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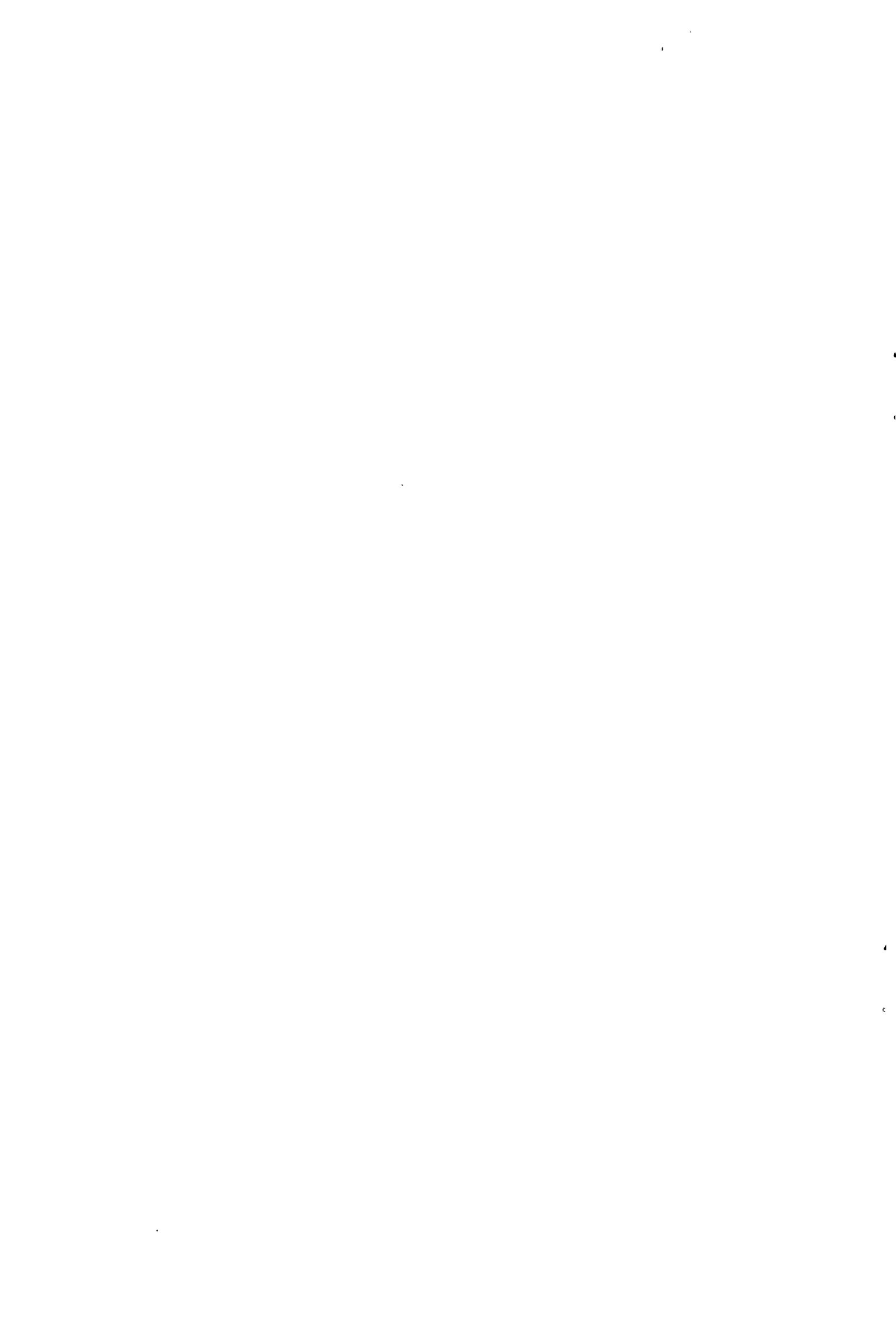
Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 63/73) for a regulation on aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund in 1973

Rapporteur: Mr J. SCOTT-HOPKINS

PE 33.435/prov.



By letter of 16 May 1973, the President of the Council of the European Communities consulted the European Parliament, pursuant to Article 43 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a Regulation (EEC) of the Council on aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for 1973.

On 24 May 1973, the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for its opinion.

The Committee on Agriculture appointed Mr Scott-Hopkins rapporteur.

It considered the proposal at its meeting of 14 and 15 June 1973. At the same meeting the committee adopted the following motion for a resolution unanimously, with one abstention.

