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THE AGRICULTURAL STRUCTURES POLICY OF THE COMMUNITY

Perspective and Evolution

(Commission staff paper)

S U M M A R Y

The agricultural structures policy forms an integral part of the common agricultural policy. Indeed the origin and principal function of the agricultural structures policy is to be found in the Treaty, Article 39 (1) and (2). This article emphasises the improvement of agricultural productivity, taking account, *inter alia*, of the social structure of agriculture and the structural and natural disparities between the various agricultural regions, as a primary objective of the common agricultural policy.

During the 1960's Community action in the field of agricultural structures policy was concerned not only with the coordination of measures undertaken in this regard by Member States but also with the financing of structural measures or projects designed to improve the conditions of agricultural production and marketing.

By 1970, however, it was clear that these efforts were not sufficient to improve farm incomes or to reduce the income disparities between regions, nor indeed to prevent the emergence of agricultural surpluses on some markets.

As a result Regulation (EEC) No 729/70 on the financing of the common agricultural policy provided for the replacement of financing of single projects by that of common structural measures. Subsequently, on 17 April 1972, the Council of Ministers adopted three Directives on the Reform of agriculture, thus initiating the common policy on agricultural structures.

Taken together, the 1972 Directives basically aim at the development of modern farms which are capable, through the adoption of rational methods of production, of assuring a fair income and satisfactory working conditions for persons engaged thereon.

The Directives operate on the basis that, because of the diversity of their causes, nature and gravity, structural problems in agriculture may require solutions which vary according to region, which are capable of adjustment over a period of time and which should contribute to the overall economic and social development of each region concerned.

It was clear, however, that the possibilities for the regional differentiation of the Directives to cater for existing regional disparities would not, of themselves, be sufficient to take account of more unfavourable situations. In fact, the implementation of the Directives was mainly concentrated in those regions where the structure of agriculture is already well developed, while the poorer regions benefited from them to a much lesser extent. Thus a substantial part of the available funds were used for the benefit of the former regions. Among other things, this situation had certain adverse effects, contributing as it did to the aggravation of the market surpluses for certain agricultural products.

Furthermore, a number of ^{less favoured} regions of the Community suffer from permanent natural handicaps, which not alone impede the modernisation of agriculture but which, by so doing, contribute to severe depopulation thus threatening the very survival of the regions concerned. In the light of these circumstances, the Community took the first step in 1975 to redress the situation in these regions. This step concerned the adoption by the Council of a further Directive providing for the payment of a special allowance to farmers in these regions to compensate them for the natural handicaps confronting them.

The adoption of this Directive confirmed that the existence in certain areas of very adverse farming conditions should not necessitate the alteration of the fundamental aims of the agricultural structure policy. On the contrary, it merely demanded that the ways and means of achieving these aims should be improved and adjusted, as necessary, to cater for the needs of specific regional situations. In this concept the Community came to recognise the corner stone for the further evolution of the agricultural structures policy.

Thus in 1977 and 1978 a number of structural measures were adopted by the Council which aimed at removing these handicaps, while ensuring at the same time that the market situation would not be aggravated by the anticipated structural improvement.

Quite apart from the specific nature of the Mediterranean Policy, it also represents the first occasion in which a firm link between price and market policy and structural policy was established in the effort to restore an adequate balance on Community markets.

The current package of structural proposals is fully in line with the concept of introducing specific measures to cater for specific situations without altering the basic philosophy of this policy. Being largely influenced by the adverse effects of the current economic recession, allied to the need to cater for special problems at regional level, the new structural proposals contain a number of essential elements. These include increased flexibility of access to farm modernisation, special precautions against further aggravation of market imbalances for certain products, as well as specific measures designed to meet special problems in specific regional situations.

The implementation of these proposals should be possible in the context of the total financial budget of the Guidance Section of the EAGGF. It is estimated that expenditure under the Guidance Section will represent no more than 4 % of total EAGGF expenditure on the common agricultural policy in 1981.

A. INTRODUCTION

1. Since its inception, an important function was foreseen for agricultural structures policy within the framework of the common agricultural policy. Indeed among the objectives of the common agricultural policy, as outlined in Article 39 of the Treaty establishing the European Economic Community, is the improvement of agricultural productivity, thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture. The Treaty explicitly states that the improvement of productivity should involve the promotion of technical progress and the rational development of production and the optimal use of production factors, in particular labour. Article 39 further provides that, in working out the common agricultural policy and the special methods for its application, account shall be taken of
 - the peculiar nature of agricultural activity, deriving from the social structure of agriculture as well as from the structural and natural disparities between the various agricultural regions,
 - the need to effect the appropriate adjustments, by degrees,
 - the close link between agriculture and the overall economy.

2. In fact, the scope, nature and function of the agricultural structures policy, the constraints which impinge on it and the need for a permanent and close relationship between it and the development of the common agricultural policy and, indeed, of the Community itself, are among the more important factors which together have influenced the evolution of this policy in the past and which will continue to do so in the future.

3. The initial progress of agricultural structures policy was not as rapid as that of price and market policy. Obviously, the latter had to be given top priority since the establishment of a common market for agricultural commodities and the guarantee of income for producers were regarded as the more urgent tasks to be undertaken in the context of the common agricultural policy.

