

Memorandum on agricultural reform in the European Economic Community (21 December 1968)

Caption: On 21 December 1968, the European Commission submits to the Council a memorandum on agricultural reform. This is the Agriculture 1980 plan, also known as the Mansholt Plan, named after the European Commissioner with special responsibility for agriculture.

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Memorandum on the Reform of Agriculture in the EEC (21 December 1968)

I. Agricultural Policy — A balance sheet

1. Successes of the Common Agricultural Policy

1. The Treaty establishing the European Economic Community includes agriculture among the fields where there is to be a common policy, and the agricultural policy developed so far has made an effective contribution to Community integration. The barriers which divided the six markets have been abolished for almost the whole range of agricultural products, and this has led to a great increase in intra-Community trade; the prices of the main agricultural products are fixed by the Community institutions entrusted with management of the markets; the Community has assumed financial responsibility for its agricultural policy; and trade in agricultural products with non-member countries is subject to Community arrangements.

These successes of the common agricultural policy are all the more remarkable as agricultural policy is generally acknowledged to be a field where governments intervene on a large scale. This certainly was the case in the Member States of the European Communities. Their national policies were, furthermore, governed by general lines and specific aims which not only differed but in some cases, because of the existing variety of political, economic and social conditions, ran counter to those of the other countries.

2. It is against this background, therefore, and also in comparison with the other spheres of the Community's activities, that the present state of the common agricultural policy must be judged. The decisions taken in this field did not always have a bearing on agriculture alone, but in many cases exercised beneficial effects on Community integration at other points.

Although the common policy for markets has helped to improve the position of farmers and although price policy, especially, has had a favourable influence on farm incomes, it is a fact that the latter still lag badly behind the incomes of other social and occupational groups.

Unless the common agricultural policy can show substantial progress in this matter in the course of the next few years, there will assuredly be a crisis of confidence and one of the main foundations of our Community will thereby be endangered.

2. The economic situation of farming

3. The essential features of European farming are as follows. Thanks to a steady increase in agricultural production (3.3% annually between 1957 and 1965, with annual rises of 3.6% for crop products and of 2.9% for livestock products; see Annex 3 C) and to a continuing movement of manpower out of agriculture, amounting to some 4.5 million persons since 1958 (i.e. 28% of the 1955 total), the productivity of labour per person employed has been rising by nearly 7% per year (Annex 3 A). The productivity of labour has thus risen more in agriculture than in the Community's economy as a whole, and certainly more than in industry (see Annex 3 B).

4. Farm prices during these same years were subject to changing fortunes. A period of generally rising producer prices, especially between 1962 and 1965, has been followed by a marked decline in some member countries, notably Germany, Italy and Belgium; elsewhere in the Community the price rise has been flattening out (see Annex 6).

5. In all member countries, the prices of agricultural means of production and of wages kept on rising regularly (see Annexes 6 and 7). The result was a shift in the relative prices of agricultural products, of the means of production and of wages, to the detriment of the former.

6. In the case of many agricultural products, consumption increased less fast in the Community than production. The rate of increase of total consumer expenditure⁽¹⁾ on food was 3.6% annually between 1960 and 1965; for the period 1965–70 the figure is expected to be no more than 2.7%, and it may be taken for

granted that it will continue to decline.

But the elasticity of demand for agricultural products in relation to total expenditure on food is only about 0.7, so that the discrepancy between the value of farmers' output and consumers' expenditure on food is steadily growing, to the detriment of the farmer. This is reflected in the total receipts of agriculture, which rose by only 2.5% annually between 1960 and 1965, and are expected to show an average increase of no more than 1.9% for the period 1965–70.

7. These developments are significant in the light of the supply position in the Community, which already covers from its own production more than 90%⁽²⁾ of its consumption of such foods as can be produced in the Community at all. The degree of self-sufficiency is likely to rise still further. However, the supply position is not the same for all products. For many of them, including pigs, eggs and poultry, the Community is by now as good as self-sufficient, and likely to remain so; for others, including oils and fats, animal feed, coarse grains, beef and veal, the Community has large import requirements; and there is a third group of products, including European grades of common wheat, milk and sugar (see Annex 14 A), of which the Community produces more than it needs and surpluses are steadily increasing. Certain other structural surpluses are, furthermore, to be expected in the future; this applies especially to certain kinds of fruit and vegetables (apples, peaches, tomatoes).

8. For the period 1962–68, trade in the agricultural products subject to a common market organization developed as follows. Intra-Community trade in virtually all these products has increased, though in proportions that varied with the product and the member country concerned. Overall imports of agricultural products from non-member countries have increased, but in some cases (poultry, eggs) imports declined in absolute terms, while in others the rates of increase varied greatly according to the countries of origin (see Annex 13).

Even though a system of export refunds was set up for the principal products under the common market organization, it turned out that some of those most in surplus — wheat other than durum, butter, sugar — cannot readily be sold on the world market, so that it proved impossible to dispose of all surpluses by exports. This is why very costly measures have to be taken to increase intra-Community sales (e.g. denaturing wheat and sugar for use as animal feed, measures for raising butter sales).

9. It is just these surpluses which, because of the price guarantees offered to producers by many of the common market organizations, have involved the authorities in mounting expenditure for market support. While in 1960 the six Member States spent something like 500 million u.a. on market support under their own national agricultural policies, the figure had risen to about 1 500 million u.a. by 1967, including the sums spent by the European Agricultural Guidance and Guarantee Fund (see Annex 21). During the 1968/69 accounting period, about 2 000 million u.a. will probably be spent by the Guarantee Section of the Fund and, unless present conditions are changed, further considerable increases in expenditure are inevitable.

10. Moreover, both the Community itself and the Member States have steadily stepped up not only their expenditures for market support, but also those for improving the structure of agriculture; the cost of this item rose from 850 million u.a. in 1960 to about 1 900 million u.a. in 1967; a large part of the money was used in the Member States to finance measures to improve agricultural infrastructures (see Annex 22).