The following were present: Mr Houdet, chairman; Mr Vetrone, vice-chairman; Mr Scott-Hopkins, rapporteur; Mr Baas, Mr Brugger, Mr Cipolla, Mr Fröh, Mr Heger, Mr John Hill, Mr Hilliard, Mr Kavanagh, Mr de Koning, Mr Laban, Mr Ligios, Mr Liogier, Miss Lulling, Mr McDonald, Lord Mansfield (deputizing for Lord St Oswald) and Mr Martens.

The opinion of the Committee on Budgets is attached.

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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 on aid from the Guidance Section of the European Agricultural Guidance and Guarantee Fund for 1973

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM (73) 517 fin.),
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 63/73),
 - having regard to the report of the Committee on Agriculture and to the opinion of the Committee on Budgets (Doc. 109/73),
1. Approves the Commission's proposal:
 2. Nevertheless calls upon the Community and national authorities to devise procedures which would reduce the time spent in considering applications, without altering the principles on which aid is allocated or the essential guarantees required by these authorities;
 3. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

1. The Committee on Agriculture has been asked to consider a proposal for a regulation on aid from the European Agricultural Guidance and Guarantee Fund, Guidance Section, for 1973.

At a time when three new Member States have joined the European Economic Community, it seems useful to outline briefly the historical background of the Guidance Section of the EAGGF (Part I) before discussing the actual proposal (Part II).

PART I

2. The EAGGF, which constitutes an integral part of the Community budget (OJ No. 30,20 April 1962), was established by Regulation No. 25 on the financing of the common agricultural policy, one of the first Community regulations on agriculture.

Basic Regulation No. 25 specified the expenditure which could be granted aid from the Fund. Article 3 (1) (d) mentioned 'action undertaken in accordance with Community rules for attaining the objectives set out in Article 39 (1) (a) of the Treaty including structural changes necessitated by the development of the Common Market'.

Article 5 (2) stipulated that the contribution from the Fund to this expenditure should, as far as possible, correspond to 1/3 of the amount of expenditure by the Guarantee Section, or, in other words, that the Guidance Section would represent 1/4 of the total expenditure of the Fund.

3. In 1964, Regulation No. 17/64 (OJ No. 34, 27 February 1964) defined the conditions of operation of the EAGGF. Heading II of this regulation dealt with the Guidance Section and set out its general conditions of operation.

It is worthy of note that the EAGGF's contribution could not exceed 25% of the resources earmarked for a particular project and that contributions from the aid recipients must be at least 30%. Also, in the case of structural improvement projects, projects relating to production could be considered as well as those concerned with the marketing of agricultural products.

4. It will be remembered that the expenditure met by the Guarantee Section

has increased steadily for the following reasons:

- the proportion of Member States' expenditure defrayed by the EAGGF rose from 1/6 in 1963 to 6/6 in 1968;
- the number of products covered by market organizations increased steadily between 1962 and 1970, as the market organizations were established at different times;
- intrinsic expenditure increased in so far as Community contributions were made in areas in which the national organizations did not intervene, and in which, also, production surpluses made it necessary to grant export refunds.

5. In view of the increase in the Guarantee Section's expenditure which would have had the effect of increasing the amounts allocated to the Guidance Section, since these amounts had to correspond to 1/3 of the Guarantee Section's expenditure, the Council, when Regulation No 130/66 was adopted, set a ceiling of 285 million u.a. per year on the Guidance Section's expenditure (OJ No. L 165, 21 September 1966). The Committee on Agriculture protested against this limitation, on which it had not been consulted.

Regulation 130/66 provided (Article 10) that with effect from the accounting period 1967/68, for certain categories of projects laid down in Community programmes, the EAGGF's subsidy (in principle 25%) could be increased, provided that it did not exceed 45%.

In fact, these Community programmes which the Commission had proposed in 1966, and on which the European Parliament had also delivered an opinion, were never adopted by the Council.

6. After 1969, the Commission, under the aegis of Vice-President Mansholt, submitted the Memorandum on structures which was followed by specific proposals for directives. The Community programmes were dropped and the Commission concentrated all its efforts on structural reform.

This obviously entailed considerable expenditure, to which the Community was required to contribute.

It was then decided that a part of the funds which would normally have been available to the Guidance Section should be put in reserve. This decision was particularly expedient because, owing to staff shortage, the departments of the Guidance Section of the EAGGF were not able to consider applications and allocate aid within the limits laid down.

7. This was the situation when, in 1969, the Commission submitted a proposal for a regulation on aid granted by the Guidance Section of the EAGGF, dividing the 285 million u.a. between individual projects and a sum to be placed in reserve for the implementation of structural measures in the context of agricultural reform.

Since that time a sum has been put in reserve each year. On 31 December 1972, the reserve totalled 438,384,300 u.a., as shown in the general budget of the European Communities for the financial year 1973 (OJ L 307, 31 December 1972, p. 285).

