

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## GUIDELINES

concerning the development of the Mediterranean regions of the Community, together with certain measures relating to agriculture

(Communication from the Commission to the Council)

## VOLUME I

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INTRODUCTORY REMARKS

The Commission herewith presents to the Council a communication containing guidelines for the development of the Mediterranean regions of the Community and a first package of concrete proposals concerning Mediterranean agriculture. This communication is in response to the express requests made by the Council and the European Parliament in the course of the general discussion which has been initiated on the Mediterranean question.

The financial consequences of the attached proposals are set out in document COM(77)674 final.

## I. GENERAL GUIDELINES

1. One of the main problems facing the Community is the lag in economic development of some of its regions. The limited efforts the Community has made to reduce the gap between the less favoured and the prosperous regions have not even succeeded in preventing this gap from increasing.

In this context the situation of the Mediterranean regions of the Community is particularly serious, because their development lags considerably behind that of other Community regions. Thus, the per capita GNP in the Community is 2.5 times higher than that of the Mezzogiorno, while per capita GNP in that region is only 60% of that of the rest of Italy.

These regions have a large agricultural labour force, partly underemployed; in the Mezzogiorno agricultural labour constitutes 27% of the working population, or three times the Community average. The French regions such as Corsica, Languedoc and Midi-Pyrénées have an agricultural labour force 50% higher than the Community average.

The problems of agricultural underemployment must be considered in the more general context of the employment situation in other sectors, which is rendered more serious by the special demographic features of these regions.

In the Mezzogiorno in particular, the birth rate for the last twenty years has been higher than in the rest of the Community with the result that many young people are now coming onto the labour market. For other reasons, most of the French Mediterranean and some central Italian regions also have more young people ready to come on the labour market than can be found jobs. The creation of sufficient numbers of jobs is hampered by an economy dependent on a narrow production base, with sectors in decline or of low productivity predominating.

Since these regions can no longer depend on emigration to the same extent as in previous years, the level of unemployment, underemployment

and inactivity may increase even further in coming years. Largely dependent on agriculture and not very industrialized, these regions do not have an adequate economic and social structure to allow them to resolve their development problems themselves. This is true independently of the more specific problems associated with the southward enlargement of the Community, which are likely to aggravate the situation further.

2. In these regions national programmes for industrialization, although sometimes major ones, have not had the major effects hoped for, owing to the absence of a suitable environment and infrastructure. Community action has not extended to specific and coordinated measures within the industrial sectors; regional policy has been introduced too late and with too limited resources to have produced major results. Community outlay on development represents a very small share of national outlay; thus, in 1976, regional expenditure by the Community in the Mezzogiorno represented less than 5% of national expenditure.

In agriculture the socio-structural directives, introducing a more coherent common policy, date only from 1972 and their effective application is only just beginning.

Moreover, this policy is encountering special difficulties in the Mediterranean regions with the most inadequate structures.

Agricultural price and market policy has proved inadequate to resolve the difficulties in question. Although this policy is well structured for some Mediterranean products, for others, especially wine and fresh and processed fruit and vegetables, this is not so true.

3. Thus, a serious imbalance is encountered in the Mediterranean regions, which in agriculture is shown by, amongst other things, an excessive proportion of labour being involved in this sector, low labour productivity, the inadequate size of holdings, low incomes and significant underemployment.

Structural change in agricultural holdings is hardly perceptible. Considerable deficiencies remain in the processing and marketing of agricultural products.

Nonetheless, agriculture is vital for the economy of these regions.

The Mediterranean regions represent 17% of the UAA and yield about 18% of the final agricultural production of the Community though employing 30% of the agricultural working population.

On average, Mediterranean products represent between 60 and 65% of the final production of these regions. In the Mezzogiorno and in Languedoc special situations occur where, in circumstances approaching monoculture, the figure exceeds 75% of the final production of the region.

4. The Commission considers it necessary that measures to assist the development of the Mediterranean regions should be adopted as soon as possible. It is on this basis that the Commission is presenting these proposals, which concern only agriculture at present. However, it is already putting forward certain proposals for regional and social policy measures which might contribute to the development of the Mediterranean regions.

The Commission recognizes that the development problem experienced by the Mediterranean regions is not only an agricultural one. The situation requires an overall economic development plan, and the necessary proposals will be put forward and every effort made to put such a plan into effect.

The Commission considers, however, that the serious and complex situation in the Mediterranean regions of the Community calls for urgent action that can only be fully effective if carried out with existing Community resources.

The common agricultural policy is the instrument which enables effective action to be carried out quickly, particularly since agriculture is of fundamental importance for those regions, a factor underlined by the current economic situation.