Since 1962, however, agricultural structures policy has developed progressively. Two main stages may be distinguished in this development—the coordination of national structural policies in the 1960's, followed in the 1970's, by the initiation of a common structures policy on a Community wide basis, implemented by a series of common measures.

4. Now that the Council has agreed to reach a decision on such an important matter as the adjustment and adaptation of the common structures policy, the time seem opportune to check the adequacy of the ways and means of this policy in relation to its given objectives. ^{It is essential also} to define the policy modifications which are necessary to ensure the continuing evolution of the common agricultural policy. These modifications must take particular account of the limitations on farm modernisation imposed by the current economic recession and the problems which this situation presents. This is the objective of this report.

B. THE AGRICULTURAL STRUCTURES POLICY IN HISTORICAL PERSPECTIVE

a) Coordination of national structural policies

5. Among the initial actions undertaken by the Community in the area of agricultural structures was the coordination of national structural policies through the Standing Committee on Agricultural Structure established in accordance with Council Decision of 4 December 1962 on the coordination of policies on the Structure of Agriculture (1).
6. With a view to achieving the objectives of the common agricultural policy the 1962 Decision underscored the need for conserving the sound elements of agricultural structure, the elimination of structural defects as well as for close coordination between structural policy and market policy and with general, economic and regional development policy. It emphasised that, because structural improvements necessitated the active cooperation of those directly concerned, the implementation of structural policy was the prime responsibility of Member States. However steps should be taken at Community level to stimulate efforts to improve the structure of agriculture and to increase its economic potential and competitiveness.

(1) O.J. No 2892/62, 17.12.62, p. 295

7. Already the European Agricultural Guidance and Guarantee Fund (EAGGF), which represented the first significant step by the Community in the establishment of the common market for agricultural products, had been set up under Regulation No 25 of 4 April 1962 on the financing of the common agricultural policy (1). It is noteworthy that this Regulation stated that common measures to achieve the aims of Article 39 paragraph 1 a) of the Treaty, including structure improvements, should receive a contribution from EAGGF, representing, in as far as possible, one third of the global expenditure of the Fund.

8. The Community thus confirmed, in no uncertain terms, that, side by side with price and market policy, agricultural structures policy should also to enjoy Community solidarity, expressed in terms of a financial contribution by the Community to the cost of the common measures.

9. The coordination of national structural policies was complemented by the introduction in 1964 of Regulation No 17/64/EEC on conditions for obtaining aid from the European Agricultural Guidance and Guarantee Fund (2). Among other things, this Regulation provided for the financing of structural measures or projects designed to improve conditions of agricultural production and of the marketing of agricultural products. In addition to defining the conditions of financing of the common agricultural policy, the Regulation contained an important structural aspect insofar as it provided that, following a short transitional period, projects could be financed under the Guidance Section of the Fund only if they formed part of a Community programme. In turn, these programmes were to be directed towards improving the structural situation of agriculture giving special emphasis to areas where structural problems were particularly acute.

(1) O.J. No 30, 20.4.62, p. 991

(2) O.J. No 34, 27.2.64, p. 586

10. The decision to integrate all Guidance projects in a number of common programmes again emphasized the desire of the Community to have a properly organised structural improvement policy, emphasizing in particular the elimination of the main obstacles to this improvement, in those areas where special treatment was deemed necessary. Unfortunately, that decision was not implemented.
11. Towards the end of the 1960's however, it became obvious that a more effective common policy was necessary if production structures and the socio-economic conditions of certain categories of farmers were to be permanently improved. A new policy orientation was needed in particular to develop actions designed to contribute to the solution of problems which price and market policy was incapable of solving by itself.
12. Although price and market policy contributed substantially to improving the income situation of farmers, this income still lagged substantially behind that of other social categories. The farm income problem had two separate but interrelated aspects. The first of these related to the existence of large numbers of farmers who, because of a lack of adequate productive capacity, could not obtain satisfactory incomes at any realistic ratio of input/output prices. The second was associated with the tendency of the output of certain farm products, notably milk, sugar and soft wheat, to exceed that which the market could absorb at prices which were necessary to provide satisfactory farm incomes.
13. Furthermore, given the price guarantees which prevailed towards the end of the decade under the various common organisations of the market, the disposal of surpluses had led to a constant increase in the financial costs of supporting the market.

This adverse impact of price and market policy necessitated the adaptation, improvement and development of structural policy so as to integrate it more fully into the common agricultural policy, thus enabling it to become a more effective instrument in the orientation of agricultural production in accordance with market demand taking account of the need to ensure an adequate level of income for the farmers at the same time.

14. The structural problem in agriculture was exemplified by the fact that in^{the Community} of Six, where the average size of farm was no more than 11 hectares, some two-thirds of all farms were less than 10 hectares in area while only 3 % were over 50 hectares. And so the income gap within agriculture continued to widen, with full benefits from price and market policy going to well managed farms while those with deficient farm structures received much smaller rewards.

