

# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

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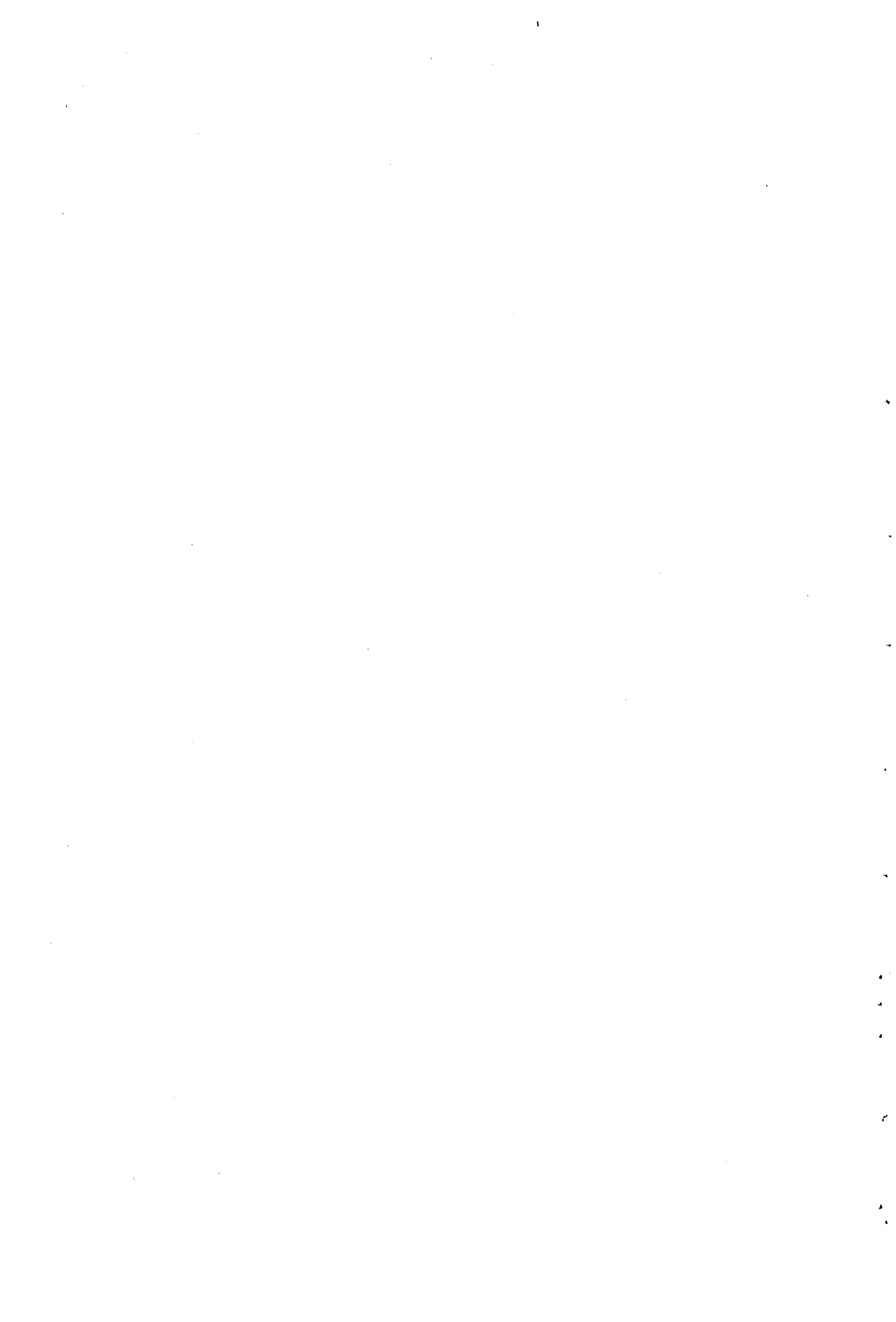
DOCUMENT 204/76/ANNEX

OPINION OF THE COMMITTEE ON BUDGETS

on the proposal from the Commission  
of the European Communities to the  
Council (Doc. 129/76) for a directive  
amending Directives 72/159/EEC,  
72/160/EEC, 72/161/EEC, 73/131/EEC  
and 75/268/EEC on the reform of  
agriculture

Draftsman: Mr M. COINTAT

PE 45.005/fin./Ann.



