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REPORT

drawn up on behalf of the Committee on Regional Policy
and Regional Planning

on the effects of the Common Agricultural Policy on the
socio-economic situation of the regions

Rapporteur: Mr Tom G. O'DONNELL

PE 102.369/fin.
Or. En

At its sitting of 15 April 1985, the European Parliament referred the motion for a resolution tabled by Mr Sakellariou and Mr von der Vring on the effects of the Common Agricultural Policy on the socio-economic situation of the regions (Doc. 2-1825/84) pursuant to Rule 47 of the Rules of Procedure to the Committee on Regional Policy and Regional Planning as the committee responsible and to the Committee on Agriculture, Fisheries and Food for an opinion.

At its meeting of 24 May 1985, the Committee on Regional Policy and Regional Planning decided to draw up a report and appointed Mr O'Donnell rapporteur.

The Committee considered the draft report at its meeting of 27/28 February 1986. At that meeting it adopted the motion for a resolution as a whole by 20 new votes to 0 with 5 abstentions.

The following took part in the vote: Mr DE PASQUALE, Chairman; Mr PEREIRA, M 1st Vice-Chairman; Mr NEWMAN, 2nd Vice-Chairman; Mr O'DONNELL, Rapporteur; Mr ARBELOA MURU; Mrs ANDRE; Mr AVGERINOS; Mr BARRETT; Mr BEAZLEY, C; Mrs BOOT; Mr BRITO APOLONIA; Mr CHANTERIE (deputizing for Mr LIGIOS); Mr GANGOITI LLAGUNO; Mr GOMES; Mr HUTTON; Mr LAMBRIAS; Mr LLORENS BARGES; Mr MARTIN, D; Mr OLIVA GARCIA; Mr POETSCHKI; Mr SAKELLARIOU; Mr SANCHEZ-CUENCA MARTINEZ; Mr SCHREIBER; Mr TAYLOR; Mrs VIEHOFF (deputizing for Mr HUME).

The opinion of the Committee on Agriculture, Fisheries and Food will be published separately.

The report was tabled on 3 March 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Regional Policy and Regional Planning hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

A

MOTION FOR A RESOLUTION

on the effects of the Common Agricultural Policy (CAP) on the socio-economic situation of the regions

The European Parliament,

- having regard to the motion for a resolution by Mr Sakellariou and Mr Von der Vring on the effects of the CAP on the socio-economic situation of the regions (Doc. 2-1825/84),
- having regard to the requirements of both Article 39(2) of the Treaty and Article 1(1) of the ERDF Regulation,
- having regard to the findings of the studies published by the Commission on the regional impact of the Common Agricultural Policy,
- having regard to the document entitled "Perspectives for the Common Agricultural Policy", (COM(85) 333 final),
- having regard to the report of the Committee on Regional Policy and Regional Planning and the opinion of the Committee on Agriculture, Fisheries and Food, (Doc. A 2-229/85),

A. whereas the CAP has not only ensured a stable supply of food at reasonable prices but has also contributed significantly to sustaining economic activity in many of the least favoured areas of the Community which are heavily dependent on agriculture;

B. whereas it has also led to structural surpluses in certain products and has therefore to be amended to bring supply more closely into line with both domestic and international demand;

C. whereas the necessary amendments to the policy should not bear unduly on the least favoured regions of the Community;

1. Recalls that the CAP is the most developed of the Community's policies and therefore absorbs the largest share of the Community budgets; notes that the effects of this policy in some regions outweigh the effects of the Community's structural policies (EAGGF Guidance, ERDF and ESF) and concludes that it is essential for any reformed system of agricultural support to contribute positively to the narrowing of the disparities of economic development between the various regions in the Community;

2. Notes that although agricultural prices are determined at Community level, substantial agricultural expenditure is still made by governments from national budgets; and is aware that this expenditure, more easily afforded by the more prosperous Member States, has a strong influence on the Community's regions;

3. Observes that at the regional level the disparities in the relative weight of agriculture in the economy, and of productivity and incomes are even greater than at national level, and takes the view that this factor, together with the great diversity of geographical and climatic conditions, makes necessary the modulation of the agricultural policy according to regional situations;