15. In this connection it was well recognized that future decisions taken within the Common Agricultural Policy should contribute to the achievement of the twin objectives of market balance and the improvement of agricultural structures. But it was also strongly felt that the latter could only be carried out by the means of a more global and more active conception of structure policy, i.e. by the establishment of a common agricultural structures policy as one of the main components of the common agricultural policy.

b) The common policy on agricultural structures

16. The first Council decision emphasising this Community view of the agricultural structures policy dates from 1970. Regulation 729/70 (1) on the financing of^{the} common agriculture policy represented a very important step in this regard. Indeed it set out that the system of single project financing was to come to an end and be replaced by the financing of common actions or measures, to be decided upon by the Council and in favour of which financial means were being put into reserve.

(1) O.J. No L 94/B, 28.4.70, p. 218

Following this, the Council adopted between 1972 and 1978, a series of Commission proposals leading to various common actions of a general or specific nature. The specific measures include those designed to solve problems which are regional in nature, as well as problems linked to particular market situations which have to be solved in order to cater to the needs of certain categories of farmers.

b.1. The general approach on improving production structures

17. On 17 April 1972, the Council adopted the following Directives on the reform of agriculture :

Directive 72/159/EEC on the modernisation of farms (1)

Directive 72/160/EEC concerning measures to encourage the cessation of farming and the reallocation of utilised agricultural area for purposes of structural improvement (2)

Directive 72/161/EEC concerning the provision of socio-economic guidance for and the acquisition of vocational skills by persons engaged in agriculture (3).

18. The 1972 Directives represent the first important step establishing an autonomous function for the agricultural structures policy. Being part of the common agricultural policy, however, the close interdependence of this policy with price and market policy was stressed even though it cannot be denied that objective conflicts can and do arise. Essentially devised for achieving results in the medium to long term, structural policy can hardly be adapted to meet the exigencies of short term market events. On the other hand, it must take account of more fundamental trends on the main agricultural markets. At the same time, it cannot be seen to reinforce or perpetuate those trends

(1) O.J. No L 96, 23.4.72, p.1
(2) O.J. No L 96, 23.4.72, p. 9
(3) O.J. No L 96, 23.4.72, p. 15

which might prove harmful to agriculture or to the common agricultural policy but must emphasise those actions which contribute to the achievement of the objectives of the latter.

19. The conception, objectives and conditions of the 1972 Directives certainly aimed to contribute to the achievement of the objectives of article 39.1 a) and b) of the Treaty

through the modernisation of agriculture.

These Directives represent a composite package of measures which are functionally interdependent. Their basic aim is the establishment, improvement and development of modern farms which, through the adoption of rational methods of production are capable of assuring for persons engaged thereon both satisfactory working conditions and a labour income comparable to that of non-agricultural wage-earning workers in their regions.

20. To this effect, a system of selective investment aids is offered to farmers who undertake to implement a farm development plan (Directive 72/159/EEC). Under this selective aid system, Member States are furthermore, allowed to give investment aid to non-development farmers. During a transitional period, such aids may be given at the same level as for development farmers, to farmers who are either unable to carry out a development plan or to cease farming. When given to other non-development farmers, investment aids are to be kept at a distinctly lower level.

The achievement of the basic aim of farm development, however, implies an improvement of existing man/land ratios, especially if the undesirable intensification of farm production is to be avoided.

21. At the same time a series of measures was introduced under Directive 72/160/EEC to encourage the cessation of farming and the reallocation

of the utilised agricultural area thus released for purposes of structural improvement.

22. The modernisation of agriculture, however, comprises something more than the financing of investments or the extension of farm areas. Technical skills and managerial ability are an indispensable element for success. Thus Community aid was also provided with a view to developing a system of socio-economic guidance and facilities for vocational training or retraining for persons engaged in agriculture (Directive 72/161/EEC).
23. The problems of structural adjustment in agriculture vary quite substantially in nature, form and acuteness, throughout the many regions of the Community. A common policy dealing with these problems must, therefore, offer possibilities for regional differentiation. The fixation of the comparable income at regional level is important in this respect, varying, as it does, the farm modernisation target in accordance with the conditions and possibilities of the area in question. The Directives also provide for a variation of the aids according to the regional intensity of the problems to be solved.

b.2. Specific approaches on a regional or sectorial basis

24. In the normal evolution of any policy, problems are sometimes encountered which, without changing the basic policy conception, must be resolved lest they endanger the very existence of the policy in question. This has been the case with the common agricultural policy, in its price and market as well as its structural components.

Directive 75/268/EEC

25. Conscious of the fact that the basic agricultural reform programme was likely to have a somewhat limited effect in certain areas of the Community where farming was confronted by certain permanent natural

handicaps, the Council adopted Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less favoured areas (1). The aim of this common measure is the strengthening of the instruments of Directive 72/159/EEC on farm modernization, and through this, to ensure the continuation of farming and, thereby, the maintenance of a minimum population level and the conservation of the countryside in the areas in question. This aim is to be achieved through the granting of a special system of aids to farmers including, among others, compensatory allowances proportionate to the permanent natural handicaps which hinder farming and, increased aid for farm investments undertaken in the context of farm modernization. The establishment and implementation of Directive 75/268/EEC clearly indicates that, despite the existence in certain areas of very adverse farming conditions, the Community saw no reason to alter the aims of the agricultural structures policy; on the contrary it sought to improve the ways and means to achieve that aim.

