic market organization. And then allow me, not only as chairman but also as a Frenchman to concur with Mr HUNAULT. In France, we considered and passed a law in 1967 on contract economy in agriculture. I was rapporteur for this law - which did not come into full play in France unfortunately, but only, as Mr HUNAULT said, for certain products.

I will also add, to link up a little with Mr de KONING, that in the case of certain fruits and vegetable products and particularly tomatoes and peaches we have made some progress and I believe that this contract economy - over and above any differences between the liberal attitude which I represent and other attitudes which are represented here - does constitute common ground which we could examine in detail in order to link everything which we are doing in our Member States.

The conclusion of today's debate is a request to the Commission to study this problem: I do not ask the Commission to present us with proposals but to be present here again on another occasion after due consideration of this problem to inform us of what it believes it can propose.

Mr HOWELL

Mr Chairman, I have very much enjoyed the discussion ensuing from my introduction, but it has pointed out to me how thoroughly inadequate my introduction was, particularly when I heard Mr FRESHSEE'S remarks, which seemed to indicate that he had misunderstood what I am advocating. I am as thorough an exponent of free enterprise as any person could be. It is because I believe so much in free enterprise that I want to try to tell you of how I have been able to enjoy free enterprise as a milk producer for the last 25 years. I have had the minimum of state interference because of a producer marketing board which itself has the minimum of interference from the State.

I was born on a very small farm about 20 hectares. In 1923 my father was such a small producer that he could not have a contract to sell milk. It had to be done through a neighbouring larger farmer.

When the Milk Marketing Board was introduced, all small producers could register and have a contract with the Board. The basic concept here is of a contract between the producer, however large or however small, and the Board, which is a producer's board.

There has been a minimum of red tape, and a minimum of State interference. There is no great superstructure: all it does is to act as an accountancy system. It is its comprehensive nature which has made it distinctive from other boards which, as I have said before, have failed.

I believe that this question is one we should be looking at thoroughly. Perhaps I could suggest that at some time we invite some senior person from the Milk Marketing Board to explain its operation. Then we might see if there is any way we could benefit in other spheres, even in the sphere of milk. Possibly it might be worth our while, and worth the while of the Commission, to make a thorough study into the running and the operation of the Milk Marketing Board to see how we might benefit from it in the future, for either milk or other commodities.

Thank you very much.

Mr de KONING

Our colleague Mr HOWELL has broached a very interesting problem and I am very sorry that I had to miss the beginning of the discussion. But I would like to make one observation on the basis of what I did hear.

We have indeed been wrestling for a long time in agriculture with the problem of market organization, but I believe that our thoughts could be clarified if we were to make a distinction between the various objectives which we have in mind for market organization. What we want, and what Mr FREHSEE also mentioned, in a statement which I also found especially interesting, is principally to influence the volume of production. We want to attune the supply of agricultural products to the demand. Mr Chairman, there are only two possible ways of doing this in principle. The first is a very difficult method. In order to bring about a change of three, four or five per cent in the volume of production we often have to put great pressure on a whole branch of the industry. We must, and this is a characteristic of any price measure, influence 100% of the production volume in order to bring about a very small change, for example to 98% or 100%. This is unsatisfactory. But the other way is to operate a sort of permit system, a sort of licensing system as operated by some marketing boards, for example in Canada, for milk etc. Mr Chairman, we have had much experience with this in Holland especially in the ornamental plants sector: we operated a permit system for many years in the flower production sector. Growers were entitled to permits on the basis of performance in previous years. There was only a small margin for expansion, but it did at all events enable supplies to be restrained. Inevitably the structure of the industry stagnated. There was no possibility of modernizing the industry or increasing production. One solution to this, which may be official or can be operated illegally, is for growers to 'trade' permits. They then take on a certain value. In itself a pretty thought. The most efficient producer can offer the highest price for the permit of his less efficient neighbour who then runs down his business. But this does mean that papers, permits, take on a value which only obtains for a certain system. Mr Chairman, I know of tragic examples of flower producers in Holland who in the course of the years had sometimes bought permits to the tune of hundreds of thousands of guilders. Holland became a member of the EEC and, with a free market, there was no longer any place for such a system: the system had to be abolished and the producers were ruined at one go. It then transpired that a sort of trade had grown up in permits whose value depended on the system.