11. In spite of all these encouragements, however, agriculture is still suffering from serious structural imperfections. The average size of farms in the Community is no more than about 11 hectares. What is worse, the average size of holdings of more than 1 ha has increased by only 1 ha in France in 2% years, and in Germany in 10 years (see Annex 16). In the whole of the Community there are only about 170 000 farms with more than 50 ha of farmland, which corresponds to 3% of all farms with more than 1 ha. Two-thirds of all farmholdings have less than 10 ha of farmland, and 19% of them have between 10 and 20 ha. More than four-fifths of the persons employed in agriculture work on farms which together account for less than half the farmland in the Community. By rational standards, 75% of all the Community's farms could be run on only three-quarters of a human labour unit each.

12. Milk production, which accounts for roughly 20% of the end product of agriculture in the Community, is largely concentrated on small farms. More than 80% of dairy farmers own at most 10 cows (9 in France and in the Netherlands), and two-thirds of these own no more than 5 cows. Of more than 4 million dairy farmers, only about 75 000 keep more than 20 cows. Much the same applies to pig farmers (see Annex 17) and poultry farmers, though in both these cases the number of animals per farm is rising faster than in the case of dairy cows.

13. The age composition of the farming population constitutes a problem of its own. In comparing the age pyramid of the Community's population as a whole and that of its agricultural population, the latter is seen to contain a very markedly lower proportion of people in the age group 40–55 years, and an abnormally high proportion of older people. Half of all persons who run farms are more than 57 years of age, and many of them lack the training which would enable them to adapt themselves easily to changing social and economic conditions.

14. At present, both price and support policies clearly rest in the main on social considerations, and will no doubt continue to do so as long as these structural deficiencies last.

Since, moreover, the output potential of so many farms is small and farmers have often no alternative and no opportunity to earn anything by other work, the bulk of them have to use highly intensive production methods in order to earn a minimum of income. These farms cannot, therefore, be expected to adjust to market conditions, even if the farmers realize the need to close; they simply have to produce as much as technological progress permits, without much reference to market conditions. In these conditions farmers are falling behind other sectors of the economy, where the standard of living is continually improving. The problem is particularly acute on farms with only one labour unit, that is, for the majority of full-time farmers at present.

15. Notwithstanding the rise in agricultural productivity, the gap between incomes in agriculture and in other sectors of the economy has, generally speaking, not diminished. Given the present structure of production and the relative level of productivity in agriculture, there is not much chance, even if prices are raised, of reducing this gap in lasting fashion.

Within agriculture itself, income disparities have grown considerably (see Annex 9). While surveys show well-managed farms of sufficient production potential to be earning incomes quite comparable with those of non-agricultural sectors, very many others produce incomes far below the level that might be expected in the light of the average income gap between agriculture and other sectors of the economy.

16. It follows that market and price support policies alone cannot solve the fundamental difficulties of farming. These policies are subject to narrow limits; if these are exceeded, markets will be disorganized and the costs to the Community will be intolerable, without any effective improvement for the farming population.

II. Short- and medium-term measures for various agricultural markets

17. All policy decisions to be taken in connection with the common agricultural policy should from now on be guided by the double purpose of contributing as much as possible to the establishment of equilibrium on agricultural markets and of improving, the structure of agriculture by such measures as will be described below.

This applies in particular to price policy for agricultural products, as well as to special measures to be taken on the various markets with a view to forestalling or eliminating structural surpluses. These measures include those which are apt to contribute indirectly to overall equilibrium, as for instance in the field of oils and fats.

1. Price proposals for the marketing year 1969/70

18. In accordance with the cautious price policy called for by the supply situation in farm products (see section 56 below), the Commission proposes that agricultural prices for 1969/70 should be fixed as follows:

2. Measures to establish balance on the milk market

19. The alarming situation on the milk market necessitates a co-ordinated set of measures the purpose of which would be to bring about a sharp reduction in the butter surpluses which have accumulated. Concurrently, action needs to be taken with a view to establishing structural equilibrium on this market at a later date. In the long run it is only structural measures that can help here effectively.

20. The measures proposed by the Commission to this end are as follows:

- (1) Special campaigns to increase sales of butter;
- (2) A general and appreciable reduction in the price of butter, coupled with revision of the values of the non-fat components of milk;
- (3) An increase of 250 000 in the number of dairy cows to be slaughtered in 1969 and again in 1970, so as to speed up the current structural adjustment in milk production;
- (4) A production subsidy for specified grades of beef and veal during 1969 and 1970.

21. However, the problem of surpluses cannot be solved otherwise than by a set of measures that must be adopted as a whole and fitted into a reform programme which lays down when and where they shall apply.

The measures proposed in section 20 will not be enough to reduce the Community's stock of dairy cows to the level at which a lasting balance could be established between supply and demand; to achieve this, dairy herds will have to be diminished by about 3 million cows within 5 years. Special measures will therefore have to be taken as part of the plan to reform the structure of agricultural production. The medium-term measures listed in section 20 above should, therefore, be followed by others, as indicated below:

- (1) For farmers who own at least two dairy cows, the 'structural reform grant' recommended in section 70 below would be raised by an amount calculated on the number of dairy cows, on condition that these farmers cease all agricultural activity within three years of the date when the reform programme enters into force. This supplementary amount may be paid in instalments spread over four years, or in a lump sum.
- (2) Farmers who own at least two dairy cows and who, within three years of the date when the programme enters into force, set up or join a 'production unit' (within the meaning of section 90 below) for the fattening of cattle for meat would be entitled not only to the aids listed in section 94, but also to the following aids for a period of four years:
 - (i) A grant of 75 u.a. per year and per dairy cow disposed of;
 - (ii) A fattening subsidy of 10 u.a. per 100 kg live weight of slaughtered cattle, provided that all the dairy cows on the farm are disposed of and not replaced, and that the animals slaughtered for meat have been on the farm for at least six months. These two measures may be prolonged beyond the three years initially

proposed, if this is warranted by the market situation for dairy products.

22. In the light of the supply position in dairy products it would, of course, be well to discontinue such measures as lead to the maintenance or increase of existing dairy herds.