This Directive was subsequently amended to increase the rate of reimbursement from the EAGGF in respect of measures taken in the less favoured areas of Ireland and Italy (2). This very important step relating to financial differentiation, taken in the interest of greater efficiency in the implementation of the Directive, represents a concept which has been confirmed and strengthened in later Council decisions in the field of structural improvement.

26. There are, however, other handicaps which need not be permanent since they can be eliminated with the existing means but, as long as they exist, have an adverse effect on farm productivity. When such handicaps affect whole areas and impede their development, the problem must be of interest to the Community. The lack of adequate field and arterial drainage in the less favoured areas of the West of Ireland

(1) O.J. No L 281, 19.5.75, p. 1

(2) Directive 76/430/EEC O.J. No L 108, 26.4.76, p. 21

is a case in point. Thus Directive 78/628/EEC of 19 June 1978 (1) provides for Community financing towards programme to accelerate drainage operations in these areas and is designed to contribute to farm modernisation and thereby improve farm production conditions and farm incomes in this region.

27. The most striking example of the need for complementing the arsenal of existing policy measures appeared in the case of the Mediterranean areas. The agricultural situation in the Mediterranean regions of the Community is quite serious, particularly in the Italian Mezzogiorno and in the French region of Corsica, Languedoc and Midi-Pyrénées where a substantial part of the labour force is still engaged in agriculture. Agricultural underemployment is quite significant in these regions; farm size is inadequate, farm incomes are very low, while employment opportunities in other sectors are very limited.
28. Being largely dependent on agriculture these regions do not have an adequate economic and social structure to allow them to solve their development problems by themselves. Furthermore these problems are likely to be aggravated further with the Southward enlargement of the Community to embrace three new Member States. There is need, therefore, to promote the improvement of the agricultural situation in these regions, without further aggravating the problem of agricultural surpluses, in order to equip producers to meet increased competition following enlargement.

The implementation of the Community's agricultural structures policy is encountering special difficulties in the Mediterranean regions, mainly because of the existing inadequacy of agricultural structure. Furthermore, price and market policy has proved inadequate

(1) O.J. No L 206, 29.7.78, p. 5

to solve the problems in question. Thus, recognising the vital importance of agriculture for the economy of these regions, and the fact that the common agricultural policy is the instrument which enables effective action to be carried out quickly, the Commission, on 9 December 1977, presented a communication to the Council containing guidelines for the development of the Mediterranean regions and a first set of concrete proposals concerning Mediterranean agriculture (1).

29. These proposals comprised two groups of measures, the one concerning the improvement of market organisations for the main products of these regions, the other concerning the improvement of agricultural structures in the broadest sense.
30. The first of the series of measures, concerning the improvement of agricultural structures was adopted by the Council on 19 June 1978; the last of the series was adopted on 6 February 1979.

The entire series related to

- the processing and marketing of agricultural products;
- the acceleration and guidance of collective irrigation works in the Mezzogiorno and in Corsica;
- the restructuring and conversion of vineyards in certain Mediterranean regions of France;
- the improvement of public amenities in rural areas;
- flood protection in the Hérault Valley;
- forestry development in certain areas;
- the development of agricultural advisory services in Italy.

(1) Guidelines concerning the development of the Mediterranean regions of the Community, together with certain measures relating to agriculture - COM (77) 526 final.

31. The Commission recognises that the solution to the problems experienced by the Mediterranean regions and the West of Ireland would best be provided through the implementation of an overall economic development programme. Thus it appreciates that the agriculture measures adopted for these regions must, in due course, be supplemented by regional and social policy measures if they are to be fully effective in attaining their respective objectives.
32. The Mediterranean policy on agricultural structure comprised the first set of specific structural programmes to be adopted by the Council. In effect, it represents a serious attempt on the part of the Community to establish a firm link between price and market policy and structural policy thus enabling the latter to be used as a positive and effective instrument in the effort to establish an adequate balance on Community markets.
33. In the field of price^{and}/market policy, problems associated with expansion in the production of a number of farm products have resulted in serious structural market imbalances. Within the limits of its own means and without altering its basic conception, structure policy must contribute to the solution of these problems. To-date its contribution in this regard has been related to dairy products, to table wine and the fruit sector.
34. Beginning in 1979, a number of ad hoc measures were taken with a view to curbing dairy surpluses. These measures were financed by the Guidance Section of EAGGF, i.e. from the financing source of the common structures policy. Their primary aim is to reduce farm deliveries of milk to dairies. However the possibility of their achieving this aim will be limited in accordance as the prevailing structural conditions do not permit a reorientation of production; this applies particularly in the case of

a reorientation towards beef production.

Within Directive 72/159/EEC on farm modernisation, an attempt has been made to orientate cattle farms towards meat production through the granting of Guidance premiums. Furthermore, Art. 22 (2) of the Directive authorises the suspension of its application or amendment of its provisions, if such a course of action is deemed necessary to achieve the Community's objectives in respect of production. The granting of all aid for the purchase of dairy cows has been suspended since May 1977 (Regulation (EEC) No 1081/77¹).