Secondly, this naturally means that the profitability of the industry comes under great pressure. Those leaving the system while it is running can become rich, but those who wish to continue to produce, and increase their business have to invest large sums of money simply to obtain permits to be able to produce.

Mr Chairman, I believe that experience of all these systems shows that certainly in the long term the disadvantages are greater than the advantages. They either lead to stagnation of the industry or a trade in papers, which are only valid as long as the system is not suspended, and they place great stress on the profitability of producers.

So for the time being we shall have to live with control of production volume by means of very general measures, price measures, which meet only too soon with great social resistance and which furthermore only work in the long term. For most agricultural products this means a year or more.

The second problem is how to keep price levels up in a market organization. This can only be done by removing products from the market, removing them from the market in order to dump them outside the Community on the market of third countries; this can be done collectively, either by the state or by private organizations, or by 'produktschappen' or another method, but collectively, at great loss and paying large amounts of refund - or by destroying them. We are gradually realizing the implications of both of these solutions. In Holland we have a completely private market organization for horticulture which in times of over-supply destroys massive amounts of vegetable and fruit. Apart from the negative effect on public opinion, such a system can only work if the price paid for the products to be destroyed is very low. The price must be lower than the cost price of the most efficient grower. As soon as the producer can produce at the minimum price paid, the supply will increase. It is also a very difficult problem for producers. They each contribute to the costs incurred by the joint destruction operation and if they wish to benefit from this operation they receive a price which by definition is non-profitable and must even be non-profitable for the most efficient grower, never mind the less efficient growers. And in the case of those products which we cannot destroy there is nothing to do but to follow the customary procedure, namely to store them in cold storage, grain warehouses, and normal warehouses with all the consequences which such a butter mountain, grain mountain, meat mountain or sugar mountain can bring. We once worked out for Holland that in the period of large butter surpluses (although these butter surpluses never exceeded 4% of the annual production) the simplest

solution would have been to throw them into the North Sea, this would have been cheaper than keeping them for a long time and then having to sell them at ridiculously low prices.

I therefore believe, Mr Chairman, that there is little that is basically new which can be added in the sphere of market organization to influence the volume of production and keep up the level of production prices. Suggestions, which have been made regularly, have all been tried and have all shown their relative advantages and disadvantages.

Where the market organization still meets with great difficulties is in the actual marketing or selling of production, in streamlining production by concluding long-term contracts. Here are indeed major unexplored possibilities for encouraging sales, especially if the contracts are concluded between large groups of producers and large buyers over long periods: they can also make a considerable contribution to market equilibrium although we in the agricultural sector will never be completely in command of that equilibrium if only because of the weather.

And in the second place, Mr Chairman, I believe that there are still great unexplored possibilities in market organization, and in the linking of market organization and structural policy, and in implementing structural policy in the framework of the market organization: this would stimulate individual farms to join the market organization and they would also be better adapted to it.

Finally, Mr Chairman, Mr FRIESE said: 'we envy Holland its 'produktschappen' - I would like to tell Mr FRIESE that Dutch agriculture has been concerned for a decade now about how to abolish the 'produktschappen', how to reduce their influence. We started them very enthusiastically after the war in order to place more responsibility on industry. They have now grown into a monster organization which is causing us great concern at the moment; you know as well as I do that it is not simple to found large organizations, but that it is virtually impossible to break them up. This should also be a lesson to us.

Thank you.