It will be noted that this sum appears in the chapter on reserved appropriations. The Committee on Agriculture and the Committee on Budgets of the European Parliament have already had occasion several times to draw attention to the rather curious nature of this reserve which is in the possession of Member States and not of the Community, although in fact it can be called upon immediately by the Community, since legally the latter is the owner of these funds.

These two committees stressed the danger that these funds might decrease in value as a result of monetary depreciation.

8. Lastly it should be mentioned that, since 1969, projects for allocating EAGGF aid have shown separately expenditure of a Community nature entailed by the application of a number of Community decisions (rationalization of orchards, premiums for slaughtering cows...).

PART II

9. The proposal under consideration for 1973 merely follows the approach adopted in previous years and outlined above. However, because of the accession of the new Member States, a larger sum is involved. Under Regulation No. 2718/72 the ceiling has been raised from 285 to 325 million u.a.

It is therefore proposed (Art. 1) to allocate the appropriations for 1973 as follows (the table below also shows the figures for 1972):

(1) Measures resulting from Community regulations:

	1973 (appropriations)	1972 (appropriations and actual expenditure)
(a) associations of fruit and vegetable growers	3 Mua	5 Mua
(b) premiums for slaughtering cows and non-marketing of milk	4 Mua	7.9 Mua (4 + int. transfer)

	1973	1972
	(appropriations)	(appropriations and actual expenditure)
(c) rationalization of fruit production	10 Mua	11.9 Mua (8 + int. transfer)
(d) improvement of citrus fruit production	13 Mua	11 Mua (no expenditure)
(e) associations of producers in the fishery sector	1 Mua	2 Mua (no expenditure)
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(2) Individual projects	31 Mua 170 Mua	150 Mua
(3) Remaining portion:	124 Mua	
joint measures	78	
reserve	46	
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	325 Mua	

10. A few observations should be made on this table:

The proposal for a regulation shows only two figures, the total appropriations (325 Mua) and the funds available for individual projects (170 Mua).

The figures for the operations shown under (1) above appear in the Community budget for 1973 (OJ No. L 307, 31 December 1972).

The figures for the operations shown under (3) above appear in an amendatory budget now in preparation.

11. The following points should also be made in connection with the figures shown in (1): the inclusion of appropriations for the slaughter of cows and the non-marketing of milk may seem unexpected. In fact, the slaughtering operations have been completed, but the grants for the non-marketing of milk which were offered for a period of 4 years will continue to be paid in 1973.

The operations concerned with the rationalization of fruit production (grubbing-up of orchards) were completed on 1 April 1973 (OJ No. L 266, 25 November 1972).

12. The operations shown under the heading 'remaining portion' (3) include reconversion in the cod-fishing industry, grants to promote beef and veal production, statistical surveys of fruit tree cultivation, associations of hop growers and operations for developing priority farming areas.

The European Parliament has been consulted on all these measures and has had the opportunity of submitting reports in previous years.

The reserve will be shown in a rectifying budget. The Council asked for this reserve to be constituted when Regulation No. 2788/72 was adopted, amending Article 6 of Regulation No. 729/70 and increasing the expenditure of the Guidance Section to 325 MUA.

13. Article 2 of the proposal under consideration mentions the possibility of allocating aid to a value of up to 45% of the investment. As explained above, this provision was made in 1966.

No list has been drawn up of the areas in which individual projects might benefit from this provision, but in reaching its decisions the Commission takes into account, after consulting the Committee on Structures, the state of the agricultural products market, the general economic situation in the area and the agricultural structures as such. This idea was put into concrete form in a Council resolution of 1964, and individual projects in Italy and Luxembourg were the first to be granted subsidies of 45%, on the understanding that funds would be equitably distributed between Member States.

The Commission also takes into account the length of the amortization period, which is particularly long in the case of, for example, forestry schemes or country road development projects.

14. Article 3 draws particular attention to the compulsory financial contribution from the recipient of the aid, which has been reduced to 20% for production structures and increased to 38% for marketing structures.

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15. The Committee on Agriculture held a long discussion with representatives of the Commission when the proposal for a regulation was being considered. It came to the conclusion that EAGGF aid for individual projects will tend to diminish in the long term, and will ultimately be discontinued. In fact, a major part of the funds available would be allocated to joint measures, resulting from:

- the directives on structural reform issued in 1972,
- the anticipated directive on agriculture in poorer farming areas,
- possibly, the financing of projects in the category of development schemes for priority farming areas, although this point has not yet been decided.
- decisions relating to joint measures specific to a certain sector of the agricultural economy depending on economic trends in a particular market.