4. Notes the traditional concentration of the resources of the CAP on the support of prices for products which are produced predominantly in the more prosperous Member States and the corresponding lack of support for the main products in the southern regions of the Community; recalls however that some of the least prosperous regions of the Community are in the north and are heavily dependent on dairy and sheepmeat production;

5. Welcomes the Commission's initiative in establishing a study group which has twice reported on the regional effects of the Common Agricultural Policy⁽¹⁾; believes that this work should be regularly brought up to date and urges that the statistical information on which it is based be improved and where possible compiled on a regional basis; believes that this work has become of increasing importance because of the changes to the CAP which the Commission has proposed in its Green Paper;

6. Notes that the studies on the regional effects of the CAP show that the benefits of the CAP have been unevenly distributed throughout the Community; stresses that since many of the poorest regions have received little benefit it would now be doubly unfair if they were made to bear the burden of the retrenchment of the policy;

7. Regrets that Council, despite the persistent urging of Parliament, has not provided adequate financing for the EAGGF Guidance section and that the agricultural policy has therefore never fully attained the objectives set in the Treaty, in particular the need to take account of the structural and natural disparities between the various agricultural regions;

8. Points to the pressing need to make adjustments to the structure of agricultural production in those regions in whose economies agriculture plays an important part so as to create new employment possibilities outside the traditional agricultural occupations; stresses that without such adjustments the proposed amendments to the Common Agricultural Policy will lead to the depopulation of many of the rural areas of the Community and consequent exacerbation of existing social problems in the main conurbations;

9. Notes that family holdings are the mainstay of agricultural production in the Community⁽²⁾ and stresses the importance of the contribution which the

(1) Study of the Regional Impact of the Common Agricultural Policy, Studies Collection Regional Policy Series No 21; and second study of March 1984 bearing the same title.

(2) Figures given in the Green Paper, "Perspectives for the Common Agricultural Policy" (COM(85) 333 final) show that 95 per cent of all agricultural holdings employ only family workers on a regular basis.

family farm makes to the social and economic wellbeing of the rural regions;

10. Calls on the Council and the Commission to ensure that any solution, such as planned reductions in price support, to the difficulties facing the CAP should take full account of the different repercussions on the various regions of the Community according to the following factors:-

- (i) the level of agricultural income per employee, the economic development of the regions and the importance of agriculture in their economies;
- (ii) the extent to which they are dependent on a limited number of products to which no satisfactory alternatives exist;
- (iii) the potential which they have to adapt and diversify their productive structures;
- (iv) the age and social structure, educational level and traditions of agricultural operators within the region as these factors strongly influence the capacity of individuals to adapt;

11. Believes that in any new proposals to restrict production by quotas or other means, the Commission should draw attention to the regions which will be worst affected by the restrictions and, where appropriate, put forward proposals to counter-balance the adverse effect on the economy of these regions; considers that production should not be restricted in the poorest regions where farmers cannot change to other forms of land-use.

12. Endorses wholeheartedly the increasing emphasis being given to the integration of the Community's policies and underlines the importance of an approach which integrates all the Community instruments and coordinates them with activity at the national, regional and local level and which is designed to develop to the maximum the endogenous potential of the region;

13. Welcomes in this connection the principles underlying the Integrated Mediterranean Programmes, which will be implemented in predominantly agricultural regions, and urges that similar provision be made for the other less developed peripheral areas of the Community where agriculture is important;

14. Observes that the agricultural and regional profile of the Community will be radically altered by the accession of Spain and Portugal and in particular that substantial additional quantities of Mediterranean products, notably olive oil, will be placed on the market; considers that the Integrated Mediterranean Programmes should, if properly financed and efficiently implemented, partially offset the unfavourable effects of enlargement on the Mediterranean regions but urges that further consideration be given to establishing a "revolving fund" for these regions;

15. Urges the Commission to draw up proposals, supported by a detailed financial statement, for a system of direct income support; takes the view that support of this nature should be highly selective being restricted to specific categories of farmers in disadvantaged regions and linked to the attainment of agreed objectives such as the improvement of agricultural infrastructure, the promotion of alternative production e.g. afforestation, new uses for agricultural products and to stimulating the development of the regional economy to create additional income and employment outside agriculture; it should be designed to do the least damage to the smallholders' traditional sense of self-reliance;