35. As far as the market for table wine is concerned, the Guidance Section of the EAGGF is currently financing several measures including a system of premiums designed to encourage the temporary and permanent abandonment of certain areas under vines, for renunciation of replanting for cessation of wine-growing, and for the restructuring and conversion of vineyards.

b.3. Common measures in the field of marketing and processing

36. Although initially concentrating on the improvement of farm production structures the agricultural structures policy has progressively stressed the importance of improved marketing and processing structures and facilities in the effort to increase farm productivity and incomes. Action in this field was eventually taken in

- Regulation (EEC) No 355/77 of 15 February 1977 on common measures to improve the conditions under which agricultural products are processed and marketed (2). This regulation provides for the granting of Community aids for projects which are part of approved programmes.
- Regulation (EEC) No 1360/78 of 19 June 1978 on producer groups and associations thereof (3). This regulation provides for a system of aids to encourage the formation of producers' groups and associations thereof in a number of regions where the degree of organization and concentration of production, in respect of some or all farm products, often appears insufficient.

(1) O.J. No L 131/10, 26.5.77
 (2) O.J. No L 51, 23.2.77, p. 1.
 (3) O.J. No L 166, 23.6.78, p. 1

0. IMPLEMENTATION AND EVALUATION OF THE AGRICULTURAL STRUCTURES POLICY

a) Implementation

37. In the context of this report it is necessary to summarize only the most important results, especially those permitting conclusions on the application of the Directives to be reached. It is necessary to keep in mind that the introduction of the Directives was very late in a big number of Member States so that it is possible to establish important conclusions for the Community only from 1977.

Directive 72/159/EEC

38. As far as this Directive is concerned the number of development plans approved since its entry into force is to be had in the following table.

Number of development plans approved and density per 10.000 ha of UAA.

	1973-1976		1977		1978		Total 1973-1978	
	Number	Density	Number	Density	Number	Density	Number	Density
D	20.569	15,7	6.514	4,9	5.820	4,7	32.903	25,3
F	741	-	2.597	0,8	4.457	1,5	7.795	2,5
N	8.293	39,67	2.860	13,72	3.036	15,3	14.189	68,7
B	2.559	16,77	1.652	10,8	1.895	14	6.106	41,6
UK	2.576	1,38	7.145	3,8	7.631	4,6	17.352	9,8
Irl	8.274	14,76	2.921	5,11	4.197	8,7	15.557	28,6
DK	9.482	32,28	1.313	4,47	2.120	7,2	12.915	44,0
Total CEE	52.494	-	25.002	-	29.156	-	106.817	-

The above table shows that after a long starting period, characterised by important differences between Member States, the implementation of Directive 72/159/EEC was fully effective only from 1977 and has reached an annual rhythm of between 25.000 and 30.000 development plans at Community level, excluding Luxemburg and Italy.

Insofar as the latter Member State, which has the greatest need of structural improvement, is concerned, and apart from institutional and administrative problems, it has been confirmed that farm modernisation in the context of the Community plan was not possible.

39. The following table indicates the distribution of development plans by Member State (%). In this regard it is remarkable that, again omitting

Italy and Luxemburg, Germany has implemented nearly one-third of the total number of development plans and, on the contrary, the application of the Directive in France did not really begin until 1977.

	1973-76	1977	1978	1973-78
D	39,2	26,0	19,96	30,8
F	1,4	10,38	15,28	7,3
N	15,8	11,43	10,4	13,28
B	4,87	6,6	6,5	5,7
UK	4,9	28,57	26,17	16,24
Irl	15,76	11,68	14,4	14,56
DK	18,0	5,25	7,27	12,09

40. As for the starting point of development plans, it is noteworthy that since 1977, the proportion of development plans presented by farmers whose initial income was less than 80 % of the comparable income is increasing; by contrast, the proportion is declining in the case of farmers whose initial income was already greater than the comparable income.

41. In the majority of Member States, dairy production received the greater part of the aid envisaged for farm modernisation. At Community level, about 54 % of development plans emphasise this enterprise as against 4 % in the case of pig production. This latter enterprise plays an important role, as a main enterprise, only in Denmark where the corresponding percentage is 23. Nevertheless, in the Community 15 % of development plans envisage investments in pig production (55 % in Denmark, 30 % in the Federal Republic of Germany, 18 % in France, 12 % in Belgium, and less than 5 % in the other Member States).

42. Moreover, it is noteworthy that 17 % of the total number of development plans approved between 1973 and 1978 are in the areas covered by Directive 75/268/EEC where production conditions are most unfavourable. By contrast, it is necessary to state that Italy which, as already indicated, has the greatest need for structural improvement and the greatest proportion of less-favoured areas, has not benefited from these provisions.

Directive 72/160/EEC

43. In the seven Member States which have applied Directive 72/160/EEC, roughly 46.000 cessation annuities and single premiums were granted between 1975 and 1978, of which single premiums comprised about 3.000.