Mr NOE

Mr Chairman, I shall limit myself to giving some observations based on my experience in my own province of Italy, which therefore do not reflect the position in the whole country. With regard to what my colleague Mr HOWELL said, I wish to put on record that in my province, the province of Milan, at about the same time as the English, in the 20's, a milk producer syndicate was started which, in principle, operated very well. It had the same characteristics as those referred to by Mr HOWELL and was in fact a private initiative and not something imposed by the state. The factors which made the life of this Italian experiment more difficult were its geographical and sectorial limits, whereas however, if I have understood aright, in England this organization covers the whole country and this is what gives it its strength. On the other hand the Italian milk producers syndicate, which functioned very well for a certain period, was then overtaken by other industrial initiatives, since it did not have that strength. But its independence, which was analogous to that of the British organization, and which could, according to what our Danish colleague said, form a useful basis for a link-up with government policy, made it an instrument which for some decades was very fruitful. The intention of my brief intervention was to ask whether, if there is a hearing to obtain more information from people who have obtained experience in this field, this Milan province milk producers' syndicate should also be considered - it could send its chairman to give a valid contribution with respect to the activity we are talking about. And above all, it appears useful to me to have the opportunity to obtain information which can make our action worthwhile in the various different countries.

Thank you.

Mr HOUDET

Gentlemen, I believe that we can close our debate for today - I do not say that we should close the debate for ever - on the contrary this has been a very important initial session on the future of our market organization and I believe Mr FREHSEE (I address Mr FREHSEE, since he, like me, often recalls Article 39 of the Treaty of Rome) that through this market organization we shall pursue our aim which is to protect farmers' wages while ensuring normal supplies to consumers.

In conclusion, I would ask, indeed urge, the Commission representatives to report today's meeting to the Commissioner responsible and to ask him to look at this problem: he has already done this of course but he could offer further suggestions as soon as possible in the future.



OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr C. DURAND

On 21 October 1975 the Committee on Budgets appointed Mr DURAND draftsman.

It considered the draft opinion at its meetings of 19 May and 2 June 1976.

The opinion was unanimously adopted on 14 June 1976.

Present: Mr Lange, chairman; Mr Aigner, vice-chairman; Lord Ardwick (deputizing for Mr Dalyell), Mr Artzinger, Mr Bangemann, Lord Bessborough, Mr Cointat, Mr Gerlach, Mr Lautenschlager, Mr Notenboom, Mr Patijn and Lord Reay (deputizing for Mr Shaw).

Previous aid in this domain

1. Under the provisions of EEC Regulation 17/64, projects relating to the adaptation and improvement of the marketing of agricultural products fall within the scope of the Guidance Sector of the EAGGF. Following this provision, aid has been awarded by the EAGGF, on a considerable scale, to projects relating to the processing and commercialization of agricultural products. The amount of the aid has been growing over the years as the following table shows:

Year	EAGGF aid (m.u.a.)	
1968	35.4	} 6 Member States
1969	45.7	
1970	61.5	
1971	59.1	
1972	63.9	
1973	70.2	} 9 Member States
1974	123.7	

Present proposal

2. The Commission's proposal now under consideration is for a regulation which would replace this existing system of aid for projects relating to the processing and commercialization of agricultural products by a scheme of common measures to be carried out over a 10-year period. The cumulative cost to the EAGGF for the first five years of operation is estimated at 400 m.u.a. The projects to qualify are to be those drawn up by (1) Member States, (2) trade organizations, or (3) by the Commission where cross-frontier zones are concerned. The capital subsidies to be paid from the EAGGF towards projects ruled on favourably under the draft regulation may not exceed 25% of the investment made; the beneficiary is to provide at least half of the total financial cost and the Member State on whose territory the project is to be carried out is to contribute to the project to the extent of at least 40% of the subsidy granted by the EAGGF. Phasing in is provided for under Articles 12 and 19 of the draft.

Paragraphs 7-11, 13 and 15 of the draft regulation give details of the criteria to apply.