23. The costs and effects of the measures proposed in sections 20 and 21 may be summarized as in Table 2.

3. Measures for adapting sugar production in the Community

24. In view of the existing imbalance between the consumption and production of sugar in the Community, measures need to be taken at once to adapt sugar production. On prices, the Commission therefore proposes that the minimum price for beet within the basic quota be reduced from 17 to 16 u.a. per ton, and from 10 to 9 u.a. per ton for beet production between the basic and the maximum quota. The basic quotas themselves are to be reduced by 5% from 6 480 000 to 6 156 000 tons. To arrive gradually at a direct alignment of the quantum benefiting from a guarantee on the amount required for human consumption, the quantum is to remain unchanged at 6 352 500 tons so long as consumption does not exceed that amount, after which it will be fixed at a level matching consumption.

Thanks to a cautious price policy, it should be possible so to adapt sugar production in the Community that from 1970/71 onward it does not exceed human consumption by more than about 600 000 tons in a year when the harvest is normal.

This would lead to a considerable reduction in net expenditure by the European Agricultural Guidance and Guarantee Fund, which by 1970/71 should not have to spend more than 45 million u.a. on the sugar sector.

4. Measures to improve the balance of the fruit and vegetables market

25. The market for fruit and vegetables is bedevilled by two main problems:

- (i) Production of some products, especially apples, pears and peaches, is expanding faster than consumption;
- (ii) Seasonal surpluses occur in certain types of fruit and vegetables, especially when harvesting is concentrated in a brief period.

To deal with these difficulties, the Commission intends to propose to the Council certain measures which would have the following effects:

- (i) Supply should be influenced by a ceiling on the quantities produced or marketed.
- (ii) The conditions of intervention should be unified.
- (iii) Products of satisfactory quality would be withdrawn from the market less frequently.
- (iv) There would be a number of possible uses for products withdrawn from the market, so that they need not be destroyed.

5. Measures to improve the stability of the oils and fats market

26. The Council has asked the Commission to submit, by 15 December 1968, proposals for setting up, during the 1968/69 marketing year, machinery for stabilizing prices on the Community market. During the last few years oils and fats have encountered mounting difficulties not only on the world market but, because of the absence of appropriate measures at the frontier, also in the Community.

For the latter this has meant an aggravation of the crisis in animal fats. This situation is of advantage neither to the exporting countries, particularly the developing countries among them, nor to the Community, which is the biggest importer of these products and uses them largely as raw material for margarine manufacture.

27. The Commission considers that the remedy lies essentially in stabilization of the world market by means of an international agreement, which would solve the difficulties of the exporting countries and more especially the developing ones among them. This calls for the most thoroughgoing discussions with other countries concerned, particularly exporting countries.

But it will no doubt take a certain time to arrive at an international agreement of this kind, and in the meantime steps must be taken to mitigate the existing difficulties. To this end, the Commission will propose the introduction of a charge on certain products, notably those processed from oilseeds and oleaginous fruit. The charge should be levied both on imported and on Community products and should apply not only to vegetable and marine oils and fats, but also to oilcakes and competing products, such as fish meal.

28. The proposed policy for oils and fats as a whole may well create additional difficulties for the Associated African States, Madagascar and the Overseas Countries and Territories and may thus compromise the effort to contribute to their economic development under the association arrangements. They should, therefore, be given financial compensation to ensure that their earnings from these exports are adequate. In this connection account should be taken of the income from the charge levied on all oilseed imported from these groups of associates.

Together with its proposals for the introduction of a charge, the Commission will submit to the Council a proposal that the Community take the initiative in starting negotiations for an international agreement on oils and fats on the lines of the draft agreement which the Commission submitted to the Council at the time of the Kennedy Round.

6. The limitations of medium-term measures

29. The measures described above, or at least most of them, should serve to reduce or remove the difficulties at present encountered on the markets for certain agricultural products; they will not, however, suffice to restore structural equilibrium to the Community's agricultural output. These measures can merely mitigate the adverse effects of the existing situation; they cannot eradicate them. It will be indispensable, therefore, to take effective steps under the 'Agriculture 1980' programme to restore lasting equilibrium to the Community's agricultural markets.

III. Agriculture — A social problem

30. Every farmer must today be worrying more and more about what the future holds in store for him. Is there a chance that at least his children, if they stay on the land, can look forward to an income and living conditions such as the rest of the Community will be enjoying?

For many years past, the problem of the future of agriculture has been a matter of concern to the farmers themselves, to their organizations and to governments. No clear answer has been found so far, and it has proved impossible to improve the situation of farmers sufficiently.

31. It was not, assuredly, for any lack of effort to raise their standard of living. There is probably no other economic sector for which so much has been done by the public authorities, and few have tried so hard to readjust themselves by their own efforts; unquestionably, great progress has been made in rationalizing

production, raising incomes and improving social conditions in agriculture.

32. Certainly, the market and price policy which is the basic element of the common market for agricultural products and which, therefore, will have to be extended to a number of additional products, can be conducive to specialization and further rationalization, and thereby make a more effective contribution to raising the general level of prosperity in the Community. But this will be possible only if the pattern of production and the farms themselves are adapted to the end in view. Otherwise the common agricultural market will create serious problems for those farmers who, because of the structure of their enterprises, cannot adjust to it, let alone derive any benefit from it.

33. The history of the last ten years has proved beyond doubt that the technological and industrial revolution is bringing in its wake a great increase in prosperity. But it has also shown that, in the absence of a new approach, there is no chance of making sure that the agricultural population will share in the new prosperity to the same extent as other groups.

In these last ten years, the overwhelming majority of rural families has fallen far behind in income and living conditions, while those who work in industry and the services have been advancing and can look forward to yet further improvements so long as economic conditions remain good.

No wonder that stresses in the rural world today are severe. A feeling of despair has gripped many farmers, who see no future in their work and yet cannot escape from their situation by their own effort.

Obviously — and the point needs to be emphasized — these stresses, which are coming to have a political aspect, may reach breaking point if no clear prospect is offered to farmers and if the vicious circle in which they are trapped is not broken. To do this will require a great effort of solidarity on the part of the Community as a whole. It can be done, however, because our Community is now more prosperous than it ever was before.

This movement of solidarity, which aims at guiding agriculture into modern ways and at giving farmers their due share in the general prosperity, will demand an immense effort and much adaptability from the farmers themselves.

