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Full information and comparable statistics
required for the EEC agricultural policy

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Report on the situation in agriculture and agricultural markets
in the EEC

1. Assessment of farm incomes

The Community's common agricultural policy has developed satisfactorily over the last few years: the principal farm products have been brought under common market arrangements, and co-ordination of structural policy measures taken by the Member States has been decided and already begun. In view of the new developments inevitable in those fields and of the extension of the Community's activities to other aspects of farming, it is only logical that the common agricultural policy should reach further into the economic domain.

Schemes for implementing the common agricultural policy and the financial measures which they imply cannot be fully effective unless the decisions leading to them are based on adequate objective information which cannot be called in question.

The present situation in the Member States with regard to farm statistics does not meet these requirements; if the common agricultural policy is to make further progress, immediate steps must be taken to obtain a more comprehensive body of statistics.

The aims of the common agricultural policy are laid down in Article 39 of the EEC Treaty. In order to fulfil these aims, the Community must have objective information on farm incomes on its territory. At its session of 12-13 April, the EEC Council took an important step in this direction by adopting a regulation establishing in the EEC an information service on farm incomes and conduct of business, which had been proposed by the Commission as early as March 1963. The explanatory memorandum to the regulation reads in part:

"In order to implement the common agricultural policy, objective and pertinent information is required on the incomes of typical Community farms and on the conduct of business of those which merit special consideration at Community level.

Farm accounts will constitute the chief source of the data essential to any assessment of farm incomes and conduct of business."

The EEC wishes to find out why farm incomes in the Community are often at variance with those earned in similar branches of industry.

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Comparative data on incomes in agriculture and industry are therefore required; in order to obtain them, a clear decision on choice of method is imperative. A study to find the most appropriate method in this particular instance has been put in hand and should provide pointers as to how farm incomes can best be improved. This assessment and comparison of incomes will form a major part of the "Report on the situation in agriculture and agricultural markets in the Community" to be compiled annually by the Commission on the basis of the accounting data collected, and submitted to the Council and the European Parliament.

Several member countries have already acquired some experience in this field. In Germany, for instance, the Federal Government has brought out a "Green Report" every year since 1956, based on the accounts of 8 000 farms; in the Netherlands, the "Landbouw-Economisch Instituut" publishes economic accounts derived from audits of a large number of account-keeping farms.

Apart from individual accounts (which must be carefully checked) and the data derived therefrom, there are other sources of information - such as overall economic accounts and statistics - which should also be utilized in compiling the annual report.

2. The EEC's aim is to analyse farming from the viewpoint of operational efficiency

As regards business organization, farming is still some way behind other sectors of the economy. Knowledge of the operations involved in the various branches of farming must become part of the progressive farmer's stock-in-trade; he must know, for example, what return he can expect from stock-raising, what investments have paid off, which activities he should concentrate on and which, in certain circumstances, he should abandon completely. At the present time, not all farmers are able to do this.

The keeping of accounts is basic to the proper running of a farm and is closely linked with the problem of rational management. Indeed, proper management has become the root problem of modern farming. Some farms show good results while others with the same area, soil, climate and transport facilities have to contend with enormous difficulties.

The result is that profit margins vary just as much from one Community farm to another as they do between farming and the rest of the economy.

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The EEC's agricultural policy is designed to place farming on a sound economic footing and make it a viable part of the economy as a whole. This is to be done chiefly by adopting a price policy which enables farmers to earn a living from what they sell on the market. It is therefore all the more necessary to undertake a broad analytical survey of Community farms from the standpoint of business conduct. Once a year, the Council will review prices in the Community for the major farm products, bringing them into line with the level of operating efficiency on the average Community farm. For this, background information is required so that the Council can base its decisions and the Commission its price proposals on an proper assessment of the economic position of agriculture in the Member States. This background information must also serve both Council and Commission as a yardstick by which to assess the need for other measures - outside the domains of price policy - to reorganize and promote the development of agriculture.

This analytical survey of the conduct of farm business will imply special measures applicable to specific areas of the Community or groups of farms, as well as measures to promote development (rationalization) in certain branches of farming.

3. How information is to be obtained for the common agricultural policy

We have seen that there is a growing need for objective facts and figures on the basis of which the Community authorities can prepare and take their decisions.

The regulation concerning an information service on farm accounts is merely one of a series designed to obtain, through comparable data, a clearer picture of the economic conditions of farming in the Community.

The Commission's report is to contain a section dealing with the situation on agricultural markets. With this in mind the Commission set up some considerable time ago the technical machinery required to collect and process the relevant data.

On 14 September and 11 November 1964, the Commission laid before the Council two proposals for regulations concerning surveys to be undertaken in the Member States. The first of these was for a basic survey as part of a programme of surveys on farm structures, the second for Community pig censuses.

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The basic survey on farm structures will cover one quarter (1 750 000) of the Community's seven million farms; its chief object will be to ascertain what products, in what areas and types of undertaking and under what conditions the Community's farmers produce.

The survey is designed to fulfil a widely felt need for comparable statistics and data on the structure of Community farms.

The programme is divided into two distinct stages:

- (i) a basic survey to be carried out in 1965;
- (ii) eight special surveys, on the same lines as the basic survey, to be undertaken between 1966 and 1970 for the purpose of obtaining further details for a more accurate analysis of certain sectors.