Furthermore, these measures are in line with those previously proposed for the Mediterranean regions and are thus a continuation of the efforts already started; they must be followed by further action, as necessary, to meet future requirements.

5. The nature of the problems and constraints involved suggest that action should be taken along the following lines:

- improvement of the agricultural situation in the Mediterranean regions and hence of general economic conditions in those regions;
- maintenance of employment in agriculture under acceptable social and economic conditions.

It is also apparent that these aims must be pursued without prejudice to the steps taken and undertakings already made to reduce structural surpluses, to avoid the creation of new surpluses and to avoid an increase in protection - which would lead to difficulties in relations between the Community and non-member countries and to increases in foodstuffs prices contrary to the interests of consumers within the Community.

6. The action specified involves a series of measures falling into two groups. One concerns the improvement of market organizations for the main products of the southern regions, as well as the encouragement of relatively new products, while the other concerns the improvement of agricultural structures in the broadest sense.

As regards market policy, the measures envisaged should make it possible to improve the market organizations for fruit and vegetables, wine and olive oil, in order to rationalize and improve production and make the market simpler to analyze.

Proposals are also made for guiding production, especially in the newly irrigated areas, towards fodder crops and for the development of a food industry to enhance the market value of certain fruit and vegetables.

As regards structures, the short- and medium-term measures to be implemented involve reinforcing, in some Mediterranean regions, the structural and socio-structural measures already provided for, as well as introducing specific measures to convert, improve, or diversify some production, to improve agricultural infrastructures and productivity, to make marketing and processing more efficient and to develop vocational training.

7. The scope of the measures to achieve these objectives is set out in greater detail in the Explanatory Memoranda relating to the various proposals.

In drawing up these proposals the Commission has taken account of the urgent need to promote the development of the Mediterranean regions more effectively while bearing in mind the need to take account of the possible effects of applying the common agricultural policy to an enlarged Community.



8. The Commission is aware of the fact that agricultural measures in the Mediterranean regions must be supplemented by regional and social policy measures.

To that end the Social and Regional Funds should also give assistance to agriculture, in coordination with EAGGF action. Thought should be given to more effective concentration of available resources for these regions.

Action must be taken on the different aspects of the environment in these regions - physical, economic and social - if their overall development is to be effectively assisted.

With this in view, the regional policy measures the Commission proposes to adopt will support and accelerate the efforts made by the two Member States concerned.

These measures, some of which may take shape in the next few months, will provide supplementary aid for the two Member States over and above the present contribution by the Regional Fund.

They may consist in Community part-financing of national programmes in the following areas in particular:

- water control programmes to help reduce the risk of floods detrimental to agricultural, industrial or tourist development;
- programmes designed to improve profitability, encourage investments and create or maintain industrial employment in small and medium-sized undertakings;
- programmes designed to develop tourist potential, particularly in rural areas of the Mediterranean; or to encourage small tourist enterprises, particularly out-of-season activities;
- investment aid programmes to increase the effectiveness of the independent skilled tradesman, an essential part of the economic fabric of less developed Mediterranean areas. In the Mezzogiorno, enterprises in the secondary and tertiary sectors employing less than 10 people represent 97% of undertakings and 54% of total employment in these two sectors.

All the above programmes are aimed at the rapid creation of jobs.

Some of them may be regarded as supporting agricultural measures.

9. It is essential that all these measures should be accompanied by vocational training programmes. These programmes, for those who leave agriculture and for those who remain, can draw upon funds available under the Social Fund.

Areas where development is lagging or where predominant activities are in decline will be able to draw upon at least 50% of the overall budget of the revised Social Fund. Many Mediterranean regions are likely to be eligible for this type of assistance.

Some regions, among them the Mezzogiorno, will be eligible for a higher rate of Fund assistance (55%).

## II. Agricultural Measures

The proposals in this section follow the general lines indicated by the Commission in its communication on the problems of Mediterranean agriculture (COM(77) 140 final of 1 April 1977) and in the working document attached to the Commission's letter to the Council of 14 October 1977 (immediate problems affecting agriculture in the Community's Mediterranean regions - general guidelines).

Certain proposals which are related to the measures proposed below appear in the Commission's proposals on the fixing of prices for certain agricultural products and on certain related measures (COM(77) 525 final).

The legal instruments to give effect to these proposals are contained in Volume II of this document (COM(77) 526 final).

A. COMMON MARKET ORGANIZATIONS

OLIVE OIL

1. The problem of the olive oil sector is at present the recession in consumption.

After the introduction of a common organization of the market in this product Community consumption developed steadily up to 1973/74, thereby absorbing growing quantities of olive oil from non-member countries in addition to the Community production. Imports increased from an average of 100 000 tonnes per year during the period from 1966 to 1968 to 190 000 tonnes during the period from 1971 to 1973. However, in the 1974/1975 marketing year consumption of olive oil in the two main consumer countries of the EEC, i.e. Italy (95 %) and France (4 %) showed a reduction, which became quite appreciable in 1976. This reduction was due to the unfavourable relationship between the consumer price for this oil, resulting from Community policy, and the price of competing oils.