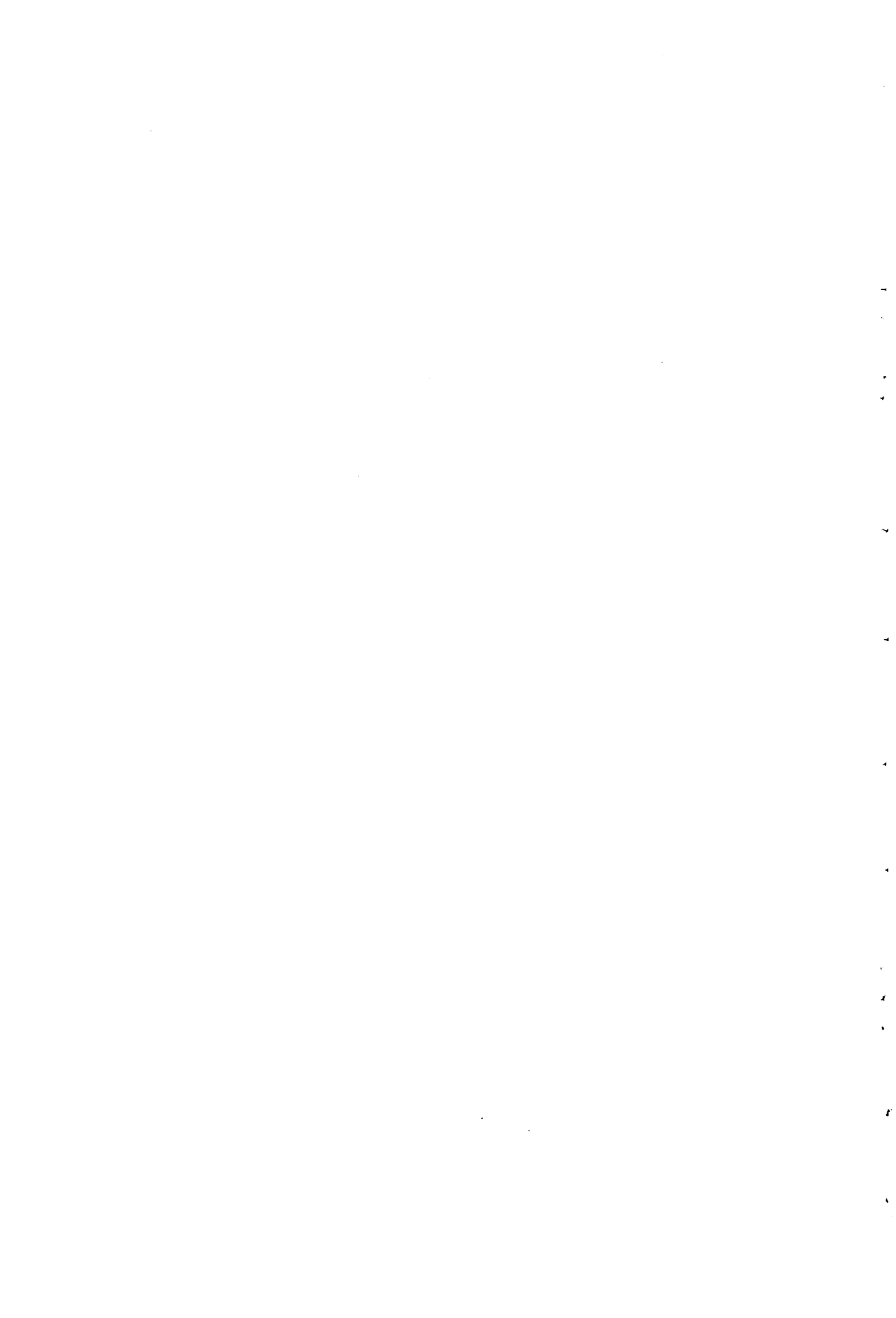
OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr M. COINTAT

On 23 June 1976 the Committee on Budgets appointed Mr Cointat draftsman.