Overall outlay

3. On the basis of 80m.u.a. a year cost to the Community budget over 5 years, the Commission gives the following possible range of shares in the

\* As well, of course, further amounts have been provided for in other areas of agriculture.

overall investment concerned:

	M.u.a.	M.u.a.
Community budget	400	400
National administration	160 (minimum)	400 (maximum)
Beneficiaries' participation	1040 (maximum)	800 (minimum)
	<hr/>	<hr/>
Total	1600	1600

#### Need for the present proposal

4. The proposal is being put forward because of the many calls from Parliament and other Institutions for action of this nature. As well, a coherent policy is needed because improvements in processing and marketing of agricultural products could make for significant changes in cost of food to producers; "added value" - the difference between price to producer and cost to consumer - is very large in the case of agricultural products. Action on a Community basis to narrow it is to be welcomed. However, in many areas of the Community, the food industry is already highly organized and there could be some risk of creating undesirable monopolies if there were further developments in certain areas without, at the same time, ensuring that the organization of producers was strengthened.

The criteria at Article 15b "projects which are likely to lighten the burden on the intervention mechanisms of the common organization of markets through the long-term structural improvement which they effect", and at Article 15c "projects which in the long-term will remove the need for intervention", are eminently desirable from a budgetary viewpoint. They respond to the need, long identified by the Committee on Budgets, for appropriate measures to modernize food processing and distribution while holding out the prospect of reducing budgetary costs.

#### Treaty aspects

5. Article 39 of the Treaty includes among the objectives of the common agricultural policy the promotion of technical progress, increasing the individual earnings of persons engaged in agriculture and ensuring that supplies reach consumers at reasonable prices. These concepts would tie in with the operation, on a Community scale, of a comprehensive common measures programme designed to improve the conditions for marketing and processing agricultural products; the benefits of such a programme would extend down to consumers who would enjoy better quality products and back to producers who would gain materially from the effects of improved production methods and enhanced marketability.

Recent expression of views by the Committee on Budgets in relation to agriculture and the general budget of the Communities

6. All aspects of Community outlay in relation to agriculture are of particular interest to the Committee on Budgets because agriculture-linked outlay constitutes so preponderant a share of the general budget of the European Communities.
7. Early in 1975, the Committee on Budgets carried out an in-depth review of Community activity in regard to the agricultural sector in the context of Mr Cointat's opinion (Doc. 115/75 Annex) on the communication from the Commission of the European Communities to the Council (Doc. 529/74) on the stocktaking of the common agricultural policy.
8. The Committee on Budgets recognized, in that opinion, that the common agricultural policy has begun to attain one of its basic reasons for establishment - the need for greater interpenetration of markets, i.e. free movement of goods, bringing with it the benefits of improved specialization, and thus helping to assure a more efficient utilization of resources. This has paid off in terms of more stable prices within the Community than on world markets which has benefited the consumer by making supplies more secure and has been of advantage to the producer by rendering markets more stable.
9. Furthermore, the opinion indicated that it must be constantly borne in mind that the Community budget outlay in relation to agriculture represents a transfer from the central budgets of Member States and enables the tackling of European problems in the sphere of farming on a Community basis thus eliminating the prospect of recourse being had to counter-productive national policies making for pointless competition between states.
10. On the other hand, in that opinion, the Committee on Budgets regretted the inadequate headway on the rationalization and structural reform fronts, recognizing that it will be impossible to solve the difficulties of agriculture by price machinery alone. Furthermore, the Committee on Budgets deplored the fact that the lack of progress on the structural reform front has a costly effect on the Community budget, as well as having serious implications for such fundamental Community objectives as (i) the promotion of technical progress in agriculture so as to increase agricultural productivity and (ii) the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour.

Broad attitude to the present proposal

11. In view of the outcome of the in-depth consideration given by the Committee on Budgets on 21 May and 9 June last to the whole question of agriculture, viewed primarily from the aspect of the Community financial and

budgetary policy, the Committee would, in principle, be favourably disposed towards the present proposal which would tend to further increase the efficiency of European agriculture, improve commercialization conditions for agricultural products, make Community agriculture more modern and be part of a programme of limited duration which is designed to remove, in the long term, the need for intervention by helping projects which are likely to lighten the burdens on the intervention mechanisms of the common organization of markets.