Since then, not only has there been no recovery, but the reduction in consumption seems to have continued in 1977. Even if this reduction were not to continue in future, the result would be that the Community would on average be almost self-sufficient in olive oil (in the past the degree of self-supply was between 70 and 80 %) with the danger of deliveries to intervention as happened in the case of 20 % of production in 1976 and of lesser quantities in 1977) especially when harvests are higher than normal.

Such a situation could deteriorate further and become critical if other important oil-producing countries (Spain, Greece and Portugal) join the EEC. In that event the Community would without any doubt be producing a surplus of olive oil for much of which there might well be practically no outlets on the world market. Since it is a perennial, traditional crop of undisputed socio-economic and ecological value (the olive tree often grows where nothing else will) and despite the efforts which the Commission intends to make at the structural level (as indicated in another part of this memorandum) there is no hope of a reduction in the areas under olives and consequently in production. Under these conditions and in view also of the important financial implications of a continued imbalance between supply and demand, the only reasonable solution seems to be to stimulate a recovery in olive oil consumption in the Community.

Recent experience has shown how difficult it is to amend the common agricultural policy in the oils and fats sector. Therefore the only way to attain the

end pursued seems to be to fix the prices which have a bearing on the consumption of olive oil at a level which takes effective account of the prices of other vegetable oils. Nothing at present suggests that the prices of these oils on the world market, and consequently on the Community market, will rise appreciably in the medium-term. It is thus likely to be necessary to reduce the consumer price of olive oil.

Under the present system such action would involve an increase in production aid, which, however, does not seem feasible for the following main reasons :

- an increase in production aid beyond certain limits could encourage olive growers not to gather their olives in view of the very high costs of such an operation while continuing to claim that they are entitled to the aid; this possibility arises because of the practical difficulties involved in checking the production of over 1 million producers;
- the current system of fixing prices (once a year) does not allow for sufficient accuracy in adjusting them, and consequently the aid, to the fluctuations in the market prices of other oils;
- the doubts which, rightly or wrongly, are cast on the allocation of the aid on the basis of quantities produced could only increase;
- an increase in the aid under the present system would not be certain to have its due impact on the level of consumer prices. This has been proved by experience in the not too distant past.

The financial contribution by the Community could thus be to no avail.

2. In view of the foregoing, the Commission proposes to modify and amplify the common organization of the market in olive oil so as to obtain the ends in view. The changes are mainly as follows :

(a) System of aid

The existing system of production aid provides that all olive oil produced in the Community (whether it is marketed or not) qualifies for aid which is paid to the olive producers. In view of the fact that this aid, originally economic in character, took on social and political importance, the new system should retain the principle of it while limiting aid to production from existing olive trees on the date of entry into force of this new system with a view to discouraging the planting of new trees and

thereby increasing the problems in the sector.

This aid should be allocated to each olive grower on the basis of his oil production potential by applying standard criteria in respect of yields. The need to standardize the aid arises mainly from the fact that in view of the difficulties in checking all applications (over a million) and the resultant considerable delay in payment of the aid (in Italy from 18 to 36 months), a standard yield basis would help to solve these difficulties and in particular would serve to speed up payment of the production aid. Completion and implementation of the register of olive cultivation will no doubt facilitate allocation of this aid.

Moreover the new system provides that the olive oil marketed will be purchased from producers at a price close to the production target price less the production aid. In order to do this and at the same time to enable olive oil to be sold on the market at a price which competes with the price of seed oils, the difference between the price paid to the producer and the average selling price on the market is subsequently refunded to the purchasers, where the latter price is lower than the former; the refund in question could not in any event exceed this difference.

This aid is thus variable within a ceiling corresponding to the difference between the production target price less the production aid and the market target price. The aid would thus be exclusively economic in character with a tangible effect on consumer prices.

Though the workload is not inconsiderable, administration of this aid appears to be much simpler than for the present production aid. Control would be exercised mainly in olive oil refineries, of which there is a very limited number, and thus would not present the same difficulties as for production aid which calls for scrutiny of over one million applications.

A special problem arises with regard to controls on establishments other than refineries and which handle nothing but virgin olive oil. But the relatively small number of such establishments should make it possible to introduce adequate controls.

Since olive oil imports into the Community will be close to the market target price, in order to prevent them from attracting the marketing aid, it is planned to introduce and maintain import checks until such time

as the oil no longer qualifies for the aid.