16. Considers that income aids, and where practical other direct aids, should be structured in such a way that the small family producer draws proportionately greater benefit than large, intensive, "corporate" producers;

17. Notes the trend towards "re-nationalising" the CAP and notes that national aids can be more easily afforded by the richer Member States, which often have a relatively small agricultural population, and could - depending on the nature of the aids - result in discrimination and distortion of competition; considers that they would in any case worsen the position of the least prosperous regions as some national governments will be unable to provide adequate funding and believes that full account must be taken of these considerations in the reform of the CAP;

18. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENTI. THE STUDIES PRODUCED BY THE WORKING GROUPS

1. The task of determining the regional effects of a substantial financial instrument such as the CAP is daunting. The rapporteur is therefore grateful to have been able to draw on two studies on this subject carried out by a group established by the Commission of the European Communities comprising distinguished academics from a number of universities and centres of agricultural research in the Community.

2. This group has produced two studies. The first, which covered the years 1964-1977 and was published in 1981 (Regional Policy Series No. 21), responded to the following brief from the Commission:

- to carry out a comparative assessment of the different existing market organisations and other CAP measures with regard to regional production;
- to assess the influence of market organisations and other CAP measures on the regional trends in agriculture;
- to assess the effect of the CAP on the general social and economic trends in Community regions from the angle of balanced Community development;
- to develop first thoughts on ways in which the CAP might make a greater contribution to more balanced regional development within the Community.

3. The group found that there was a lack of centralised information in the Community on production and agricultural incomes compiled at a regional level and regretted that as a result the study could provide only approximate indicators of regional trends. The group also warned against "a too rapid interpretation of the partial information contained in the study"; while they were sure that the CAP had had some influence on regional agricultural trends,

the precise extent of this influence could only be determined with great difficulty since it was not possible to assess correctly the effect of all other variables.

II. CONCLUSIONS OF THE STUDY COVERING THE YEARS 1964-1977

4. With these significant caveats the group put forward the following conclusions:-

- the agricultural systems of European regions benefited from the new common market organisations introduced over the period of the study in direct proportion to the comparative advantages they possessed;

- the restructuring of agricultural sectors brought about by favourable economic development in the general economy played an important part in the growth of regional incomes per agricultural worker;

- during the period observed increasing regional agricultural specialisation on the one hand and the restructuring of agricultural sectors on the other, led to more rapid growth in certain regions and thereby aggravated imbalances in regional agricultural incomes per worker within the Community;

- the role of the EAGGF Guidance sector was minor because of inadequate financing and policies which were not always tailored to the needs of the least favoured regions. The Guidance sector decreased in importance relative to the Guarantee section of the Fund during the period of the study⁽¹⁾.

5. The group concluded that pricing policy and other market-management measures should take greater account of the different characteristics of agricultural regions (regional specialisation, structural, technological and income levels) and should at least seek to avoid aggravating existing imbalances.

(1) In 1964 the EAGGF Guidance sector absorbed 15.2% of total Community expenditure on agriculture; in 1977 the corresponding figure was 3.1%.

III. CONCLUSIONS OF THE SECOND STUDY COVERING THE YEARS 1977-1981

6. The second report, published in March 1984, covered the period 1976/77 to 1981. The conclusions of this study are as follows:-

- over the period 1977-1981 disparities in agricultural incomes per head narrowed mainly as a result of a reduction in growth in the general economy which reduced the importance of structural changes in regional agricultural systems which had been working in favour of the more prosperous regions;
- further concentration of production took place in regions of the Netherlands, in Bretagne, in the cereal growing regions (Paris Basin, East Anglia, Northern Germany) and in meat growing regions;
- almost all the agricultural regions of the United Kingdom improved their share of production during this period;
- modifications to the Common Agricultural Policy made it possible for regions such as the South of France, the Centre and South of Italy and Northern Ireland to draw greater benefits from the CAP than in the past.
- growth in real farm incomes has been reduced because the average size of farms is now increasing at a slower rate than before. It appears that increases in income now owe more to increased specialisation than to structural changes in the agricultural economy; regional disparities in farm incomes have been reduced;
- the level of agricultural income per head achieved by large-scale cereal producers in northern Europe and intensive producers in the Netherlands is 5.5 times greater than that achieved by smallholders in the Mezzogiorno and West of Ireland;
- the regions which experienced the fastest growth in final production are those with the most intensive systems of production or those in which protein products and fruit and vegetables are important; in both protein and fruit production, the regional effect of improvements in the support of the market was clear;

- variations in the surface areas worked per unit of labour have diminished because more people left the land in areas where farm holdings were smaller;
- differences in the level of production per hectare have increased;
- final production per work unit is more equal than before;
- variations in gross value added per unit of agricultural work have also narrowed.