It considered the draft opinion at its meetings of 23 June and 5 July 1976, and adopted it unanimously , less one vote, at the latter meeting.

Present: Mr Lange, chairman;  
Mr Cointat, draftsman; Mr Artzinger; Lord Bruce of Dornington; Mr Dalyell; Mr Früh; Mr Haase; Mr Hansen; Mr Lautenschlager; Mr Notenboom; Mr Shaw; Mr Suck; Mr Vandewiele (deputizing for Mr Mursch).



1. After the reform of the EAGGF, on the basis of Regulation 729/70, the Community policy for the reform of agricultural structures was given legal effect by a series of joint measures adopted pursuant to Article 6 of the basic regulation <sup>1</sup>.

2. The European Parliament, which has frequently criticized this policy as being inadequate, has been consulted on a proposal for a directive updating the first of these measures in the light of the loss of purchasing power suffered by farmers. These measures relate to the modernization of farms <sup>2</sup>, measures to encourage the cessation of farming and the reallocation of utilized agricultural areas for the purposes of structural improvement <sup>3</sup>, the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture <sup>4</sup>, the guidance premium for the modernization of farms <sup>5</sup> and mountain and hill farming and farming in certain less-favoured areas <sup>6</sup>.

3. The results of this policy have been somewhat disappointing, as the directives have been implemented only to a limited extent. The Commission, in an initial balance-sheet submitted to the Council on 17 March 1976, attributes the unsatisfactory results to date to the delay in implementing the regulations by the Member States, which has often been considerable. However, the fact that these measures have only been partially successful is also due to the inflexible nature of some of the provisions, as a result of which the financial incentives offered to farmers cannot be adapted to keep pace with general economic trends.

4. This proposal is designed specifically to counteract the effects of agricultural price trends on these directives and increase the financial incentives in order to 'return to the directives their former level of monetary incentive'.

#### Financial implications

5. The financial statement provided by the Commission in support of its proposal is satisfactory. The amounts that appear in section 5.1

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<sup>1</sup> Regulation No 729/70, OJ No L 94, 28.4.1970, p.13

<sup>2</sup> Directive 72/159/EEC, 17.4.1972

<sup>3</sup> Directive 72/160/EEC, 17.4.1972

<sup>4</sup> Directive 72/161/EEC, 17.4.1972

<sup>5</sup> Directive 73/131/EEC, 15.5.1973

<sup>6</sup> Directive 75/268/EEC, 28.4.1975

'Estimated costs' reflect the additional costs resulting from the proposed changes by comparison with the estimated costs before modification.

6. The somewhat unclear 'comments' explain in detail the method used to calculate this additional expenditure, estimated at 78 million u.a. spread over five years.

7. The Commission has also calculated the budgetary implications of these estimates, taking into account the particular characteristics of the system of administration laid down in these directives. The following amounts should be included in the commitment appropriations :  
1977 budget = 100.8 million u.a.; 1978 budget = 201.6 million u.a.;  
1979 budget = 236.3 million u.a.; 1980 budget = 248.9 million u.a.;  
1981 budget = 260.7 million u.a.

8. The method used to work out these estimates does not exclude an element of uncertainty. The Commission points out, for example, that the cost of the four directives from 1980 onwards is merely extrapolated from the previous years' figures. Also, it is sometimes difficult to assess to what extent the increase in the financial incentives will produce an effect. The Commission has therefore calculated the foreseeable increase in expenditure on an 'arbitrary' basis.