There is probably no other branch of the economy where people have clung so long to the traditional structure of production, chiefly because, for lack of massive aid from outside, they have been prisoners of that structure. But today a very large part of the farming Community is ready to make the effort and adapt itself to the modern world.

34. At such a moment, it would be most short-sighted of all those who bear political responsibility if they failed to show farmers the road to be followed and did not give them the help needed to set foot on this road. But care will have to be taken that nothing interferes with any favourable developments already contributing to a more modern structure for agriculture; rather than interrupt them, they should be put on to lines which hold out a real promise of success.

Given this extremely complex set of social, financial and economic problems coupled with very delicate human problems and aggravated by a whole series of psychological factors, nothing can be expected of a few uncomplicated formulas. On the contrary, farmers will have to be offered a wide range of new opportunities if they are to decide freely and spontaneously what their own and their children's future shall be.

Such a policy will, then, need the active support of the farming community. Instead of rigid legislation and regulations, there must be as much room as possible for the farmers to take the initiative themselves, both individually and in their organizations, and at all levels, including the regional. Any such initiative will have to be encouraged and supported.

In addition, the great regional disparities which exist now and will continue to exert their influence in the

future, require much flexibility both in the definition and the implementation of the chosen policy.

35. The rapid diminution of the agricultural population is a feature of the times. But if the living standards of farmers are to rise enough within ten years to make good the present leeway, then the rate of decrease in the agricultural population must be greatly accelerated. Despite the fall occurring in the number of farmers, the problems of their standard of life and living conditions are becoming more serious from day to day.

The diminution of the rural labour force was initially due to an outflow of paid workers, followed later by working members of farmers' families. Because the number of farm enterprises diminished far less during the same period — in Italy it even increased — there are now many more one-man farms than there used to be (see Annex 11).

36. In the great majority of them, it is impossible to earn as much as in industry, if only because the capital invested absorbs an undue portion of the income. On many of these farms, especially in animal husbandry, the farmer has to work seven days a week and cannot take holidays. If he falls ill, it is hard to replace him, and this circumstance is a constant threat to the very existence of the farm.

It must be evident how difficult life is for a woman on such a farm. Elsewhere, every effort has been made for a long time to liberate women from the more onerous and unpleasant forms of work — other than household chores — yet the farmer's wife finds more and more that she has to do a man's full-time job.

The diminishing supply of labour has meant rising investment, but on today's small farms investment has virtually reached the limit of profitable returns. Investment costs are often too high for such farms, and even the sharing of machinery does not bring much relief.

The rural population is generally only too well aware of the situation. The young, especially, are most reluctant to take up farming in these conditions.

37. Now that with modern techniques one man can cultivate 30 to 40 hectares of crop land or look after at least 40 dairy cows, 80% of all farms are definitely too small to give rational employment even to that one man (see Annex 15). It must be assumed that for some time to come the potential productivity of labour will grow faster than the size of farms.

Even now there is evidence, in some regions, that no further improvements can be introduced without adapting the size of farms to what a man can do and to the need for adequate returns on capital invested. It has become apparent that the steady progress made in the technical sphere is bringing to light a bottleneck due to the imbalance between the production factors, labour and land on the one hand and, on the other, the size of farms, which is below what is necessary for profitable returns on the capital invested.

Unfortunately, the process of concentration is very slow in farming and altogether insufficient to remove or even mitigate the difficulties described.

One of the essential reasons for this slowness is undoubtedly to be found in the constraints entailed by the present system of land tenure.

The situation is all the more serious as even now the size of some of the new farms being set up is far below what is required by the technological progress and economic requirements of today.

The problem of the structure of European agriculture is not that there are so many small farms but that, in consequence of the general trend, more and more farm enterprises are becoming marginal.

A farm which gives the farmer and his family neither enough work nor an equitable income, and which does not give them access to a reasonable social position and living conditions, is no longer what a family farm should be.

38. These difficulties, as well as the feeling of being in a *cul de sac*, explain the farmers' grave discontent and the scant confidence they have in the sort of policy followed today.

Many farmers who had hoped that the creation of the common agricultural market and a common price policy would solve their problems are today disillusioned, especially in view of the critical situation of the market in dairy products.

In the past twenty years it was still possible to produce in order to meet a steadily growing demand. But today it is the case of most products that output is growing faster than consumption. Our prices are too high to enable us to export on satisfactory terms. Except for beef and veal, there is not much room left for expanding production. The Community is forced, therefore, to adopt a cautious policy on prices.

It is therefore illusory to believe that market policy and price policy alone can make a major contribution to the improvement of the farmers' standard of life.

An additional difficulty derives from the fact that the market and price policy is not working out too favourably for the small farmers, who can draw little advantage from it, with the result that wide discrepancies are being created within agriculture itself. To make matters worse, it is impossible to introduce adequate guarantees for a certain number of products important for the income of the small farmer, except at the risk of finding production expanding beyond all limits.

39. The only way to provide farmers with an equitable income and better living conditions, and at the same time ensure the indispensable balance between output and sales outlets, is to reshape the structure of production.

But care must be taken that the measures adopted, leading as they will to the establishment of larger farms, do not at the same time cause an expansion of production in sectors where this is unacceptable because of the market situation.

Even with a changeover to more extensive methods of production in these larger farms, it will not be possible to restore the balance of the market without a serious effort to reduce the acreage used for farming. The reduction should start with marginal land, where partial afforestation could offset some of the loss of income.

Reduction of the area used for farming will also be served by measures introducing more mobility into the land tenure system.

In certain circumstances it will, of course, remain necessary to improve agricultural infrastructures, especially by consolidation of holdings, irrigation or drainage¹. Similarly, it will still be necessary to promote research, extension work and training so as to enable farmers to make the most of the opportunities offered by modern production methods.

40. But much more needs to be done if the bottlenecks which obstruct essential developments are to be eliminated.

The agricultural labour force must diminish, and the decrease must be accompanied by structural reforms leading to the creation of larger farming units. These reforms will require, the removal of economic and legal obstacles. The new conditions must be such that farmers can set out with safety along this new path assisted by the authorities.

In view of the prevailing differences in regional conditions, degree of development, and the mentality and attitudes of the people concerned, it will be necessary to provide a wide range of opportunities, among which farmers will be free to choose with the assistance of their organizations and of local and regional authorities.