Basis for calculation of the five-year Community contribution

12. The figure of 80 m.u.a. per year for the first five years of operation of the scheme is arrived at as follows: EAGGF aid to the processing and commercialization of agricultural products industry for the seven years to 1974 was cumulated by the Commission, averaged out and then corrected for the expansion to the Community of Nine. However, this basis of calculation, which gives a figure for the years ahead which would be lower in real terms than the total amounts awarded under the present arrangements for the two years 1973 and 1974, does not allow for the continuation of the trend of rising prices nor for any dynamic development in the sector: on the contrary, it assumes a shrinking of activity; "due to the current economic situation, it is thought that investment in this sector shall decrease, because, on the one hand, the increase of demand is not as great as in the past, and, on the other hand, financing conditions are more difficult" (paragraph 4 of Annex 1).

13. The Committee on Budgets would be reluctant to accept that, while the current economic situation is sluggish, a programme of aid for modernization in the agricultural sector should be based on the assumption that this condition of sluggishness would continue over the years ahead or that, in a period of slackening investment, the Community should take a stance which would reinforce a recession pattern and lead to a postponement of reforms that would appear to be of long-term benefit to the Community.

#### Time for consideration of proposals

14. Article 13 of the draft Regulation states that applications for aid from the EAGGF 'shall be submitted to the Commission each year before 1 October. The Commission shall decide on the merits of such applications before 31 December of the following year'. The applications will need to be 'accompanied by information enabling it to be established that the project satisfies the requirements of Title II 'and, moreover, the application will need to be 'submitted through the Member State concerned'.

It appears to the Committee on Budgets that the delay of at least fifteen months which could elapse before the decision of the Commission is communicated to the applicants is over-long. It must be remembered that there will have been certain delays at the level of (i) the 'inter-trade organizations' or (ii) the 'representative group of undertakings' in formulating the basic proposal and in identifying local sources of credit. Further delays will arise at the national level when proposals are being scrutinized prior to submission to the Commission: at that level, much of the essential pruning and selection would be likely to take place. Basic data (and trade and other considerations) would tend to become somewhat out of date after a span of two years, or even more, has elapsed. It would be highly desirable that procedures relating to the examination (and approval) of proposals at the Community level should be carried out with despatch; otherwise, worthwhile proposals may wither away because of procrastination.

15. Furthermore, the consideration of these proposals should be tied in closely with the budgetary procedure. Thus, the deadline for receipt of proposals by the Commission should be brought back to 31 May, so that the Commission could inform Parliament in the closing months of the year of the likely order of demands to be met for these common measures. Decisions should be reached by end of January so that, in keeping with the non-compulsory nature of the outlay, Parliament would be fully involved in the settling of allocations. This would still allow at least eight months in which to take a decision at Community level.

#### 16. Non-compulsory nature of the outlay

The non-compulsory nature of the outlay is apparent from the statement at paragraph 1 of the Annex which states:

'Projects which entrain public, semi-public or private investment and which have as their objective the rationalization or development of actions involving the processing or commercialization of agricultural products will benefit by aid from the Fund if approved by the Commission.

This regulation does not imply an obligation that the Commission will grant aid to all the projects submitted, nor to all the projects which fulfil the requirements of this regulation. The Commission shall be free to grant or not to grant aid from the Guidance Section of the EAGGF, as it chooses.'

The Committee on Budgets also believes that to set the level of expenditure by way of a regulation constitutes an abuse of Parliament's budgetary powers. It therefore considers the figures put forward in the 9th recital and Article 18(3) of the Commission's proposal as information it requires to be able to deliver an opinion, with a full knowledge of the facts, on the financial aspects of the proposal, but has deleted these two passages, emphasizing once again that expenditure under this proposal should be considered non-compulsory and the amounts determined within the framework of the annual budget, in accordance with the budgetary powers provided for in the 1970 and 1975 treaties which allow Parliament effective participation in the decision on the financial consequences of this proposal.