Finally, in order to ensure that this aid is at a suitable level, it is proposed that its maximum amount, although calculated at a date as near as possible to the commencement of the marketing year on the basis of forecasts of competing oil prices, be reviewed once during the marketing year in case the forecast proves inaccurate and adversely affects olive oil consumption.

It is proposed that the Council allocate part of the production aid and the marketing aid as follows :

- production aid : for financing regional projects designed to improve the quality of olive oil production and for the updating of the register of olive cultivation;
- marketing aid : for the financing of publicity to sustain consumption of olive oil in the Community.

Since the interested parties would benefit directly from these measures it seems logical that the cost should be borne by them.

(b) Intervention system - monthly increases

The main changes in the system are :

- (a) it will be restricted to olive growers and groups or associations of olive growers with a view to
  - ensuring that the marketing aid is actually reflected in the price obtained by the olive growers,
  - given the proposed system of aid, ensuring that the oil for which marketing aid has been paid cannot subsequently be offered for intervention;
- (b) the intervention price will no longer be linked to the market target price but to the producer selling price (production target price less the production aid). The resulting guarantee for the producer would thus not be affected. It is also proposed that the Council adopt the special conditions under which intervention should take place during the last 3 months of the oil marketing year.

It is proposed that there should be monthly increases for a minimum of 5 months.

(c) System of trade

1. Maintenance of the normal system of fixing levies. In view of the experience gained in the last two years in the fixing of levies through the tendering procedure and of the fact that at present the situation on the olive oil market is such that application of the normal system would be both difficult and ineffective, it is proposed that in certain circumstances levies be fixed by the tendering procedure rather than by applying the normal system.

The latter procedure has, however, been simplified (it is applied only to olive oil, thus excluding olives and by-products).

2. It should also be noted that the system of levies (normal fixing or fixing by tendering procedure) proposed in connection with the new organization of the market in olive oil, on which are founded the economic and commercial advantages provided for in the agreements concluded by the EEC with certain Mediterranean countries is applicable only if the EEC continues to be a deficit market for olive oil.

(d) Producer groups

The new common organization of the market in olive oil also includes provisions concerning the setting up of olive producer groups. To this end it is proposed to grant launching aid to these groups for up to five years after their introduction. It has also appeared advisable, indeed necessary, to make exceptional provision for producer groups, going beyond what is normally done.

In fact the absence of producer groups in this sector has complicated the administration of aid. Owing to their contractual weakness most producers have not always been able to take advantage of the guarantees and benefit provided by the common organization of the market. In view of these special characteristics of the sector it seems necessary to provide, in addition to launching aid, for incentives designed to facilitate the formation of such groups. This involves :

- being associated with the work relating to the determination of the production potential and yields in connection with the aid,
- being able, in certain circumstances, to conclude storage contracts for olive oil with the intervention agency.



3. As has already been indicated, the Commission considers that it is also necessary to put in hand structural measures to rationalize olive growing by concentrating production in areas well-suited to olive growing, the reconversion, where possible, to other crops as well as a change in variety from the oil-producing olive tree to the table olive variety.

At present expenditure by the EAGGF Guidance Section in the olive oil sector goes to finance individual projects involving small sums (about 3 million u.a. per year). Better use should be made of these amounts and, where appropriate, they should be increased in connection with the common action programme which is to be set up with a view to concentrating efforts on the most effective operations.

These measures will be the subject of a proposal which will be presented as soon as possible.

In that connection the Commission will consider whether there should be provision to protect the income of those who change from one variety of olive tree to another, taking into account the effort required for this change over.

4. It is recalled that the proposed changes in the system of trade will involve the amendment of Regulation No 162/66/EEC relating to trade in oils and fats between the Community and Greece.

This matter will be the subject of a separate proposal.

5. In view of the major changes the Commission proposes to introduce in the olive oil sector, full consultation with national authorities will be required before the rules for application of the new system can be formulated.

FRESH FRUIT AND VEGETABLES

The Commission considers it necessary to reform the Community organization along the following lines :

- to renew community orchards, directing them towards quality products, in the areas where it has proved impossible to change to a different type of exploitation;
- to encourage the formation of producer organizations practising collective disciplines;
- to increase the effect of the collective disciplines adopted by the producer organizations, notably by considering the extension of certain of these disciplines with a view to ensuring greater market stabilization;
- better to ensure community preference, more especially where sensitive products are concerned.

These principles can be translated into the following measures :

1. Aids to community orchard renewal

With a view to permitting a better balance between supply and market demand, and in particular to take account of changes in public taste and the needs of the processing industries, there is a need to authorise the payment of national aids for orchard renovation, aids which will fall within the framework of Council Directive 72/159/CEE concerning modernization of agricultural holdings.