41. What is needed, then, is not merely to act quickly on the markets suffering from structural surpluses, but even more to initiate a fundamental transformation of the structure of agriculture, which will contribute to the integration of farming into the economy as a whole.

The Community is now having to pay so heavy a price for an agricultural production which bears no relation to demand, that measures to balance the situation on the market can no longer be avoided. Without them, it would be extremely difficult to achieve a lasting improvement in farm incomes, and they are, in addition, necessary for reasons of trade policy.

But the solution of the agricultural problem calls first and foremost for radical structural reform. Simply to treat the symptoms will not lead to the desired result. The reform must lead to a new structure of production, to changes in marketing arrangements and to a new outlook on the part of the agricultural population — those who want to stay on in agriculture, those who want to retire and those who prefer to take up another occupation.

42. The measures to be taken for agriculture brook no delay. They must, however, be conceived in much broader terms than those of agricultural policy alone and should not be limited to improving that sector only. It follows that the agricultural measures must not only be internally consistent — market and price policy, trade policy, structural policy, social policy — but must also be co-ordinated with policy measures in other spheres of the economy.

Of particular importance in this connection are measures to help farmers wishing to take up another occupation. Such measures are indispensable for the success of the structural reform.

43. As a general proposition, it may be said that in our society and in the dynamic economy of today there are frequent cases of redevelopment and adjustment. These are essential for economic growth and for the general improvement of living conditions. In broad areas of the economy, productivity has been raised to the point where the workers can be sure not only of continually rising real wages, but also of reasonable living conditions, social security for all and more or less adequate pensions. This process, which has led to a steady improvement in the economic situation and living conditions, will go on and gain in strength. Yet there are still many people in the Community who get only a small return for their labour, whose social position is not secure enough, and who indeed see their relative economic and social situation deteriorating sharply. These people are attracted by more productive jobs. The resulting process of occupational migration and of redevelopment in broad areas of the economy at the same time helps to raise general prosperity.

44. In these conditions, it is easy to understand why that part of the agricultural population that does not as yet enjoy satisfactory living conditions is trying to make its work more productive, either in farming or in other occupations. The process will continue, and the only question is whether it ought not to be promoted on economic grounds and facilitated on social and human grounds.

45. The Community and the Member States must make available the help which will give people the chance of a reasonably comfortable and dignified life and enable them to make their work as productive as possible, particularly as the present situation not only imposes heavy sacrifices on the individual, but is harmful for the economy as a whole.

Better paid jobs associated with more satisfactory social conditions are, therefore, not only a matter of social justice, they are the economic dictate of the moment if we are to close the gap that divides us from the most advanced countries. Everything must be done to ensure that the people concerned are not rejected because they are inadequately prepared for the change, because they lack the necessary training or because they are too old.

46. A first set of measures, therefore, will have to be concerned with social policy, general education, vocational training, further training and retraining, as well as with reform of the European Social Fund, which will be called upon to play a highly important part. As regards the important reforms to be made in this Fund, the Commission will submit to the Council the Opinion provided for in Article 126 of the Treaty,

and will try to ensure that the Fund can help in enabling surplus agricultural manpower to shift to other occupations.

A whole series of measures will also have to be taken in order to create many new jobs in those regions which are today short of sufficient opportunities for productive employment.

47. It is curious that the adjustment process has not already gained more ground in rural areas, and that the outflow of manpower from branches of activity where incomes are below average and people have to live in poor social conditions has not been faster, and is still so slow even today. The reasons are many and are of greatly varying influence in different regions; they can impede or even prevent the evolution of the economy and efforts at redevelopment.

Of great relevance in this connection are the habits and scale of values of the rural population, which have to some extent been perpetuated and strengthened by official agricultural policy in the last decades.

48. As was mentioned earlier, the outflow of manpower from agriculture has for some years past been spreading to include even those who run their own farms. But these people may be too old, possess too narrow a range of knowledge and skills or generally be altogether too uneducated to find it easy or indeed feasible to look for a new occupation, even if it offers considerably higher earnings. In addition, the decision to give up an independent occupation for a paid job is regarded as a very weighty one.

49. But the main obstacle to change is that not all regions of the Community offer — especially near at hand — equally good chances of finding new work which is better paid and can be done in better social conditions. Particularly in regions which are predominantly rural and relatively sparsely populated, which have neither an industrial centre nor any widely scattered industrial activities, there is in practice only the choice between staying in a totally unsatisfactory farming activity or emigrating to distant industrial areas — which, for the reasons explained above, is generally possible only for the young.

In such cases the families remain as it were bound to the land and go on living, sometimes in miserable conditions, in the area where they have always lived, an area which, because of the emigration of the young and dynamic elements in the population, falls into more or less serious stagnation.

50. These considerations suggest that the process of change must not be left to itself, because the obstacles encountered would cause so much delay for many of those concerned that they would lose their rightful chance of betterment. What is more, if too much time is lost in making the change, the persistence of uneconomic surplus production would quite unjustifiably continue to delay the creation of opportunities of rational production for those who choose to stay in farming as their main job.

It also follows from what has been said above that hasty and ill-prepared measures must be avoided.

The possibility of interim solutions also merits attention; it may, for instance, be possible to shift from full-time farming to another occupation with farming kept on for the time being as a supplementary source of income, especially in cases when the new main job is near the farm and so enables the farmer to live in his own house.

51. The Commission is aware that its proposals will throw up a lot of problems and may even call forth negative reactions. The Commission considers that it cannot just point out the extremely serious situation of a large part of European farmers, but has to indicate solutions for their difficulties. It would be unpardonable negligence on the part of the Commission if it failed to look further ahead than the next few years.

Our society is changing rapidly. The pace of industrial and technological development is extremely fast. Farmers have to make good a lot of leeway.

The Commission is anxious that the growth of the society of tomorrow shall entail the least possible stress

and hardship for farming families. It believes that the whole of society should shoulder its share of responsibility in this matter.

This is why the Commission hopes for fruitful discussions with the European Parliament, the Council, the Economic and Social Committee and with the organizations most directly concerned. In the light of these discussions, the Commission will make its proposals under the Treaty.

