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COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

Commission Submits First Legislation on Agricultural Reform. Sets Five-Year Goals

Fewer farmers, fewer farms, and better, more modern farms are planned for the Common Market in the next five years. Higher farm incomes, more meat, and less surpluses are likely, now that the Common Market Commission has submitted its first hard legislative proposals for reforming agriculture in the Six.

The European Communities Council of Ministers now has before it the first draft legislation for carrying out the Mansholt Plan to reform agriculture in the European Community. The proposals were submitted to the Council by the Commission on April 29.

Six Commission directives outline plans for farm modernization, improved meat production, reduction of the number of farmers in the Community and of the area of land farmed, establishment of vocational training and advisory services, and the promotion of producers' associations to help improve farm incomes and living conditions.

A farmer at work in West Flanders, Belgium. The new legislative proposals to carry out the reform of agriculture in the Community are designed to move more farmers off the land and to replace antiquated farm practices by more modern, viable farm methods.

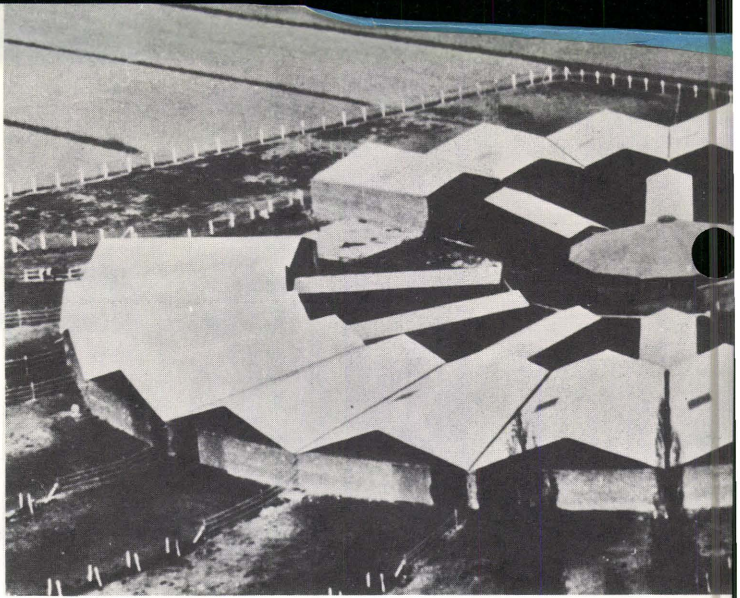
The broad aim of the Mansholt Plan, published in December 1968 as a Memorandum, "The Reform of Agriculture in the European Community" (see Common Market Farm Report - Nos. 39 and 40), is to create viable modern farms run by well trained farmers with adequate incomes; to provide protection for those who leave the land; to turn surplus farmland into forests and parks; to shift production from surplus products (wheat, sugar, dairy produce) to those in short supply (beef and veal, in particular), and to encourage farmers to market their produce more actively.

While the Plan itself called for action over 10 years, the six implementing directives sent to the Council on April 29 cover a five-year period. Their cost, an estimated $5.77 billion for five years, to be shared equally by the European Agricultural Fund and the member states (except for aid to producers groups towards which the Fund would pay only 30 per cent). The proposals are in the form of directives which bind each member state as to the results to be achieved but leave the means up to the national authorities.

Proposal for Farm Modernization

The Commission's basic premise has been that there are too many inefficient, small-scale farmers in the Six and that they should be persuaded to leave the land. Community aid, therefore, should be granted only to farms suitable for further development. The directive's criteria would be that the farmer have sufficient agricultural skill and that the farm have a fully developed accounting system and a development plan with targets expressed in figures. Such a plan could be submitted by an individual farmer or by groups of farmers who want to work together,

The Commission proposes giving financial aid to farms that will attain, within a certain number of years, using modern methods, a total annual output (less seed and animal feed used by



Farms in the Community should be more efficient and feeding and milking stalls are arranged in roundhou[se] on a farm in Italy's Po Valley.

the farm) of between $10,000 and $12,500 per worker -- assuming at least two full-time workers per farm and a working year of 2,300 hours per worker. A higher output target must be set by the applicant if the development plan is for more than three years, but as a rule the plans should not cover more than six years.