7. But despite the improvements noted above the report points out that between the ten strongest regions (certain Dutch regions, Belgian, Northern French and Northern German regions especially) and the ten weakest regions (most Irish regions and some regions of Southern Italy) average productivity varies from 1 to 4.5. This arises because the systems of production in the prosperous Dutch and Belgian regions have become more intensive while the situation of the least prosperous Irish regions has deteriorated since 1979.

8. The regions located between these two groups at the top and bottom form a group within which imbalances as measured by factors such as income levels, average size of holding and gross added-value per worker, were reduced. This trend resulted from the combined effect of two different movements: on the one hand certain weak regions, in particular the Italian regions as well as those of the West and South West of France, experienced faster growth in production than the Community average. This growth was due in particular to increasing output of fruit and vegetables and intensive livestock production. In this way these regions improved their relative position as did almost all of the British regions. On the other hand, growth in the regions where levels of gross added value per annual work unit were highest, for example, the cereal producing regions and those in mixed farming in Germany, was less rapid than the Community average.

9. The introduction of grants for processed fruit and vegetables, the favourable trend in administrative prices for vegetable oils (sunflower seeds in particular), the improvement of the regulation for wine and lastly the

introduction of a market organisation in the mutton and lamb sector has led to some improvement for regions in difficulty especially the Mediterranean region.

10. Although the second study has not been published and is available only in French, the conclusions have been included in the Second Periodic Report on the social and economic situation and development of the regions of the Community (section 3.5 b) ⁽²⁾.

The greatest benefit has gone to the regions with the most intensive agriculture.

11. The studies reveal that the regions with the most intensive form of agriculture have drawn the greatest benefit from the CAP. It is interesting in this connection to compare the figures given in the Commission's second study, Table 15, with the classification of the severity of regional problems given in the Second Periodic Report, Table 7.1.1.

Regions with relatively low added value per hectare

<u>Region</u>	<u>GAV/Hectare</u>	<u>Synthetic Index</u>
Scotland	202	80
Val d'Aoste	272	126.5
Sardinia	330	40.5
Ireland	340	41.8
Wales	427	73.0
Basilicata	442	45.6
Auvergne	472	93.3
Franche-Comté	504	115.3
Limousin	543	94.6
Northern Ireland	555	35.4

(2) COM(84) 40 final/2

Regions with relatively high added value per hectare

Southern Holland	4669	125.2
Liguria	3050	94.9
Campania	2731	44.7
Emilia Romagna	2207	102.7
Northern Holland	2092	127.6
Brabant	2087	110.5
Venice	2069	96.2

12. This comparison shows that no simple correlation exists between the position of a region on the synthetic index and the intensification of its agriculture; the GAV/hectare would have to be weighted to take account of the importance of agriculture in the regional economy before such a correlation might appear. But with exceptions, (Val d'Aoste and Franche Comte, in the first category and Campania in the second) it appears that the regions with the lowest rankings on the index tend to have low levels of intensification of their agriculture.

13. The following table based on figures taken from the second study show the amount received per agricultural work unit from the EAGGF by each Member State in 1981:

	<u>EAGGF per agric.</u>	<u>GDP per capita</u>
	<u>work unit</u>	<u>ECU</u>
Germany	129	9958
France	106.8	9546
United Kingdom	111.7	8128
Italy	64	5627
Belgium	168	8736
Denmark	199	10049
Ireland	70.3	4648
Netherlands	196.6	8925
Luxembourg	132.1	9483

This table shows that in the last year of the study (1981) the more prosperous member states received far greater levels of EAGGF support per agricultural work unit than the least prosperous.