There is no more time to lose.

IV. The 'Agriculture 1980' Programme

1. Aims

52. The 'Agriculture 1980' programme aims at extricating agriculture from its present position, where it is handicapped both economically and socially. Agriculture has in consequence cut itself off from the rest of the economy, farming has been subjected to special treatment, which has meant giving it assistance in connection both with incomes and social conditions and with the conduct of its business affairs. To break out of this situation, farmers will as a start have to free themselves from the constraints imposed on them by the often out-dated structure of production.

Farmers should be able to choose their position in society and their occupation in the light of their own aspirations, gifts and interests. But they will have no effective freedom of choice until they, or their children, can find jobs outside agriculture, to be created as far as possible in their own region.

a. A new approach to market policy and price policy

53. The productivity of labour in agriculture should be as high as the economic optimum permits. This can be brought about in the main by a reduction of the labour employed, leading to better returns on investment. This higher productivity will raise agricultural incomes, and a larger portion of them can then be used to procure for farmers the sort of living conditions that are the rule outside agriculture.

Once farming is an activity where productivity is high and incomes larger, its economic behaviour will not be the same as today. Investment and production decisions will be economically more rational. In particular, modernized farms will be better able to follow the pointers provided by prices and relative price levels, and will have to take account of them.

54. Consequently, consumption will guide and limit production via the price mechanism, with the result that agricultural markets can work in a more 'normal' way. The formation of structural surpluses will be avoided and the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) will have to spend less.

With this aim in view, the possibility of revising the common organizations of the various markets should be studied. Responsibility in matters of production and marketing should increasingly be taken over by farmers, who should be encouraged to organize themselves as fully as necessary, especially by forming producers' groupings. The basic principle of the proposed revision should be to give producers an increasingly direct interest in outlets for their produce. It would then be possible to dismantle part of the mechanism of intervention.

55. The Community's agricultural policy has so far given priority to action on markets and prices.

The introduction of single prices has certainly opened up national markets and made room for a very appreciable increase in intra-Community trade; but in the case of most agricultural products, these prices do not seem to have been fixed primarily with reference to economic criteria and the requirements of the specialization that should exist in the common market. More often than not the price fixed was the result of

political compromises acceptable to all Member States.

The Community was thus led to fix the prices for most agricultural products at a level generally well in excess of the prices currently ruling in international transactions or even on the domestic markets of countries with which the Community is in competition.

While this price policy has helped to raise farm incomes, it has not enabled farmers to catch up with the incomes of other comparable social and occupational groups. On the contrary, the income of certain farmers is declining in real terms. The present system of market intervention, with its quantitatively unlimited market support at high prices, encourages marginal farms to stay in business and thus constitutes an obstacle to a Community-wide division of labour in agriculture and to the modernization of farming. It holds up the diminution in the number of farmers, which is one of the essential factors for an increase in farm incomes, and at the same time enables certain more competitive farmers to batten on the support given.

The system is also extremely costly for the public at large. The policy of high prices, coupled with progress in chemistry, animal health, plant protection and genetics, has greatly raised unit yields. Since demand expansion is limited by the rate of population growth, the Community now finds itself saddled, in the case of many products, with surpluses of which some cannot even be disposed of on the saturated world market. Even when there are outlets, the surpluses bear on the market so heavily that they can be disposed of only at a price which is very costly for the Community. The cost of intervention and refunds in an agriculture producing structural surpluses is a burden which is becoming intolerable for our Member States, and their economies are in consequence being deprived of resources which could be used to better advantage in improving the competitive strength of other economic sectors.

56. It is therefore essential that a new approach be adopted to agricultural prices.

The suggestion is sometimes heard that producer prices should be lowered, which would reduce consumer prices. Such a policy would have the advantage of stimulating consumption and at the same time cutting down support costs, both in unit and in global terms. It would also facilitate the elimination of marginal producers, who would be hardest hit by such a policy.

But quite apart from the obvious political difficulties involved, such a price reduction would have to be considerable if it were to have the desired effect. If prices were lowered only a little, many farmers might be led to produce more in order to maintain their income unchanged.

The way for the Community to restore more satisfactory conditions to agricultural markets is a combination of long-term strategy and annual adjustments in line with that strategy. Future price policy should be designed gradually to create a new price structure which takes account of demand, costs and the desired pattern of production. Agricultural prices must again assume their real economic significance, which is to guide production with a view to better market balance. Savings on support costs to competitive farms would make room for concurrent help to those farms which are capable of becoming competitive and steps to reduce the number of marginal producers.

57. The principles by which price policy could be guided in the years ahead are as follows:

Those products of which there are structural surpluses are subject to steady pressure on prices; it would seem that their prices cannot be raised in the immediate future, but only when, after due allowance has been made for foreign trade, demand exceeds supply under the impact of a rising population and growing incomes. The prices of other products can be raised to the extent allowed by the expansion of demand.

58. Implementation of the 'Agriculture 1980' programme should steadily reduce the net expenditure of the Guarantee Section of the EAGGF, so that by 1980 the figure should not exceed 750 million u.a., of which 250 million for dairy products.

Should the Commission become aware in the initial years of the programme that in the dairy sector there is a

risk, once allowance has been made for expenditure required to re-establish equilibrium between stocks and production on the one hand and outlets on the other, that this target may not be reached, it will submit appropriate proposals to the Council.

b. Measures concerning the structure of production and marketing

59. A certain number of measures will be necessary to achieve the aims of the 'Agriculture 1980' programme.

(1) A first set of measures concerns the structure of agricultural production, and contains two main elements:

(i) One group of measures, varying widely in character, must be taken to bring about an appreciable reduction in the number of persons employed in agriculture. Older people will have to be offered a supplementary annual income allowance if they agree to retire and thereby release land; younger farmers should be enabled to change over to non-farming activities; the children of farmers, finally, should be given an education which enables them to choose an occupation other than farming, if they so desire. For the two latter categories, new jobs will have to be created in many regions. These efforts at reducing agricultural manpower should be brought to bear with particular force on one group of persons within agriculture, namely, those who own their farm businesses, inasmuch as the structural reform of farms themselves, as described below, largely depends upon the withdrawal of a large number of these people from agriculture.