The annuities and premiums are distributed among Member States as follows :

Pays	1975	1976	1977	1978
D	7.723	4.374	3.368	3.758
F	6.713	6.461	4.869	4.873
NL	262	345	231	108
B	387	320	192	175
L	119	40	25	48
Irl	113	140	118	82
EUR 9	15.693	12.051	9.115	9.215

44. In total 648.000 ha of land was released by the beneficiaries of these measures and were used to enlarge some 97.000 farms. However, only 15 % of these farms implemented development plans in accordance with Directive 72/159/EEC.

45. Because of the general economic situation during the period in question, the single premium, envisaged by the Directive especially for farmers under 55 years of age, was not effective in any Member State; however the annuity has, despite the significant decline in farm cessation between 1975 and 1976, continued to fulfil its function. Moreover, it seems that the process of decline in farm cessation, especially in France and the Federal Republic of Germany which together account for roughly 90 % of beneficiaries of the measure, is arrested. A slight increase in the number of annuities granted in 1978 is even to be noted. Of all the annuities granted between 1975 and 1978, only 4 % have fulfilled the conditions of financial participation by the Community, principally because, at national level, it was difficult to apply the condition relative to the disposal of land. Furthermore it is again necessary to recall that this Directive has not been implemented in Italy.

Directive 72/161/EEC

46. The most important facts relating to the implementation of Directive 72/161/EEC were as follows :

with regard to Title I (socio-economic guidance)

- Luxembourg, Ireland and Italy, had not yet established a socio-economic advisory service by the end of 1978;

- of the 700 advisers who have already taken up-duty, 400 are in Germany and 200 in the Netherlands;

with regard to Title II (vocational training)

- France accounted for some two-thirds of all persons who participated in basic training courses between 1975 and 1978;
- in the majority of Member States the vast majority of trainees was less than 30 years of age.

Directive 75/268/EEC

47. Despite the fact that the granting of a special allowance to farmers to compensate them for the permanent natural handicaps was a new departure for all Member States except the United Kingdom, the implementation of Directive 75/268/EEC, Title II, has already been very successful after no more than a relatively short period of operation.

The Directive has been implemented since 1975 in Germany, France, Belgium, the United Kingdom and Ireland. The most important points relating to this implementation are as follows :

- some 350.000 farmers receive the compensatory allowance annually. Of this number over 82 % are in Ireland, France and Germany;
- the United Kingdom and France account for over 68 % of the total 225 million units of account payable annually by way of compensatory allowances;
- the average compensatory allowance payable per farm varies from 287 U.C. in Ireland to 1.935 U.C. in the United Kingdom;
- the average compensatory allowance payable per Livestock unit varies from 20 U.C. in Ireland to 43 U.C. in the United Kingdom.

48. Regulation (EEC) no 355/77

In the first phase of the common measure for the improvement of conditions of processing and marketing, and while awaiting the implementation of programmes, the Community financed 747 projects involving a total of 236.5 million EUA.

The second financing phase of single projects which form part of programmes is being realised. It is confirmed that, as from now, a substantial difference exists between the investment needs of these programmes and the financial means at the Community's disposal for this purpose.

b) Financial aspects of the implementation

49. The total EAGGF expenditure under the socio-structural Directives increased from 68 million units of account in 1974/75 to 175 million European units of account in 1978; the estimated expenditure for 1979 is 182 million European units of account.

50. During the entire period 1974 to 1979, roughly 60 % of the expenditure was paid out under Directive 268 and a further 37 % under Directive 159.

51. During this 5-year period four Member States, the United Kingdom (34,4 %), Germany (23,7 %), France (19,2 %) and Ireland (12,6 %) accounted for almost 90 % of the total EAGGF expenditure under the four Directives. Taking account of the application of the Directives in Italy, this Member State has not been able to benefit at all from this expenditure.

52. Insofar as the individual Directives are concerned,

- five Member States, Germany (35,3 %), the United Kingdom (28,8 %), the Netherlands (13,2 %), Denmark (9 %) and Ireland (7,7 %) account for 94 % of total EAGGF expenditure under Directive 159;
- four Member States, the United Kingdom (37,5 %), France (26,1 %), Ireland (15,3 %) and Germany (15,2 %) account for 94 % of total EAGGF expenditure under Directive 268;
- Germany alone accounts for 82 % of expenditure under Directive 160, while France (61,6 %) and Germany (18,5 %) account for just over 80 % of total EAGGF expenditure under Directive 161.

53. Despite the substantial increase in the EAGGF expenditure on agricultural structures policy since 1974, it is estimated that this will still represent no more than 4 % of the global EAGGF expenditure in 1981.

c) Evaluation of agricultural structures policy

54. Complete and comparable figures concerning the main indicators of the structural evolution of agriculture are available from a number of Farm Structures Surveys, the most recent of which refers to 1975.

These figures show that from 1967 to 1975, the number of farms of 1 ha and over decreased from about 6,4 million to 5,1 million at Community level, or by approximately 20 %, while the average size of farm increased from 13,3 to 17,2 ha.

During the same period the number of persons with a main occupation in agriculture decreased by 31 % from 12,7 million to 8,8 million persons.