#### Review of the common measures

17. Article 18 of the draft Regulation proposes that the common measures be re-examined by the Council, upon a proposal from the Commission, five years after this Regulation enters into force. This appears to be too long a delay and a review at the end of a four-year period of operation would seem to be more appropriate since, by that time, adequate experience of the scheme would have been had to enable a stocktaking to be effected. Developments in regard to the marketing and processing of agricultural products evolve so rapidly that a five-year span without a review would appear to be unduly long. It is suggested that the proposal now made for an amendment would ensure that the review would reveal, as early as possible, any shortcomings or weaknesses in the common system. A process of continuous ongoing reviews of expenditure for effectiveness and appropriateness is most desirable.

#### Other comments

18. In certain respects, the information contained in the Commission's document is somewhat inadequate. For instance, in Article 16(2) it is stated that 'The Commission shall ensure that the activities of the Fund are harmonized with any other aids from Community appropriations' but the explanatory memorandum does not illustrate by examples. Neither does the explanatory memorandum explain the point at Article 17 regarding the limitation of the amounts of aids. The question might be put, too, as to why it took so long for this proposal to be put forward having regard to the importance which it has for the evolution of Community agriculture, the ultimate savings which would flow from it to benefit the budget of the Communities and the calls which have been made for it since 1969.

The layout of the draft regulation could, perhaps, have been reordered so as to give added clarity. As well, the impact which the Commission hope that the draft regulation will have could be more fully elaborated. However, it is deemed appropriate, in this opinion, to have regard primarily to budgetary aspects.

### Reports on the effect of projects supported

19. Article 23 of the draft regulation proposes that:

'Within three years following the execution of a project, the relevant beneficiary shall forward to the Commission through his Member State a report stamped with the endorsement of that Member State on the economic effect of each project having received aid from the Fund;'

A review of the effectiveness of expenditure incurred is a highly desirable - indeed an essential - aspect of the follow-up procedures in any budgetary system. In the present instance, it would appear appropriate that this review should take place within two years of the completion of the project.

### Carry forwards arrangements

20. The draft Article 24 proposes that 'application for aid may, however, be carried forward once only'. The Committee on Budgets has adopted a firm attitude towards over-use of the carry forwards of appropriations arrangement because the movements between financial years tended to distort the budget and take from its transparency and annuality. However, in the present case, a movement of appropriations which appeared in one budget to the following financial year is not involved. It would appear to be harsh to allow the present closing sentence to stand unamended, particularly since the carrying forward would be due to adequate community resources not being available rather than to a shortcoming on the applicant's part.

### Summary

21. Because of its preponderant place in the budget, the Committee on Budgets has always paid particular attention to EAGGF expenditure. Therefore, proposals which make for long-term changes that would (i) lead to advantages for producers and consumers and (ii) effect budgetary savings in the longer run are to be welcomed. The Commission's proposal would appear to require to be amended in certain respects because it is necessary (i) to convey the sense of urgency which a shorter period of examination of proposals received from the Member States would evoke, (ii) to ensure that ongoing reviews of the scheme are conducted, and (iii) to tie in more fully with the budgetary procedure.



22. During the consideration of the draft opinion at the meeting of the Committee on Budgets on 19 May, a number of members queried the need for so large an amount of funds being envisaged for the proposal; the question was also put as to whether the proposal to aid the processing side (rather than producers) did not represent a substantial departure from the present position; it was also asked what assurances were there (i) that this would not result in the strengthening of existing monopolies or in the creation of new ones and (ii) that consumers and producers would really benefit from the proposed regulation; the fear was expressed that the gain would be entirely to the advantage of the marketing and processing sector. It was felt by some Members that an effort should be made to strengthen the farmers' co-operatives and, in this way, improve the situation of the producers while weakening the power of certain middlemen and monopolies.

Comments on the points raised were made by the draftsman and by the representative of the Commission. It was suggested that, as the Commission would vet proposed schemes, those which would tend to benefit monopolies could be excluded; work was in hand separately to assist the co-operative movement; while the sums in Community aid proposed seemed large in actual terms, it was not large by reference to the total amount of investment involved in the marketing and processing sector and would only be, at most, 25 per cent of the total investment. Furthermore, the draft regulation provided for a re-examination of the common measures after the regulation had been in force for five years: the draftsman was, in fact, suggesting that such a review should take place after four years.