(ii) Secondly, far-reaching and co-ordinated measures should be taken with a view to the creation of agricultural enterprises of adequate economic dimensions. If such enterprises are to be set up and kept running, the land they need will have to be made available to them on acceptable terms; this will require an active and appropriate agrarian policy.

(2) A second group of measures concerns markets, with the double purpose of improving the way they work and of adjusting supply more closely to demand.

(i) Here the major factor will be a cautious price' policy, and this will be all the more effective as the enterprises react more sensitively to the pointers offered by the market.

(ii) A considerable reduction of the area of cultivated land will work in the same direction.

(iii) Better information will have to be made available to all market parties (producers, manufacturers and dealers), producers will have to accept stricter discipline and there will have to be some concentration of supply. Product councils and groupings of product councils will have to be set up at European level and to take over certain responsibilities in this field.

60. In the case of farmers who are unable to benefit, from the measures described, it may prove necessary to provide personal assistance not tied either to the volume of output or to the employment of factors of production. This assistance should be payable within specified limits defined in the light of regional factors

and the age of the persons concerned.

2. Principles of implementation

61. The general principles on which the 'Agriculture 1980' programme is to be implemented must be clearly defined, not least because of its scale and its political, economic and social implications.

- (1) In accordance with the political philosophy of our society, implementation of the programme must be based on its acceptance by the farmers and must be subject to the decisions they make of their own free choice;
- (2) The present diversity of regional conditions calls for a corresponding variation in the measures adopted;
- (3) While the programme must be conceived in Community-wide terms, its implementation must be largely decentralized and be the responsibility of Member States;
- (4) The Community will have to contribute to financing the programme.

a. The farmer's choice

62. The essential components of the 'Agriculture 1980' programme, and especially those concerning the structure of production, can be put into effect only with the support and co-operation of the farming community.

At present, however, many farmers are not yet convinced that price policy together with the traditional kind of structural policy will not enable the rising generation to grow into an economic and social position comparable to that of the groups working in other sectors of the economy. They will have to be convinced, through their own organizations, of the need for radical structural reform: these organizations will have to play an active part in formulating and applying the proposed schemes. The public authorities will have to find ways of arousing active interest among the farmers and give them considerable freedom of action.

b. Variation according to region

63. For many reasons, the degree of development that farming has reached in different regions of the Community differs greatly. There are differences in sociological, structural and institutional conditions, local traditions, varying natural conditions and, even more important, disparities in the development of the region's economy as a whole.

Policy on structure must make due allowance for the differences between regions. It is indeed the distinguishing feature of structural policy that, unlike market and price policy, it can and must be differentiated. Differentiation may be reflected in the choice of measures or else in the application of a given measure in particular regions. In some regions, it will be possible to achieve certain aims quite quickly; in others there will have to be a period of transition and adjustment.

c. Community-wide planning for national implementation

64. Structural policy is an essential factor in the future development of the common agricultural policy. It must, therefore, rest on a Community concept.

Responsibility for implementing this policy, on the other hand, will lie essentially with the authorities of the several countries, especially in view of the kind of measures to be applied.

At Community level, decisions will be taken on the definition of aims and the broad outlines of the most important measures to be used. While the formulae adopted would not, generally speaking, have the force of law that could give rise to direct action by individuals, they will have to be binding on the Member States. Once the general decisions are taken, they should be followed from time to time, and in the light of experience, by any supplementary provisions found necessary in a field where a progressive approach is needed and regional differences must be allowed for. In addition, regulations will have to be issued on how the Community will share in the financing of the various measures.

Each Member State will have to implement the Community decisions by means of its own laws and regulations. Every year Member States will report to the Commission, showing how their own measures have been applied and what results have been achieved.

65. Finally, as the arrangements for permanent collaboration between the Commission and Member States and for the co-ordination which is essential in so complex a field as the structure of agriculture need to be improved, the existing procedures (cf. Council decision of 4 December 1962 concerning the co-ordination of policies on the structure of agriculture) will have to be amended.

The new procedures should enable the Commission to satisfy itself that the measures taken to implement this policy in the various countries are in conformity with the decisions taken by the Council, especially when these measures are eligible for Community finance.

d. Financial contributions by the Community

66. The 'Agriculture 1980' programme is to be financed by the Member States and the Community. A contribution by the Community seems warranted in the first place by the very aims of the programme, which are in line with the requirements of Article 39 of the Treaty, to wit, increases in agricultural productivity and in individual earnings, stabilization of markets, the balanced development of agriculture in the various regions with their structural and natural disparities. In addition, the whole set of measures forming part of the programme will create the conditions of a more satisfactory balance on the market, for the support of which the Community is financially responsible and is expending large sums.

67. The decline in the agricultural labour force and the reduction of the acreage under crops will appreciably reduce expenditure for market support, which is wholly paid by the Guarantee Section of the EAGGF. Consequently, the Community could be expected to pay at least half the expenses for social measures concerning individuals, and of expenses connected with the reduction of the area farmed.

Structural improvements to marketing are primarily a matter for the Member States, and so the Community's contribution might be limited to 30%.

With improvements in the structure of production, however, the importance of having investment guided at Community level is such that the Community might well take over a large share of the sums covered by the public authorities; the figure should be as high as 50%.

V. Reform of the structure of production

68. Reform of the structure of production is the keystone of the proposed agricultural reform. It is indispensable if farmers are to enjoy incomes and living conditions comparable to those of other workers in the industrial society of today.

The new structure envisaged rests, essentially, on enterprises of adequate size.

The necessary changes concern, on the one hand, the size of the agricultural population and, on the other, the farms themselves and area available for agriculture⁽³⁾.

The new agricultural enterprises will employ less manpower than today's farms. Their establishment will be made possible by a certain number of farmers making their land available either beforehand or at the time the enterprise is established.

To facilitate such a development, help will have to be extended to two classes of persons:

- (i) Those who wish to take up another occupation or to retire;
- (ii) Those who will be staying on in modernized farming.

1. Measures to help persons wishing to take up another occupation or to retire

69. Agriculture cannot be finally integrated into the economy as a whole without drastic change, and this change requires a speedy adjustment of the agricultural population to its new tasks, as regards numbers, composition and skills.