Measured at constant (1970) prices, final agricultural production increased at Community level at an average annual rate of approximately 2 % / between 1968 and 1978, while at the same time, labour productivity, measured in terms of final agricultural production increased by ^{about} 6.3 % per year.

55. We may presume that the common measures, implemented within the framework of the agricultural structures policy, was, to a certain extent, among the series of factors which contributed to this evolution. Although the degree of this contribution has varied substantially among Member States, the fact remains that it has not been as effective as was anticipated due to the impact of several factors which have adversely affected the implementation of the policy.

56. In most Member States the initial steps in the implementation of the Community's agricultural structures policy coincided with the onset of the economic recession. This meant that the very circumstances in which structural adaptation has had to take place were altered by inflation and unemployment, the two most keenly felt phenomena of the recession.
57. Inflation not only made it more costly to implement farm development plans, it has also made it more difficult to attain the modernisation objective. Also, because of the growing levels of unemployment outside of agriculture, industry's appeal to surplus farm labour has become a less powerful force in promoting structural change in agriculture. Thus, because of the combined effects of inflation and unemployment, an increasing number of farmers find themselves unable either to submit a development plan or to find alternative non-agricultural employment.
58. Divergencies in the economic development of Member States have also seriously affected the common agricultural price policy and the price relationship between inputs and outputs. Due to the introduction of representative rates considerable differences exist in the common price levels applied in Member States. The agricultural structures policy was, therefore, operating in a climate which varied widely from one Member State to another, and which particularly affected those regions experiencing the most serious structural difficulties.
59. In many cases, especially in cattle farming, the concept of farm modernisation has been more or less regarded as an intensification of farm production within the framework of existing farm structures. This situation has been further aggravated by the sharp upswing in farmland prices which has taken place in recent years. Thus, the combined effects of the increase in farmland prices and inflation have adversely influenced the rate of increase in farm size and thus have had an adverse effect on the implementation of development plans.

60. The general economic climate and the probability of its not improving in the short to medium term greatly limit the possibilities for adapting farm structure in the less favoured regions. In such regions, there are few alternative employment opportunities open to the farm population, many of whom are in the younger age groups. Moreover, as in the better regions, the mobility of farmland for structural reform purposes has been affected by the combined effects of inflation, increasing farmland prices and increasing cost of farm investment.
61. More specifically, however, in certain less favoured regions the effective implementation of the Community's agricultural structures policy is impeded by a number of important constraints. First of all there may be physical constraints such as a shortage or an excess of water, or a lack of adequate agricultural infrastructure. Secondly, there may be a lack of vocational training on the part of farmers and farm workers or the absence of an effective technico-economic advisory service. Thirdly, financial resources may be inadequate, as is, in particular, the case in Italy and Ireland, which are confronted by grave problems of agricultural structure.

However, in 1972 when the Community decided on the programme for the reform of agricultural structures, it failed to appreciate that these and other various obstacles could be experienced at the same time in some parts of its territory thus rendering that reform almost impossible. Indeed, this was to some extent the situation in the less-favoured areas of Western Ireland, and particularly so in the greater part of Italy, where after a very long delay, due to constitutional and legislative hazards, the structural policy has not found concrete practical application to any serious extent.

62. An evaluation of the state of progress of the agricultural structural policy and a recognition of the problems facing it, leads to the conclusion that this policy must be continued. Adjustments are necessary, however, not just to improve its efficiency but even to permit its application in a number of regions. These adjustments are also needed to take account of structural trends in the agricultural market situation as well as the complete slowing down in the evolution of the socio-economic environment of agriculture.
63. The general socio-economic situation has been profoundly changed since 1972. It is therefore necessary both to adapt the fundamental instruments of structural policy and to devise new measures, as necessary, in order to cater more effectively to the structural needs of agriculture in this new situation. At the same time, structural policy, being an integrated instrument of the common agricultural policy, must contribute to the efficiency of price and market policy and closely cooperate with the instruments of regional and social policy in order to improve the agricultural and the general economic situation in poorer regions.
64. As far as the legal form of the various common measures is concerned, a certain evolution has taken place since 1972. The form of the Directive was first chosen to introduce the fundamental innovational changes, thus giving the opportunity to better adapt the concrete national and regional measures to the environmental realities. Experience has shown, however, that for some Member States, this implied legislative action and resulted in sometimes long delays. Currently therefore, the form of the Directive is, as a general rule, only resorted to for complex measures applying to diverse situations. The form of the Regulation is taken for straight forward urgent measures or for actions which are not of obligatory application, such as for example, where a financial Regulation can enable Member States to apply some measures under certain conditions and to enjoy financial participation from the Community when so doing.