14. The table at annex I. gives the same information by region. These figures show that the highest levels of expenditure frequently occur in the more prosperous regions. These figures confirm the general conclusion of the study that it is the most efficient and most intensive producers of products governed by a common market organisation who have drawn the greatest benefit from the CAP and these efficient producers are generally to be found in or near to the regions of the Community with the best general economic performance.

IV. THE RELATIVE WEIGHT OF COMMUNITY AND NATIONAL EXPENDITURE ON AGRICULTURE

15. The study carried out by the working group concerns the effect of Community expenditure on agriculture. But despite the EAGGF a large proportion of agricultural expenditure comes from national budgets. The table below gives the total amount of agricultural aid, both national and Community, in the year 1980.

	<u>mECU</u>		
	<u>NATIONAL</u>	<u>CAP</u>	<u>TOTAL</u>
Germany	1,529.2	2,596.6	4,125.8
France	2,731.6	2,963.1	6,694.7
Italy	2,882.2	1,925.1	4,807.3
Netherlands	320.0	1,571.4	1,901.4
Belgium	229.7	597.0	826.7
Luxembourg	18.0	12.6	31.2
United Kingdom	1,075.5	991.1	2,066.2
Ireland	370.9	609.7	980.6
Denmark	253.9	640.3	894.2
	<u>9,441.0</u>	<u>11,907.4</u>	<u>21,348.0</u>

Source: Public Expenditure on Agriculture Study P.229 and ECA report for 1980

This table shows that total national expenditure on agriculture was almost as great as Community expenditure.

16. In 1980 some 50% of national expenditure was devoted to improving production structures, mainly modernization of farms, aid to new farmers and encouragement to farmers to give up farming, aids to breeding, disease prevention and support for farming in less-favoured areas. Of the remainder, 14.6% was devoted to the processing and marketing of agricultural products, 11.5% to the development of rural areas, 8% to agricultural research and 5.6% to market aids and aids to consumption. National expenditure on "Guidance" type measures far exceeds that administered at Community level.

V. THE LEVEL OF GUARANTEE AND GUIDANCE EXPENDITURE AT COMMUNITY LEVEL

17. The following tables show the amounts granted to each Member State under the EAGGF Guidance (until 1984) and the EAGGF Guarantee (1979-1984).

GUIDANCE (ECU)

Belgium	229,075,608	Ireland	506,695,815
Denmark	182,230,762	Italy	2,030,833,823
Germany	1,263,321,620	Luxembourg	28,411,874
Greece	244,829,382	Netherlands	304,181,402
France	1,451,863,203	United Kingdom	894,139,185
<u>Total</u>		<u>7,135,572,674</u>	

GUARANTEE (mECU)

	<u>B</u>	<u>Da</u>	<u>D</u>	<u>Gr</u>	<u>F</u>	<u>IrL</u>	<u>I</u>	<u>L</u>	<u>N</u>	<u>UK</u>
1979	755.8	639.3	2326.5	-	2251.0	456.5	1639.4	13.6	1412.6	992.8
1980	571.1	614.5	2451.4	-	2827.6	563.6	1824.0	11.6	1538.8	880.6
1981	489.1	507.8	2031.5	146.2	3014.2	437.9	2092.1	4.1	1157.2	1080.1
1982	535.1	556.7	2027.5	684.6	2866.2	496.5	2502.6	2.6	1416.7	1278.3
1983	611.9	680.7	3075.8	1007.4	3566.6	619.4	2820.5	4.2	1707.8	1691.0
1984	686.4	879.6	3323.0	961.2	3592.0	884.4	3909.4	3.6	1964.2	2121.6
Total	3649.4	3878.9	15235.7	2799.4	18117.6	3458.3	14788.0	39.7	9197.3	7974.4

VI. THE RELATIVE IMPORTANCE OF THE CAP AND THE ERDF

18. The following figures give the percentage share of the annual budgets absorbed by the EAGGF Guarantee Section (CAP) and the Regional Fund (ERDF):

<u>Commitments</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985*</u>
CAP	65.7	60.9	58.8	59.6	60.3	62.7
ERDF	6.7	4.9	7.7	7.6	7.0	7.8

<u>Payments</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985*</u>
CAP	71.0	66.6	62.8	63.1	65.1	67.3
ERDF	5.6	5.0	4.8	3.5	4.8	5.9

19. These figures demonstrate that expenditure on the Community Regional policy is dwarfed by the amount of CAP spending and show the importance of ensuring that CAP expenditure works in the direction of narrowing differences in regional prosperity.