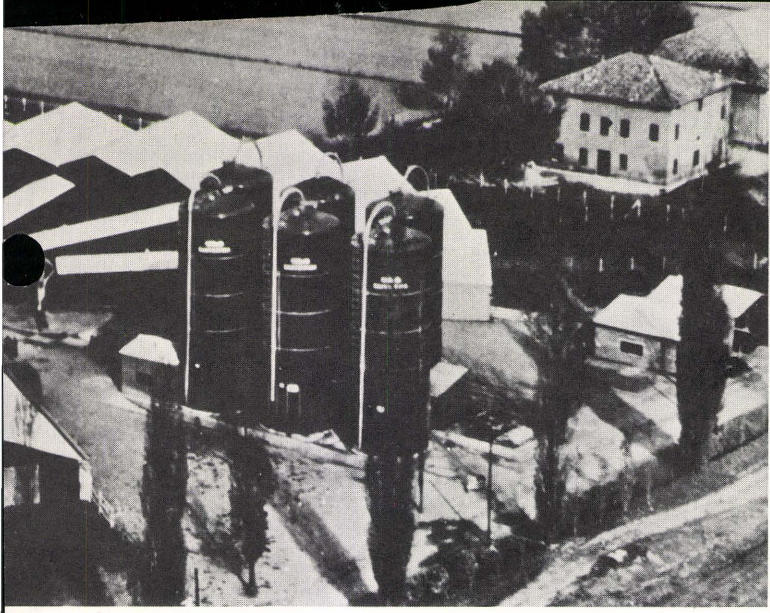
The development plans would be evaluated by bodies appointed by national authorities. If a plan is approved interest rate rebates would be available for development loans, but not for loans to buy land or livestock. The maximum rebate would be 6 per cent for 15 years, and th[e] beneficiary would have to pay at least 2 per cent himself. Loan guarantees would also be available. A $100 per year could be obtained for a three-year period to meet the costs of setting up an accounting system, as well as a general starting-up grant of up to $5,000. The estimated cost of this proposed program is $1.92 billion over the first five years.

The Commission's proposals hope to encourage a shift away from surplus dairy production to beef, as meat is in short supply in the Community.

Meat Production

A supplementary grant is to be given farmers whose development plans have been approved and who bias their production towards beef, veal, and mutton. The grant would be $60 per hectare (or about $24.30 per acre) with a ceiling of $6,000 over a three year period. To qualify, farmers must provide clear evidence satisfying a number of specific conditions that they are systematically switching to meat production. These farmers would also be given priority for land released under the directive for withdrawing land from farming.

If a farm's investment is in pigs, eggs, or poultry, aid can be given only if at least half the feed is produced on the farm. If a dairy herd is to be enlarged, aid can be given only if at least one third of the farm's acreage is pasture. A slaughtering premium, $200 per co[w] payable until December 31, 1973, will be given if dairy farming is abandoned. Estimated cost of this program over five years is $650 million.



ducers' associations encouraged.—Here six silos, ashion for the efficient handling of around 1,000 cows

Reducing the Number of Farmers

To further reduce the number of farmers, the Commission proposes to pay at least $1,000 per year to those who give up farming who are 55 or older. Old-age pensions would be deducted when the beneficiary reached 65. Farm owners and tenants under 55 who leave farming would receive premiums of at least eight times the rental value of the land they give up.

Owner-farmers who take advantage of one of these provisions and who lease their land for at least 18 years to holdings receiving farm modernization aid would be entitled to a lump sum equal to at least 6 per cent of the first nine years' rent.

These beneficiaries would have to give up farming and their land would be placed at the disposal of the European Community's program. This land could then be used for afforestation or recreation purposes, or made available to other farmers for modernization of their holdings. To encourage the conclusion of long-term tenancy contracts, the Commission proposes a grant equal to 15 per cent of the rent. Total cost of this program for the five-year period is put at $2.076 billion.

Reducing the Area of Farm Land

The Commission considers that equilibrium cannot be re-established on the agricultural market unless the area of cultivated land is reduced. Reclamation of new farmland from the sea and elsewhere would be banned, and clearance of land for farming discouraged. All new reclamation plans would have to be cleared by the Commission. There would be financial incentives for turning farm land over to woodland or recreation.