D. PROPOSALS FOR ADJUSTMENT OF AGRICULTURAL STRUCTURES POLICY

65. Considering that the existing measures have not responded to the needs for which they were intended, in particular insofar as the orientation of production and the development of less favoured regions are concerned, the Commission deemed it indispensable to complement and modify by a new approach the agricultural structures policy. This approach should make it possible for farmers in a great number of regions to adapt their farm structure and so improve productivity on a permanent basis, at the same time due consideration ^{must be given} to the need to orientate production in accordance with the demands of the market. Thus taking account of the current budgetary difficulties of the Community, the Commission feels that easier access to Community financing should be given to the less favoured areas through the initiation of specific programmes, geared to providing solutions to the special problems of these regions, which are compatible with the aim of achieving market balance for farm products.
66. The proposals put forward by the Commission in 1979 clearly sought to improve the efficiency of the agricultural structures policy in order to extend and improve the opportunities offered to farmers and areas which had not as yet been able to benefit from it. This means not just an adjustment of the previous amounts of financial aid available under the various policy measures, in order to keep up or increase their incentive value to farmers. More specifically it means that the policy should be made more flexible, both as regards the conditions of application of the Directives and their immediate objectives. It also means that if greater flexibility is not sufficient to ensure the solution of ^{the} main problems, the latter must be tackled in specific ways.
67. All proposals put forward in the context of the current structural package, are based on this fundamental approach. Insofar as farm modernization is concerned it is thus necessary, to ease up the conditions for submission and implementation of the farm development plan and allow the level of the target income to be lowered. By so doing access to farm development and the investment aids pertaining thereto is facilitated. Special conditions must also be made in favour of young farmers who want to modernize their farm. Furthermore, farmers who cannot for objective reasons, implement a farm development plan or cease farming can be granted national aid at favourable conditions for a limited volume of investment. This increased flexibility cannot, however, extend to farms which are already in a position to develop quite easily nor to those who might use the development plan to achieve a level of income that substantially exceeds the comparable income target.

68. It has been mentioned that the scheme on cessation of farming activity failed mainly because, in many cases, it was impossible to channel to development farms the land which had been ceded by outgoers. The amended policy proposes to concentrate on this aspect in attempting to induce outgoers especially those of the older age category, to allocate their land for the purpose of farm modernization.
69. Furthermore, taking into account that the cessation of farming activity could not find application in certain handicapped regions where land mobility is non-existent and farm development plans very few, the Commission proposes to concentrate on the stimulation of land mobility as a prerequisite to structural reform of agriculture through granting Community aids to elderly farmers under certain conditions in such regions.
70. With regard to Directive 72/161/EEC, and particularly to its Title II, concerning the acquisition of vocational skills by the farm population, the Commission feels that the Community efforts towards improving marketing and processing of farm products might well be jeopardized if the leaders and managers of cooperatives, associations or producers groups do not have the managerial qualifications deemed necessary for this purpose. It therefore proposes that special training courses be established for these persons in regions where this need is particularly evident.
71. In a number of cases however the basic obstacles to the structural improvement of agriculture are several and manifold and concern whole regions or whole categories of farmers in some regions. In such cases, the adjustments to the basic Directives, as proposed, will not be sufficient to change the situation substantially. This is so in the West of Ireland, in Northern Ireland, in Greenland and in the case of cattle farming in some regions or Italy; the development of agriculture in the French Overseas Department is similarly affected.

72. The Commission proposes to tackle these problems in a specific and comprehensive way, linking each measure to the others with a view to raising the general level of agriculture in the regions concerned¹⁾. These specific policy measures are designed to enable farmers in these regions to reach a position where they can carry out their further development under the normal provisions of the agricultural structures policy. An important feature of these specific common measures is the emphasis which is put on the orientation of production in accordance with the production capacities of the area and the possibilities of the markets.
73. There remains finally a number of regions where agricultural development cannot be efficiently carried out in the absence of the simultaneous and parallel development of other economic sectors. In line with its new policy approach therefore, the Commission has proposed integrated development measures for such regions.
- The Commission intends to give full attention to this integrated approach as the most rational and effective way of utilising Community resources for development of the regions concerned.
74. The financing of the new measures proposed in the current structural package will be assured within the framework of the existing financial provisions, envisaged by Regulation (EEC) No 929/79 of 8 May, 1979 amending Regulation (EEC) No 729/70 concerning the amount allotted to the Guidance Section of the EAGGF. The amount of financial assistance is set at 3.600 MEUA for the five-year period 1980-84. The financial participation of the Community with regard to the new measures proposed is estimated at a total cost of 1.122 MEUA which will be ^{spread} over many years, of which 420 MEUA shall be paid during the period 1980-84.
- Considering the fact that the estimated financial costs arising from the existing measures amount to 2.800 MEUA for the same period, the residual amount of 380 MEUA of the 5-year allowance in question, is available for utilisation for other measures to be proposed in the context of the continuation of the common agricultural structures policy.

(1) In its session of 29-30 May 1980, the Council adopted the actions concerning Western Ireland and Greenland.

75. Finally, it should be emphasised that the Commission has constantly argued that price policy alone cannot solve the problems of rural poverty. The last three years have witnessed an effort by the Commission to re-cast structural policy to suit present day conditions.

The Mediterranean package in 1977 represented the first step towards concentrating financial aid on poorer farms and in poorer regions. The second step was proposed by the Commission in March 1979 when the current structural package was presented to the Council.

An early decision by the Council on this package, which already has been fully endorsed by the European Parliament, is very desirable in order to ensure that the common agricultural structures policy will contribute most effectively to the solution of rural poverty and thereby to the continuing evolution of European agriculture in the shortest possible time.