20. It should be borne in mind that the CAP itself represents a tiny proportion of Community GDP - only 0.55% in 1984 - and can therefore have only a minor influence in counteracting underlying economic trends.

VII. DIFFERENT TYPES OF GUARANTEE SPENDING

21. Expenditure under the Guarantee section falls under two broad categories (i) export refunds, and (ii) intervention. The latter category can be subdivided in to:-

- (i) storage
- (ii) withdrawal and similar operations
- (iii) price compensatory measures
- (iv) guidance premiums.

22. Each of these categories of expenditure has a different incidence on the regions. Export refunds are granted to traders who may have purchased the product benefiting from the refund from any part of the Community. In addition, products in surplus which can be transported are often stored in parts of the Community far from where they were produced. It should be pointed out that surplus production is sometimes transported from less prosperous to more prosperous regions for storage and processing.

23. CAP expenditure reflects the degree of imbalance in the market for a particular product. While such imbalances are often related to the price set at the annual price fixing, other factors influencing supply and demand such as the level of world production play an important role. The individual producer plans his future production on the guaranteed prices of agricultural products and the capacity of his land. Market conditions may be such that the price set at the annual price fixing (the institutional price) is close to the market price and in this case the cost to the Community budget will be slight. The farmer's income however will depend on a large number of additional factors. Levels of EAGGF Guarantee support are not directly related to levels of farm income.

VIII. EXPENDITURE UNDER THE GUIDANCE SECTOR IN FAVOUR OF THE REGIONS

24. The figures given below show expenditure in recent years under the various sub-headings of the EAGGF Guidance section.

	<u>1975-1983</u>	<u>mECU</u>	<u>1984</u>
a) Projects for the improvement of agricultural structures;			164.0
b) General socio-structural measures;	576.7		93.0
c) Measures for less-favoured regions;	848.1		251.5
d) Market-related measures;	752.9		71
e) Structural measures in the fisheries sectors;			70.2

25. The following table shows the number of holdings covered by Directive 75/268/EEC in mountain and hill farming in certain less-favoured areas ⁽³⁾.

 (3) OJ L 128 of 19.5.75

Germany	76,380	Luxembourg	3,555
United Kingdom	43,913	France	139,160
Ireland	95,950	Italy	123,132
Greece	191,909	Netherlands	99
		Belgium	9,807

26. Of the extensive mosaic of measures in the Guidance sector, the scheme for the improvement of the conditions under which agricultural products are processed and marketed⁽⁴⁾ is of the greatest financial importance. This reserves substantial aid for certain regions of southern Europe and for projects in western Ireland.

27. The schemes established under directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas directs aid to the United Kingdom, France, Ireland, Italy and Greece. Special schemes covering irrigation, agricultural infrastructure and re-forestation have been concentrated on the Mediterranean region.

IX. WIDER EFFECTS OF CAP EXPENDITURE

28. A litany of the extensive range of CAP measures and the amounts of money deriving from them do not alone reveal the extent to which the regions have benefited from CAP expenditure. To assess this would require an analysis of the operation of the rural economy going far beyond the scope of this report. But the following list enumerates ways in which the CAP contributes to the prosperity of an entire region:

- by sustaining employment in small farming units which could not survive without price support;
- by raising farming incomes;
- by maintaining a level of population in rural areas which permits the provision of a full range of educational and social services;

 (4) OJ L 51 of 23.2.77

- by ensuring the full occupation of the existing housing stock in rural areas;
- by creating and sustaining employment outside the farming sector in the services sector;
- by providing employment in intermediary occupations both upstream of agriculture e.g. the fertilizer, cattle-feed, and fodder industries, and downstream in dairies, meat processing factories and other productive activities using the raw materials produced in agriculture.

29. It is difficult to estimate the extent to which CAP funds leak into the surrounding economy and the rapporteur has not come across any studies of this effect. But even a rudimentary knowledge of the structure of rural economies suggests that an active and profitable agricultural sector is extremely important to the general health of the region.