9. It would probably be difficult to estimate the effect of this proposal on the Community budget more accurately, but this is simply intended as a general indication. The basis for calculation is more important than the method employed.

10. The Commission has calculated the increase that would be needed to restore the financial incentives to their former level of effectiveness on the basis of the inflation rates recorded between the entry into force of the various directives and the entry into force of the proposed modification on 1 January 1977.

#### Opinion of the Committee on Budgets

11. The Committee on Budgets naturally approves a measure that is designed to improve the effectiveness of the Community's policy for the reform of agricultural structures, a policy which it has often criticized as inadequate, and that will counteract - albeit to a limited extent and somewhat belatedly - the effects of inflation on agricultural production.

12. It notes, however, that since inflation will clearly continue, it is obvious even at this stage that the present inadequacy of the financial incentives will not be remedied permanently when the proposal enters into force. To avoid a recurrence of this situation in the next few years, it calls on the Commission to consider amending the basic regulation with a view to making the financial incentive mechanisms more flexible and ensuring that they are regularly updated in accordance with economic trends.

13. The proposal must be considered in the light of agricultural as well as budgetary policy, as part of a comprehensive plan by the Commission to bring about a sustained improvement in the policy for the reform of agricultural structures. The Commission has annexed the 1976 - 1981 estimates for the Guidance Section as a whole to its proposal so that it can be assessed in this light.

14. The Committee on Budgets is entirely in favour of what is, in effect, the initial step towards a Community structural policy. It stresses that the Commission's proposals are in line with the measures it has itself proposed to deal with the deplorable under-utilization of the appropriations allocated to the Guidance Section <sup>1</sup>.

15. It draws attention to its frequently expressed opinion that a reduction in the Guarantee Section's expenditure can be achieved satisfactorily in the long-term only through structural reform.

16. The Commission's estimates clearly show that the 325 million u.a. budget for the Guidance Section will soon be insufficient to finance this policy. The Committee on Budgets considers that it is an unavoidable political necessity to remove the upper limit on the Guidance Section's appropriations and that the manner in which this is done is a secondary consideration.

17. This upper limit could be removed in one of two ways. It would be possible to use the appropriations provided for in the comments on Article 880 of the Commission's budget before actually removing the limit. This solution would have the psychological advantage of implementing the Community's commitment to use these funds for the reform of agricultural structures. Alternatively, it would be possible to remove the upper limit in the manner provided for in Article 6, paragraph 5, of Regulation No. 729/70 once the need was recognized. This latter solution would have the advantage of settling the matter once and for all. It would also prevent arguments as to the nature of the Mansholt reserve, which, while undoubtedly offering a solution to the under-utilization of the funds allocated to the EAGGF Guidance Section, is of doubtful effectiveness in budgetary terms.

#### Conclusion

18. The Committee on Budgets is in favour of a proposal which is designed to ensure that the appropriations earmarked for the reform of agricultural structures are utilized more effectively. However, it recommends that the Commission should consider amending the basic regulation to ensure that the financial incentive mechanisms are regularly updated to keep pace with general economic trends.

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<sup>1</sup> See, in particular, the opinion of the Committee on Budgets, drawn up by Mr Cointat, on the stocktaking of the Common Agricultural Policy, paragraph 18 *et seq.* (Doc. 115/75) and the report by Mr Früh on the Fourth Financial Report on the EAGGF, point 12 of the resolution (Doc. 70/76)

19. It also approves the general recommendation that the proposal contains as regards the overall budgetary policy for the EAGGF Guidance Section, namely that the appropriations allocated for this section should be used more intensively and consistently. It is aware that the annual budget of 325 million u.a. earmarked for the Guidance Section will no longer be adequate by 1978 and recommends:

- either removing the upper limit once the need is recognized, after utilizing the 'Manshold Reserve';
- or, in the next budget, removing the upper limit of the appropriations for the EAGGF Guidance Section by abolishing the 'Manshold Reserve' and entering the appropriations required.