For this reason the Commission proposes to lift the prohibition on payment of aids by Member States with a view to renewing apple, pear and peach orchards, and to modify, as a consequence, the provisions of Council Regulation (EEC) No 2517/69 laying down certain measures for reorganizing Community fruit production, in such a way as to make the prohibition of national aids applicable only to the extension of orchards or the creation of new ones.

## 2. Support to producer groups

The Commission proposes to introduce certain modifications to Regulation (EEC) No 1035/72 which will have the effect of supporting and improving the organization of production. It is a question therefore of introducing into this Regulation provisions regarding :

- encouragement for the formation of producer organizations;
- the possibility for these organizations to apply marketing rules aimed at limiting the volume on offer, by paying their members, for the quantities which for this purpose would not be marketed, an indemnity calculated on the basis of the withdrawal price;
- the possibility, under certain conditions, for Member States to extend to unorganized producers similar disciplines to those practised by the organizations.

### (a) Additional encouragement towards the formation of producer organizations

The provisions at present in force have not been adequate for promoting satisfactory growth in the number of producer organizations, particularly in the Mediterranean regions of the Community. For this reason the Commission envisages proposing to the Council an initial measure, designed to accelerate the formation of such organizations.

It will, by derogation from the provisions of Article 14, para 1 of Regulation (EEC) No 1035/72, permit an extension of the periods during which organizations established within the next five years may benefit from establishment aids. The amount of these aids, in respect of the first, second, third, fourth and fifth year following the date of the group's establishment would be equal to a minimum of 2,5 %, 2 %, 1,5 %, 1 % and 0,5 % and a maximum of 5 %, 4 %, 3 %, 2 % and 1 % of the value of marketed production covered by the action of the producer organization, subject to a maximum of 90 %, 80 %, 70 %, 60 % and 50 % of the actual costs of forming and running the group.

Moreover, it should be noted that the additional measures proposed by the Commission entail a greater responsibility on the part of Member States for carrying out checks on the respect of Community provisions concerning producer organizations and in particular the provisions which set out the conditions for granting aids to those organizations.

(b) Possibility of paying an indemnity for the quantities of products withdrawn from the market under rules of the organizations designed to limit supply

The Commission proposes to expand Article 15 of Regulation (EEC) No 1035/72 in such a way as to authorize producer organizations or groups of organizations to pay to their member producers an indemnity, calculated on the basis of the withdrawal price, for quantities withdrawn in the following cases :

- for products conforming to the quality standards, but which may not correspond to marketing rules decided upon by the groups with a view to limiting the supply of the products listed in Annex II to Regulation (EEC) No 1035/72;
- for apples and pears of lower quality categories, withdrawal of which may be authorized during the first months of the marketing year (preventive withdrawals), thus making better use of withdrawals to prevent destruction of fruit.

(c) Extension of disciplines to non-grouped producers

Since the activities of the producer organizations help towards realization of the objectives of the common organization of the markets, it would be opportune to permit, under certain conditions, the extension to non-grouped producers of certain of the disciplines imposed on their members by the organizations.

The Commission proposes therefore, when a producer's organization or an association of producer's organizations, operating within a given economic area, is considered to be representative of the production of that area, to authorize the Member State concerned to require unorganized producers to respect certain rules of the organization or association :

- rules as to production information (crop and quantities available);
- common rules as to production and marketing;
- rules concerning the withdrawal price for the products listed in Annex II to Regulation (EEC) No 1035/72.

Member States would advise the Commission of the rules extended to all producers in a given economic area (it would not be possible to extend rules regarding marketing against the opinion of the Commission), and would supervise observance of these rules; they would also be able to decide on payment by the non-members of all or part of the subscriptions paid by the member producers.

3. Improvement of community preference

Following an examination carried out by the Commission on the operation of the reference price system it is the view of the Commission that a better protection of community preference could be ensured by the two following measures to be adopted by the Council :

- modification of the method of calculating the reference price
- modification of the method of calculating the entry price.

- (a) It is proposed that the reference price should continue to be calculated on the basis of the arithmetic mean of producer prices in the last three years but no longer on the basis of the evolution of base and buying-in prices. Experience of recent years has in fact shown that the evolution of the base and buying-in prices takes into account certain political elements aimed in particular at removing progressively the monetary compensatory amounts and at avoiding the creation of surpluses. This direction given to the evolution of the intervention prices when applied to the evolution of the reference prices tends to erode in current conditions the competitive position of Community products in relation to imports.
- (b) It is proposed, for the calculation of entry prices for certain products particularly sensitive to market fluctuations and which are not bound in GATT, that there should be a general inclusion of both import prices and prices of Community products.