X. DIRECT INCOME SUPPORT

30. In its first report the study group gave some attention to a policy of direct aid for agricultural incomes anticipating the effects of a reform of the CAP which would reduce the real level of price support for a number of surplus products. The group estimated that the amount needed in 1976/1977 to bring regions of low income up to a target of 75% of regional incomes per worker would require 10,000 million units of account.

XI. THE EFFECT OF QUOTAS ON THE REGIONS

31. This matter was examined by the group in its second study (see pages 103-106 inclusive). The group considered that Ireland would suffer most from the introduction of quotas given the growth of its milk production since 1981 and the importance of dairy products in its economy. Within Ireland, the south west would be worst affected. Other regions concerned are the South West of England, Wales and Northern England, Lombardy, Bavaria, Schleswig-Holstein and North Rhine Westphalia.

XII. THE EFFECTS OF ENLARGEMENT ON THE REGIONS

32. The group examined this matter in its second report (see pages 108-116 inclusive). The method used was to draw up lists of products and range them in order of their "sensitivity" to enlargement.

- The group of products most "sensitive" were olive oil, tomatoes, citrus fruit and wine. These are products in which the EEC is already in surplus and where the prices in the new Member States are markedly lower than in the EEC.

- The second group of products - fish, grapes, cauliflowers and potatoes are those in which the Community will shortly become self-sufficient and where prices are lower in the new Member States.

- The third group of products - cereals, sugar, milk, beef and pork - are considered as being favoured by enlargement.

- The final group - protein products, mutton, eggs and poultry - are considered as neutral.

33. The general conclusion of the group is that the products which will "benefit" are relatively few and spread evenly throughout the Community. In contrast the products which are highly sensitive to enlargement are concentrated in the Mediterranean regions, most notably Calabria, Puglia, Sicily, Corsica, Languedoc-Roussillon, Campagna, Abbruzzi, Lazio, Province-Alpes-Cote d'Azur and the regions of Greece.

XIII. THE REGIONS AND COMMUNITY ENVIRONMENTAL POLICY

34. Many of the disadvantaged regions are of exceptional scenic value. It appears from the studies carried out that there is a close correlation between the "intensification" of agricultural production and levels of farm incomes. One strategy, therefore, to increase incomes in the regions would be to press for more intensive methods of production. But highly intensive agriculture often leads to the destruction of hedgerows, woodlands and wetlands.

Consideration therefore needs to be given to ways of increasing incomes in the regions, for example, through tourism and the encouragement of small industries in ways which respect the environment.

XIV. CONCLUSIONS

35. Without repeating the technical conclusions of the studies mentioned in paragraphs 4 to 9 above, the rapporteur would emphasise the following points:-