The Community would refund at least 80 per cent of afforestation costs incurred by owners who withdrew all or part of their land from farming. Moreover, the land tax paid by owners of the new woodland or recreation areas would be refunded for at least nine years. Compensation would be paid for nine or more years towards the income lost by farm owners or tenants who stop farming completely.

These measures would apply to land which has been farmed for the last three years and has yielded a certain minimum return. The total cost of implementing this part of the Plan is estimated as $368 million.

Advice and Training

The Commission would establish extra training facilities for those who remain in the Community's modernized agricultural sector. This would involve both general education and technical training for persons who have passed the minimum school-leaving age.

The Commission also proposed the establishment of social and economic advisory services which would provide information to persons wishing to leave farming, to change to other forms of farming, or to transfer to other occupations.

The Commission estimates the cost of these measures at $288 million.

Producers' Groups

To help raise farm incomes and living conditions the Commission would encourage the establishment of producers' associations. The Commission submitted a draft regulation on this in 1967, but the Council has not yet examined it. The scope of the Commission's draft regulation has now been extended to cover the pork, beef and veal, mutton, lamb, fruit and vegetables, oilseeds, and fish sectors. Changes have been made to the proposed conditions for recognition. There are now provisions on minimum economic activity, legal personality, and keeping of accounts. Groups could be recognized even if products were marketed by the individual members, provided certain rules laid down by the groups were respected.

On the other hand, the Commission would no longer exempt the groups from the provisions of the Rome Treaty rules of competition. In addition, a group would no longer be prohibited from marketing more than 5 per cent of Community production.

A development grant is proposed for unions of producers' groups. However, the Community would not contribute more than 30 per cent to financing the aid. Total expenditure for producers' groups is estimated at $407 million for the five years.

Role of Member States

Implementation of the draft directives would be left to the member states, though these are expected to adopt a common approach. This decentralization means that in enacting the various measures the Six would take into account differences between individual regions.

New Community-Wide Export and Import Licenses

The Common Market has taken one more step in integrating its agricultural market and making things easier for Community traders. A new regulation has been passed that provides that import and export licenses for farm products, until now purely national and valid only in the issuing member state, will become valid throughout the Community. The regulation similarly covers certificates presetting levy and rebate amounts.

After January 1, 1971, a license or certificate issued in one member state will entitle the holder to import into or export goods from any Community country. An import levy appearing on a license issued by the Belgian authorities, for example, will have to be charged by the Italian, German, French, Dutch, or Luxembourg authorities if the goods are imported into their territory.

These licenses and certificates serve two purposes. First, they give an idea of the future pattern of trade in farm products between the Community and non-member countries, facilitating the management of agricultural markets and, where necessary, the application of safeguard clauses. Secondly, they are used for the advance fixing of levies on imports or refunds on exports of certain products.

Common Market for Flax and Hemp Established

The Common Market organization for flax and hemp came into effect on August 1.

The regulation establishing the common organization, passed by the European Communities Council of Ministers on June 30, is intended to promote the marketing of flax, production of which is in excess of Community consumption, and to ensure market stability in both the flax and hemp markets. It is also designed to ensure a fair return to the producers of these products.

The regulation provides that Community measures may be taken to: promote better organization of production and marketing of flax and hemp, facilitate the processing of hemp and flax straw into fibers, improve the products' quality, and encourge the opening of new markets.

The regulation also provides Community-wide aid to flax and hemp producers, replacing aids given by the member governments separately. The aid is to be fixed each year for the following market year based on the needed volume of production, possible markets, and world market prices. Criteria for granting aids to producers during the 1970/71 marketing year were adopted by the Council on July 23. Aid was set on July 13 at $110 per hectare (2.47 acres) for flax, for textile or oil production, and $80 per hectare for hemp.

Should there be surpluses of flax and hemp fiber based on demand forecasts, a decision may be taken to allow intervention agencies to give storage contracts to holders of such fibers, who may be granted aids for the storage.

Trade is to be unrestricted; any charges equivalent to customs duties or quotas have been prohibited, unless a specific exception is granted.

Flax is grown in France, Belgium, and the Netherlands. It is a declining industry: only about 700 retteries are still operating, compared with 3,000 ten years ago. Hemp is grown in Italy and France.

european community

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