This approach can take the form of

- the removal from article 24 paragraph 4 of regulation (EEC) No 1035/72 of the existing conditions of application (importance of importations, importance of the quantities present on representative import markets by reference to imported quantities) which in practice would not allow a sufficiently rapid alleviation of market disturbances,
- the limitation of this possibility to the three following products: tomatoes, peaches, table grapes.

PROCESSED FRUIT AND VEGETABLES

In its communication to the Council (Doc COM (77) 140 final of 1 April 1977), the Commission envisaged, for certain processed fruit and vegetables typical of the Mediterranean regions, measures concerning the introduction of processing aids.

These aids are necessary because of the difference which exists between the price of Community products and the various prices practised by third countries.

In order to make up this difference a system of financial compensation is proposed. This system is based upon a system of regular supply contracts and on the payment of a minimum price to the producers by the processors. These measures are proposed for tomato concentrate, peeled tomatoes, processed peaches and apricots, and prunes.

This system will allow the Community industry to maintain a competitive price in relation to third country prices, whilst at the same time ensuring a fair remuneration to the producer of the fresh products.

This system will apply for a period of five years.

WINE

Since the major recasting of the basic Regulation in 1976 and the additions made in 1977, the Community has had at its disposal a wider and more diversified range of intervention measures and a framework for action to improve the quality of table wines. The Commission is not proposing in this sector any amendments to the intervention measures with the aim of strengthening support for the market. On the other hand, it is consistently aiming, in the management of the market, for a greater degree of selectivity, by disqualifying table wines of the lowest quality from certain forms of intervention.

During 1977 the Commission put to the Council certain considerations and suggestions as to the direction which structural policy might take in the sector of table wines with a view to steering such production into the more suitable zones for wine-growing. The work currently in progress should enable the Council to adopt, before the 1978/79 marketing year, the various measures embodied in a "general viticultural plan". It would involve, by the use of incentives, both effectively cutting back the areas under very high yield vines producing table wines of inferior quality and, also, encouraging wine-growing to concentrate in regions to which it is best suited. These objectives would be attained by selective forms of action such as a ban on plantings for certain categories of vineyard, aid for the restructuring of vineyards in regions well suited to viticulture, conversion aid for regions where a cutback in the wine-growing potential is necessary, and appropriate measures to cope with the related social and economic measures.

Action to restructure and convert the wine-growing industry of Languedoc-Roussillon which forms part of these proposals is an example of the way in which different socio-structural measures can be applied in combination in the wine sector. Similar action could subsequently be taken for other wine-growing regions in the Community faced by the same difficulties.





PEAS AND FIELD BEANS

1. As far back as 1973, when the Community experienced difficulties in obtaining sufficient supplies of protein, the Commission, in its report on the problem<sup>1</sup>, emphasized the advantages of producing in the Community field beans and peas, which are rich in protein.

Recently, in its Communication to the Council of April 1977 on the problems of Mediterranean agriculture<sup>2</sup>, the Commission reiterated that it is in the Community's interest to develop the production of field beans there, in view of the importance of that crop for some of the Community's southern regions.

2. The arguments for encouraging the production of field beans and peas in the Community can be summed up thus:

(a) these crops can help to ensure a better balance between the agricultural products of the North and the South of the Community. Indeed, the development potential of these crops in the south is great, assuming that the proposed aid measures are taken in combination with the other measures proposed as part of the Mediterranean policy, in particular those relating to irrigation and agricultural advisory services.

(b) Mainly owing to the absence of measures in this sector, the area under field beans in the Community has diminished, being replaced by other crops, such as cereals and sugar beet, for which there are guaranteed prices.

By encouraging the growing of peas and field beans on certain areas now under cereals and sugar beet - crops in the disposal of which the Community is already experiencing difficulties - a better balance between the Community's various agricultural products can be achieved. Moreover, in terms of cultivation, these are good first-rotation crops which are ideal for rotation with cereals.

(c) Since the field bean and the pea are good sources of protein for animal feed, support measures for these products can reduce the Community's growing dependence for protein on the world market. In

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<sup>1</sup>COM(73)1850 final Annexes, Part IV, of 16 November 1973.

<sup>2</sup>COM(77)140 final of 4 April 1977.

addition, these products are rich in lysin and can be included in any feed ration.

3. A system aimed at supporting all Community production of peas and field beans is neither possible, nor necessary, nor advisable. It is impossible for monitoring reasons. It is not necessary since peas and field beans for human consumption obtain a good price on the market without any support. It is not advisable since the financial commitment involved would be out of proportion to the expected results.

On the other hand, the absence of support measures discourages the use of the products in question by manufacturers of animal feed, as these manufacturers can obtain supplies of other sources of protein at the world market price. Support measures should therefore be restricted to the quantities of peas and field beans which are the subject of contracts between agricultural producers and manufacturers of animal feed.