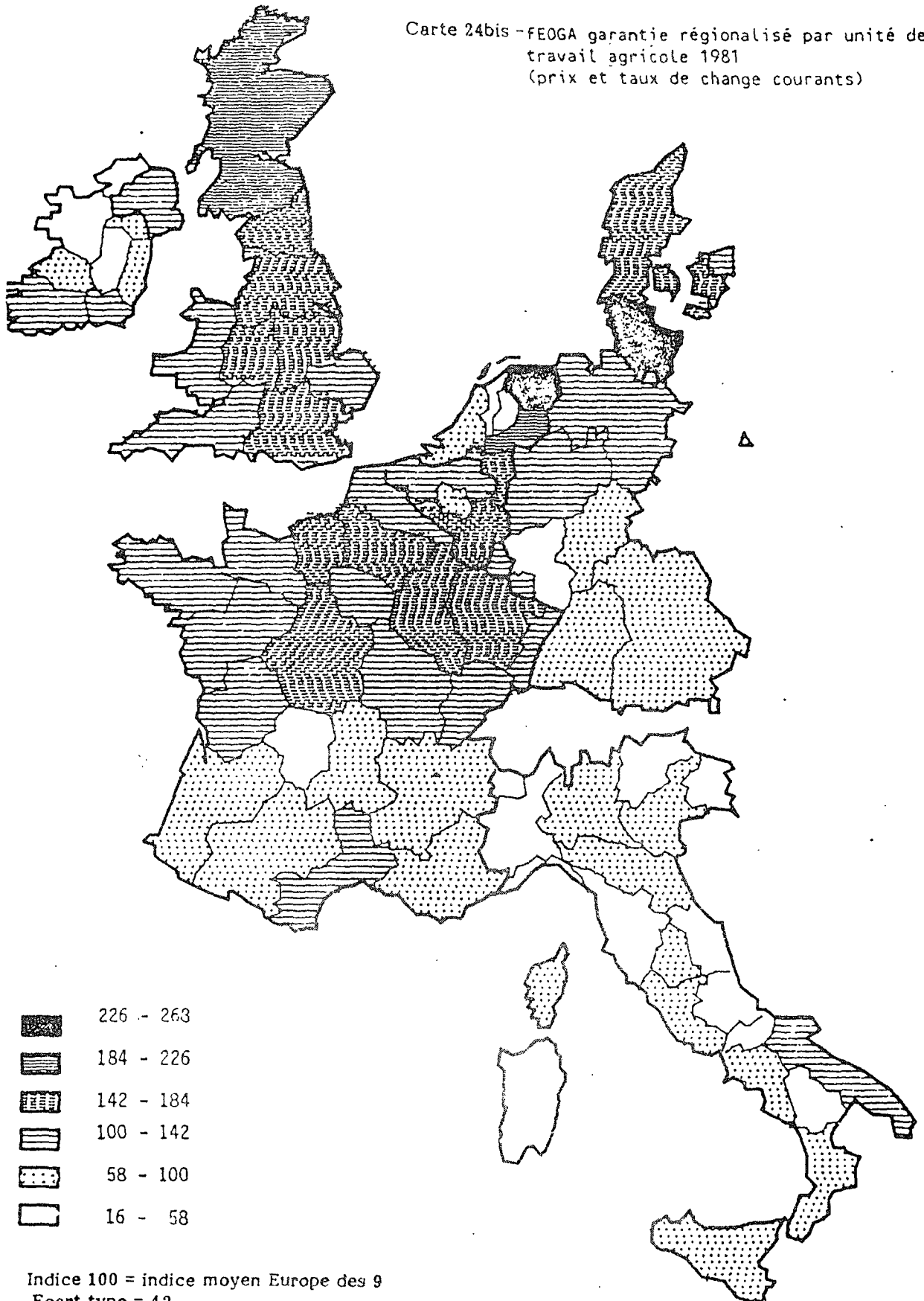
(i) although the financial resources at the disposal of the Community are insufficient to counter-balance underlying economic trends working against the least favoured regions, it is vital that all the sectoral policies administered at Community level, and in particular the CAP which is the most important of these policies, should be designed to narrow existing disparities in economic wealth between regions;

(ii) the Guarantee section of the CAP has tended to give most benefit to the more prosperous Member States in the Community and it is important that in the current debate on its reform much greater attention is given to regional considerations;

(iii) measures should be introduced accompanying the reform of the CAP so as to ensure that small farmers in the least favoured regions are not unduly penalised, and the structural funds (EAGGF Guidance, ESF and ERDF) should be expanded and adapted to assist the creation of new employment opportunities both in agriculture and related occupations and in other sectors;

(iv) the prosperity of the agricultural sector is closely related to general economic development and it is therefore essential to place agricultural development in the context of an integrated programme for an entire region comprising social, economic and environmental objectives.

Carte 24bis - FEOPA garantie régionalisé par unité de travail agricole 1981
(prix et taux de change courants)



Indice 100 = indice moyen Europe des 9
Ecart type = 42

Motion for a Resolution (Doc. 2-1825/84)

tabled by Mr Sakellariou and Mr von der Vring

pursuant to Rule 47 of the Rules of Procedure

on the effects of the Common Agricultural Policy on the socio-economic situation of the regions

The European Parliament,

- having regard to the European Community's duty to close the gap between the regions and reduce the backwardness of the less-favoured areas,
 - having regard to the efforts of the ERDF, the Social Fund and the EIB to correct the regional imbalances in the Community,
 - fearing that these efforts on the part of the Community will be defeated by the adverse effects of the Common Agricultural Policy on the weaker regions of the Community,
 - in the belief that the present agricultural policy of the European Community is widening the prosperity gap within the Community as it brings income primarily to the regions which are already developed,
1. Calls on its appropriate committee to draw up a report on these subjects and to induce the Commission, pursuant to Article 1(2) of the ERDF Regulation, to ensure that the Community's financial instruments are used in a coherent manner.