23. Members of the Committee on Budgets drew attention to the apparent conflict between (i) the dispositions for adopting decisions set out at Article 14 and Article 25(3) of the draft regulation and (ii) Article 205 of the Treaty.

While it was recognized that the arrangements proposed in the draft regulation were the same as those which have been in operation over the past decade, the Committee on Budgets decided to seek the opinion of the Legal Affairs Committee in the matter; the Committee tended to the view that the parallelism with the Treaty, which the present arrangements represent, is inappropriate.

#### Conclusion

24. Subject to the above comments and reservations, the Committee on Budgets gives a favourable opinion. It is to be regretted that a proposal on the lines of that now under consideration - and which was first suggested as far back as 1969 - was not put forward earlier. The Committee on Budgets

- has reservations about the basis on which multi-annual estimates of expenditure in relation to agriculture are prepared and reiterates its view as to the need to establish and continuously update a 'budgetary control panel' enabling the significant variables of agricultural expenditure to be assessed rapidly,
- notes that the expenditure involved is non-compulsory and the amount cannot be fixed by means of a regulation except at the risk of detracting from Parliament's budgetary powers as set out in the 1970 treaty,
- asks the Committee on Agriculture to include in its report the suggested amendments to the 9th recital and Articles 13, 15, 18 and 23 of the proposal for a regulation,
- would like to be assured that the necessary steps will be taken to ensure that the benefits to accrue from the Community outlay envisaged will be reflected in gains to consumers and will not be retained to any undue extent by the processing and marketing sector,
- has asked the Committee on Legal Affairs to furnish an opinion on the apparent contradiction between (i) the dispositions referred to at Articles 14 and 25(3) of the draft regulation and (ii) the provisions of Article 205 of the Treaty of Rome.

Finally, should the Council envisage adopting the draft regulation without giving effect to the amendments put forward, the Committee on Budgets reserves the right to call into play the concertation procedure, having regard to the significant sums involved and to the basic budgetary principles concerned.

o

o o

---

Proposal for a regulation concerning common measures  
to improve the conditions under which agricultural  
products are marketed and processed

Preamble and recitals 1 to 8 unchanged

9th recital:

9th recital:

9. Whereas aid from the Fund over a period of 10 years, and totalling 400 million units of account for the first 5 years should be sufficient to enable problems concerning the improvement of the conditions for marketing and processing agricultural products to be solved;

9. deleted

Recitals 10 and 11 unchanged

Articles 1 to 12 unchanged

Article 13

Article 13

1. Applications for aid from the Fund shall be submitted to the Commission each year before 1 October. The Commission shall decide on the merits of such applications before 31 December of the following year.

1. Applications for aid from the Fund shall be submitted to the Commission each year before 31 May. The Commission shall decide on the merits of such applications before 31 January of the following year.

Paragraphs 2 to 5 unchanged

Article 14 unchanged

Article 15

Article 15

Add new paragraph 2

'2. Priority shall be given to projects which fall into categories (b) and (c) of paragraph 1 of this Article'.

Articles 16 and 17 unchanged

Article 18

Article 18

Paragraphs 1 and 2 unchanged

- |   |            |
|---|------------|
| 3. The total cost of the common measures financed for the first five years by the EAGGF is estimated at 400 million units of account. | 3. deleted |
|---|------------|

Paragraph 4 unchanged

Articles 19 to 22 unchanged

Article 23

Article 23

- |  |   |
|--|---|
| 1. Within three years following the execution of a project, the relevant beneficiary shall forward to the Commission through his Member State a report stamped with the endorsement of that Member State on the economic effect of each project having received aid from the Fund. | 1. Within <u>two</u> years following the execution of a project, the relevant beneficiary shall forward to the Commission through his Member State a report stamped with the endorsement of that Member State on the economic effect of each project having received aid from the Fund. |
|--|---|

Paragraphs 2 to 4 unchanged

Articles 24 to 27 unchanged