Such measures are easy to operate and do not present any particular monitoring problems.

4. In addition, support measures for the production of peas and field beans must ensure a fair income to the producers of these crops in line with the income derived from other agricultural products. Because of the almost total absence of world market prices for field beans and peas, and in view of the connection between the prices of field beans and peas, on the one hand, and that of soya cake, on the other:

$$\left[ \text{price of 1 kg of peas or field beans} = \text{price of } (0.45 \text{ kg of soya cake} + 0.55 \text{ kg of cereals}) \right]$$

it is proposed to fix an activating price for soya cake which corresponds to the price of these products and which enables manufacturers of animal feed to pay a fair price to producers of peas and field beans. When the world market price for soya cake is lower than the activating price, aid equal to 45% of the difference is paid to manufacturers of animal feed.

5. In order to ensure that the producer of field beans and peas who sells his products to the manufacturer of animal feed receives a fair price, with due allowance for the costs of marketing and of transport for processing, the aid should be granted only to those manufacturers who have entered into a contract with the producer providing for the payment of a minimum price.

B. STRUCTURAL POLICY

PROGRAMME FOR SPEEDING UP IRRIGATION IN THE MEZZOGIORNO

Agriculture in the Mezzogiorno region is in a depressed state as regards the level of farm incomes and under-employment. Agricultural production is seriously affected by climatic conditions, particularly the lack of adequate rainfall during the growing period.

If this natural handicap could be wholly or partly removed, unit yield would be substantially altered and farm productivity improved accordingly in this area. Thus, irrigation projects have an important part to play in the Community's efforts to improve the agricultural situation in the Mediterranean regions and to create favourable conditions for implementing the common agricultural policy.

A common programme for speeding up irrigation, together with an advisory programme to encourage the farmers of this region, should make it possible for Italy to overcome this natural handicap with rapid and lasting effects on the level of farm incomes.

An improvement in production structures in this area is possible only under a programme which comprises all the necessary measures and takes into account the problem of reorientating agricultural production in the irrigated areas to market requirements. The Community financial contribution should accordingly be employed in implementing such a programme.

A substantial improvement in public services is an essential condition for the development of agriculture in these areas. Measures to overcome these shortcomings have an important part to play in the Community's efforts to improve the agricultural situation in the Mediterranean regions and in the implementation of the common measures to improve agricultural structures.

The Community's financial contribution to projects for bringing electricity and water supplies to villages and isolated farms and building a farm road network under a common programme can help to speed up the elimination of these shortcomings.

PROGRAMME FOR ACCELERATING RESTRUCTURING AND CONVERSION IN THE WINE SECTOR  
IN THE LANGUEDOC-ROUSSILLON REGION

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The wine-growing areas of the Languedoc-Roussillon region are in a depressed state as regards the level of farm incomes and under-employment in agriculture. There are also substantial structural shortcomings in wine production : the existing vine varieties should in many cases be replaced in order to improve the quality, particularly of table wines, while the area under vines which is unsuitable for this purpose should be converted to other uses.

In these circumstances, a fundamental change seems possible only if, in the areas suitable for wine production, the necessary changes in production are encouraged, including replanting with suitable varieties, and, in those areas which are not suitable for wine production, irrigation is encouraged so as to make it possible for farmers to change over to other products. These measures will play an important part in the Community's efforts to improve the agricultural situation in the Mediterranean regions and to create favourable conditions for implementing the common agricultural policy.

MEASURES FOR IMPROVING PUBLIC SERVICES IN CERTAIN RURAL AREAS

In the less-favoured agricultural regions of Italy and southern France as well as in the whole of the Mezzogiorno there are many villages and isolated farms which are not yet connected to public electricity and water supplies; the farm road network is also inadequate in large parts of these areas, and some isolated farms have no proper access road.

This situation makes working and production conditions on these farms particularly difficult, and has a very adverse effect on living conditions.

A substantial improvement in public services is an essential condition for the development of agriculture in these areas. Measures to overcome these shortcomings have an important part to play in the Community's efforts to improve the agricultural situation in the Mediterranean regions and in the implementation of the common measures to improve agricultural structures.

The Community's financial contribution to projects for bringing electricity and water supplies to villages and isolated farms and building a farm road network under a common programme can help to speed up the elimination of these shortcomings.

legal instruments which are necessary.