16. The discussion also referred to the long periods which elapse between the submission of applications and the allocation of aid. In this connection, the Committee on Agriculture expressed the hope that efforts would be made, both at Community and national level, to devise procedures which would reduce the time taken to consider applications, without altering the types of aid allocated or the essential guarantees required by the authorities concerned.

17. Subject to the above remarks, the Committee on Agriculture recommends that Parliament should approve this proposal for a regulation.

COMMITTEE ON BUDGETS

OPINION

Draftsman: Mr G. SPENALE

The Committee on Budgets appointed Mr Offroy draftsman of the opinion on 12 June 1973.

Since Mr Offroy's mandate as member of the European Parliament has not been renewed, the Chairman, at the meeting of 29 June 1973, presented the proposal for a regulation and the Committee on Budgets instructed him to present the following opinion which the Committee adopted unanimously at that meeting.

The following were present:

Mr Spénale, Chairman and draftsman of the opinion, Mr Artzinger, Mr Boano, Mr Fabbrini, Mr Memmel, Mr Müller, Mr Pounder, Sir Brandon Rhys-Williams, Mr Schmidt and Mr Wohlfart.

SUBJECT OF THE PROPOSED REGULATION

1. The purpose of this proposed regulation is to allocate the available credits of the Guidance Section of the European Agricultural Guidance and Guarantee Fund, which have been increased by Regulation 2788/72 from 285 million units of account to 325 million units of account for the financial year 1973.

2. This increase of 40 million units of account is intended to enable new Member States to participate in the system of individual projects within the meaning of Regulation No. 17/64/EEC. An additional credit of 20 million units of account is set aside for such projects.

The other 20 million are added to the reserve for common measures within the framework of the improvement of agricultural structures.

3. The Commission also provides, in the case of projects introduced for the year 1973, for the maximum possible aid from the Fund to be increased to 45% for projects relating to production structures and for different financial contributions to be made by the beneficiary for production and marketing structures.

The allocation of appropriations in accordance with Article 1 of the proposed regulation

4. The amount of 325 u.a. is divided into three 'portions' :

- one portion (the amount is not specified) is to be used to finance various measures (fruit and vegetables sector, premiums for slaughtering cows and for withholding milk and milk products from the market, reorganization of fruit production, citrus fruits and fishery products;
- one portion of 170 million u.a. is to be used to finance individual projects;
- the remaining portion is to be used to finance common measures (according to the Commission which bases itself on the Council meeting of 19 December 1972, this portion is subdivided into two parts; one for common measures, one for the reserve).

OBSERVATIONS AND CONCLUSIONS OF THE COMMITTEE ON BUDGETS

5. The Committee on Budgets feels that it can give a favourable opinion on this proposed regulation, the purpose of which is to implement Regulation 2788/72 adopted pursuant to the Treaty of Accession.

The European Parliament was therefore not consulted on the basic regulation.

The increase in appropriations allocated to the 'Guidance' Section of the European Agricultural Guidance and Guarantee Fund accords with the wish expressed by Parliament in November 1972.

The Committee on Budgets regrets, nevertheless, that a financial schedule clarifying the proposed distribution of funds was not attached to the proposal for a regulation.

It will be possible to examine the new allocation of appropriations of the Guidance Section in more detail when the rectifying budget comprising these credits is debated.

Applications for aid by year and by Member State

Guidance Section
(Years 1964 to 1971)

YEAR	PROJECTS SUBMITTED				NUMBER OF UNACCEPTABLE PROJECTS	NUMBER OF PROJECTS NOT CONFORMING TO REQUIREMENTS	PROJECTS NOT CHOSEN FOR LACK OF ADEQUATE REOURCES	PROJECTS FINANCED				
	Total number of projects submitted	Number of projects withdrawn or having become pointless	PROJECTS DEFINITELY INTRODUCED					Number	Total investments (1.000 u.a.)	Number	Total investments (1.000 u.a.)	Aids granted (u.a.)
			Number	Total investments (1.000 u.a.)								
1964	226	19	207	142.057	69	0	81	57	115.611	9.056.922		
1965	154	21	133	131.108	23	7	6	97	102.103	17.134.258		
1966	495	68	427	378.174	48	17	108	254	276.266	41.586.875		
1967	303	31	272	265.358	17	12	91	152	143.474	26.039.369		
1968	739	96	643	724.714	26	23	156	438	480.360	94.897.375		
1969	894	64	830	902.501	14	9	144	663	681.164	160.000.000		
1970	862	33	829	1.108.585	14	7	260	548	648.035	159.999.497		
Totals	3.673	332	3.341	3.652.498	211	75	846	2.209	2.377.014	508.714.296		
1971	1.017	59	958	1.300.000 (*)	18	1	216	723	840.000 (*)	199.943.196		

(*) approximate numbers