The questionnaire for the basic survey was tried out on a sample of 7 000 farms throughout the Community in November/December 1964. The questions it contains relate to major aspects of farming such as use of land, conditions of tenure, head of livestock, labour employed, the farmer (training, work, succession on retirement), accountancy and advisory services, use of tractors and farm machinery, membership of agricultural co-operatives, forward contracts with wholesalers and sale of produce.

The proposal was referred by the Council to the European Parliament and approved by the latter on 8 January 1965, with the comment that the programme which the proposal provided for was both urgent and necessary.

4. Details of the regulation establishing a farm accounts information service

The special task of this service will be to gather information on farm incomes and conduct of business in the EEC. In this way it will be possible to obtain facts and figures on typical farms in various parts of the Community, which the EEC requires for the implementation of the common agricultural policy. The information in question will be obtained from farm accounts and used to:

- (i) make an annual assessment of the incomes of farms which are of particular interest to the common agricultural policy;

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- (ii) analyse the economic development of certain farms which are of particular importance at Community level.

The information service will thus provide statistical data on the conduct of farm business in the various regions of the Community.

5. The organization of the information service

Special services will be set up at three different levels; their task will be to select the farms to be surveyed and to collect, submit and process the required data. The whole system will naturally revolve around the farms which keep accounts and are willing to supply details.

- (i) The Community will be divided up into thirty-six regions, each with a Regional Committee composed of representatives from the relevant government departments, the farming profession and farm accounting offices and of other experts. It will be the Committee's task to select farms in accordance with uniform Community standards.
- (ii) Accounting offices will be responsible for gathering the necessary data and entering them on standard return sheets. Such offices which may be run either privately or by the state, already exist in certain Member States.
- (iii) A liaison office will be set up in each Member State to maintain contact between the Regional Committees and the Commission, thus ensuring the smooth running of the information service as a whole. The supervisory powers which are to be granted to the Commission will constitute a further guarantee in this respect.
- (iv) Finally, the Commission will be assisted by a Community Committee composed of officials of the Member States; this will be run along the same lines as the Management Committees for farm products.

6. Running-in period

The Community is not yet in a position to make the information service fully operative immediately. It will be a few years before the entire system is sufficiently run in to function properly. For this reason, the information service will begin by investigating 10 000 farms, but this number is expected to rise to at least 30 000 after a few more years, so that the Community will have a fully representative picture of the situation. The initial results obtained will therefore be incomplete.

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Of the first 10 000 farms, 2 000 will be located in Germany, 3 000 in France, 3 500 in Italy and 1 500 in the Benelux countries.

Later, when the numbers are increased, it will be possible to undertake special analyses relating to the conduct of business.

7. Participation and co-operation in the work of the information service

The information service is dependent on the voluntary co-operation of farmers and accounting offices. Farmers who volunteer to supply information will be bound by a contract which contains strict provisions guaranteeing that the information provided will remain secret and not be used for tax purposes. The accounting offices too will work under contract, but here again, there is no element of coercion. The cost of completing the return sheets will be charged to the Community budget.

8. The significance of the regulation

The Council has already issued a large number of regulations concerning the organization of agricultural markets. Furthermore, in the Guidance Section of the European Agricultural Guidance and Guarantee Fund, the EEC now possesses an instrument with which to adjust the pattern of farming in the Community.

By applying this latest regulation, the EEC will obtain a true picture of the farming situation in the various regions of the Community. Using the data collected, it will be able to assess the effectiveness of agricultural policy measures in relation to the objectives laid down in Article 39 of the EEC Treaty. The regulation is thus an extremely important step towards the completion of the common agricultural policy. Moreover, it should encourage farmers to keep accounts as a means of controlling their own operating efficiency - in other words, to look after their own interests.

This regulation on the establishment of an information service on farm accounts contains two novel features which distinguish it from previous Council regulations. Firstly, it entails the creation of new regional and national institutions; secondly, its provisions imply no more than a voluntary commitment on the part of the farmers concerned, the purpose being to elicit the active co-operation not only of government departments but also of the entire farming profession in the Community.

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List of regions in which farms will be selected for the
purpose of determining farm incomes

Germany - The following Länder:

1. Schleswig-Holstein
2. Lower Saxony
3. North Rhine-Westphalia
4. Hesse
5. Rhineland-Palatinate
6. Baden-Württemberg
7. Bavaria
8. Saar
9. Hamburg
10. Bremen
11. Berlin

France - Regions combined as follows:

1. North, Picardy
2. Upper and Lower Normandy
3. Brittany, Loire region, Poitou-Charente
4. Centre, Parisian region
5. Franche-Comté, Champagne, Burgundy
6. Lorraine, Alsace
7. Limousin, Auvergne
8. Rhône-Alps
9. Aquitaine, Midi-Pyrenees
10. Languedoc, Provence-Côte d'Azur-Corsica

Italy - Regions combined as follows:

1. Piedmont, Val d'Aosta
2. Lombardy
3. Veneto, Trentino-Alto Adige, Friuli-Venezia Giulia
4. Liguria
5. Emilia-Romagna
6. Tuscany
7. Umbria, Marches
8. Latium, Abruzzi (Aquila, Teramo, Pescara and Chieti provinces)
9. Campania, Calabria, Molise (Campobasso province)
10. Apulia, Lucania (or Basilicata)
11. Sicily
12. Sardinia

Belgium)
Luxembourg) - Each constituting a region.
Netherlands)