B. Actions needed

Several lines of action are needed which must be properly co-ordinated :

- Fire prevention must be strengthened. Over 50,000 Ha of forest are burnt every year; the direct damage amounts to many million U.A. and the indirect damage to the environment and especially water regimes is even greater.
- The management of existing forests must be intensified by road construction (which also improves general local infrastructures) and silvicultural measures. This could increase the immediate harvest of wood by over 50% in the short term and more than double it in the long term. There are over  $\frac{1}{2}$  million Ha of unproductive forest which could be made productive. The Mediterranean region like the Community as a whole produces far less wood than it consumes.
- Forest industries must be developed to process the additional wood, create employment and satisfy local demand.
- Afforestation supported by any necessary terracing or other engineering works of some bare land is essential to prevent soil erosion and conserve soil and water. Some afforestation for rapid timber production



PROCESSING AND MARKETING STRUCTURES

(Amendment of Regulation No 355/77)

1. In the Mezzogiorno and Languedoc-Roussillon the marketing and processing of agricultural products, particularly those that are essential to agriculture in these regions, are generally under-developed and inefficiently organized. The development and rationalization of these activities is accordingly of vital importance for both the agricultural and the general economy of these regions, where agriculture still plays a very important role.

Such development and rationalization could have a pronounced effect on the whole economic network of agricultural production. An effective marketing and processing structure for agricultural products would make it possible not only to develop and rationalize outlets for agriculture, but also to influence production. Furthermore, an inadequate structure in these fields could hinder the guidance of production aimed at in certain structural policy measures for agriculture and in particular in the common measures specifically intended for the regions in question that the Commission is proposing at the same time as this Regulation. Any such inadequacy would certainly have disastrous effects on production.

2. No programme for rationalizing and developing economic activity in these regions can leave out of account some of their special characteristics. In particular, the sluggishness of general economic growth and the difficulty in obtaining finance make it difficult to introduce viable economic measures as regards the processing and marketing of agricultural products. The Commission thus feels that it is essential to step up in these regions the measures of encouragement provided for in Council Regulation No 355/77 of 15 February 1977<sup>1</sup>.

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<sup>1</sup>OJ No L 51, 23.2.1977.

## FORESTRY

### A. Background

The areas concerned are to be found mainly in the Mezzogiorno and in the Mediterranean departments of France. In these dry Mediterranean regions forests are vital for the prevention of erosion and the conservation of soil and water; at the same time they produce timber and they can make a useful contribution to employment, both directly in the forest itself and indirectly in the wood processing industries. Rural development depends very largely on forestry.

Community intervention is needed because the Member States concerned cannot meet all requirements. FEDER, FEOGA, Social Fund and the EC research and study budget must intervene in a co-ordinated way. As the present possibilities for Community intervention in forestry are quite inadequate, the Commission will propose to the Council the additional legal instruments which are necessary.

### B. Actions needed

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on land physically suited for agriculture is also justified where there is a local shortage of wood, especially where belts of trees can shelter neighbouring pasture or field crops.

- Additional planning, research and training programmes are needed in support of the above actions.

C. Provisional quantification

According to the information which is at present available current annual expenditure on the actions listed above can be estimated at about 40 million u.a. in Italy and about 20 million ua. in France.

If forestry is to contribute adequately to a balanced development of the Community's Mediterranean regions the rate of forestry action must be greatly accelerated, preferably doubled. Details are being studied.

COMMON ACTION TOWARDS THE ESTABLISHMENT OF AN ADVISORY SERVICE IN ITALY

1. Justification

An effective advisory service does not exist in many regions of Italy. In its absence it is not possible to achieve an adequate solution to the severe problems of agricultural structure and productivity which pervade the greater part of the country. Failing such a solution an efficient and balanced implementation of the common agricultural policy remains difficult. The establishment of an effective advisory service in Italy is of vital interest not only to Italian agriculture but also to the Community as a whole.

Because of economic and budgetary constraints Italy does not have sufficient means to undertake the major effort associated with the establishment of such a service which is already highly developed in the other Member States. Therefore, intervention by the Community to support the required action in this area is essential.

The scope of this common action is wide and complex and has to be harmoniously inserted into administrative and organisational structures in Italy. Its ultimate aim should be an advisory service which will not only provide farmers with constant access to information and advice but also help them to utilise this information and advice to maximum advantage in their own farming situation. Thus, particular attention has to be given to the organisation, coordination and administration of the service at different levels of operation, to the basic and advanced training of general and specialist advisers, to the definition of training course curricula, to the selection of advisory trainees and training staff, and, where necessary, to the academic training of training staff and the establishment and equipping of appropriate training centres.

This entire area of activity will require careful preparation and planning in order to ensure that a common action of this type will meet the real needs of Italian agriculture as precisely and as adequately as possible and that Community action will therefore have the desired effects.

2. Scope of Community intervention

Financial intervention by the Community would apply (a) to the training stage, including the cost of training of general and specialist advisers, the training of training staff and, where necessary, the establishment and equipping of training centres, and (b) to the functioning of trained advisers during an initial 5-years launching period of the advisory services.