To this end, effective steps will have to be taken to accelerate the outflow of manpower from agriculture and to ensure that most of it comes from certain categories and age groups where there are at present surpluses.

The measures concerned are in principle of two kinds, namely, those that can be applied to all members of the labour force irrespective of their age, and those that are specific to age groups with particular problems in connection with occupational mobility.

a. Measures to help persons wishing to withdraw from farming regardless of their age

70. All owner-farmers who give up farming and place their land at the disposal of the 'Agriculture 1980' programme, are to be given a structural reform grant amounting to, say, eight times the rental value of their land. Under the programme, this land is either to be farmed by production units or modern agricultural enterprises (see sees. 90 and 91), or to be withdrawn from farming altogether. There will have to be appropriate provisions to keep the reform grants within reasonable limits.

71. It is part of the plan that the beneficiaries of the structural reform grants may retain ownership of their land. They will be free to choose between selling their land, leasing it to a production unit or modern agricultural enterprise, or making it available under the programme for other purposes (afforestation for instance). The use made of land for which grants are paid should be subject to approval by some official body, to be specified by each Member State.

To ensure that farmers in urgent need of capital are not forced to sell, the following provision is recommended. Any farmer who leases his land to a production unit or a modern agricultural enterprise for a period of 18 years may, on conclusion of the contract, obtain a lump sum representing capitalization of the first 9 years' rent, calculated on the basis of a 3% yield on the value of the land.

Equivalent benefits will be made available to owner-farmers who turn their land over to woodland. They are to get afforestation subsidies, and in addition a sum representing capitalization of the returns on the land concerned, so that they get the same income they could have obtained had they leased their land to a production unit or a modern agricultural enterprise (see sec. 106).

72. With a view to removing one of the major obstacles to the occupational mobility of the agricultural population, farmers, paid hands and relatives who help should be eligible for grants enabling their children to

continue their training beyond school-leaving age. The annual Community contribution to these grants might be around 600 u.a.

73. Like all other provisions of the programme, those relating to assistance for agricultural workers who wish to leave the land rest on the principle of free choice on the part of the persons concerned. They must be informed of the occupational opportunities open to them and to their children, they must be enabled to compare these opportunities with their existing situation and, once they have made up their mind to take up another occupation, must be referred to specialized official bureaux which will help them to find a new place for themselves. To this end, a network of socio-economic information offices will have to be set up in rural areas and financial aid will have to be provided for training the specialist advisers needed.

b. Measures to help persons over 50 who wish to leave farming

74. Given the high average age of the agricultural labour force, and especially of heads of farms, who at present constitute the largest single group, special efforts need to be made to promote the withdrawal from agriculture of elderly farmers, whose occupational mobility is of course very limited.

Heads of farms aged 55 or over will therefore be able to draw a supplementary annual allowance to make up their income, on condition that they withdraw from farming and make their land available for the programme.

The allowance should be as follows:

(1) For heads of farms aged 65 or over, an amount equal to the difference between 1 000 u.a. and the annual old age pension provided for under their country's social legislation;

(2) For heads of farms aged 55 to 65, an amount starting with 660 u.a. at 55 and rising to 1 000 u.a. at 60; it will remain at this level until the beneficiary becomes entitled to an old age pension under his country's social legislation, when the amount will be equal to the difference between 1000 u.a. and the annual amount of that pension.

The allowance may be extended to farm labourers in permanent paid employment and, on conditions still to be determined, to certain permanent family helpers, provided they have been working for a certain time on a farm where the head of the farm has been granted the supplementary annual allowance; the amount of their allowances is to be calculated by the same method.

As an incentive for a change of occupation, all farmers between the ages of 55 and 65 should be entitled to draw the allowance in addition to any income they earn outside agriculture.

There will have to be appropriate provisions to ensure that the beneficiaries of this allowance retain any rights they have acquired and that due account is taken of the social security systems to which they have been subject so far.

c. Measures to help persons wishing to take up another occupation

75. The situation which faces people who want to give up farming, or are thinking of doing so, varies so much with the region they live in, the economic situation and their personal circumstances, that it is hard to arrive at any judgement applicable to all. Very many facts must be taken into account and a large number of measures will have to be introduced in order to facilitate the process of adjustment and, in many cases, even to create the conditions in which adjustment can occur. In all cases the principle should be to leave the individual to make his choice; new jobs must be created, to give him a chance of a reasonably comfortable and dignified life and enable him to make his work as productive as possible. We cannot close our eyes to the fact that the present situation not only imposes heavy sacrifices on the individual, but is extremely

harmful for the economy as a whole. For these people to shift to better paid jobs associated with more satisfactory social conditions is, therefore, not only a matter of social justice, but a dictate of the present economic situation.

- **Schooling and vocational training in rural areas**

76. One of the most important moves in this connection is to improve educational policy in rural areas.

Vocational training should be so recast that the trainee can, in mid-course, change over to other types of training; this, together with the development of a network of efficient occupational advisory services in rural areas, should help to diminish the number of young people who take up farming simply because they are not trained for anything else. In addition, the general improvement of basic schooling and the raising of the school-leaving age already occurring in several Member States can be expected to prove particularly useful in rural areas in connection with the present programme.

77. Agriculture itself should benefit from anything that is done to give the reserve of gifted children in rural areas easier access to higher education, for it is from amongst them that agriculture will have to draw the cadres which it needs as much as any other branch of our industrial economy.

Readaptation

78. People who want to give up farming and to take up another occupation must be able to do so in propitious conditions. It is deplorable that in the past only a very small proportion of the people who changed to another occupation were prepared for the latter.

Assistance to cover the changeover must therefore be made available to anyone working in agriculture who wishes to take up employment outside it.

79. In the European Social Fund the Community possesses an instrument which, as stated in the Treaty, exists to promote employment facilities and to increase occupational and geographical mobility. But experience has shown that the effectiveness of the Fund is severely limited by the strict rules which govern it.

Payments from the Fund arrive long after the event, and in any case may cover only 50% of the amount spent on the operation by the government or agency concerned; the beneficiaries must first be unemployed, registered at an official labour exchange as looking for a job, and then have been in paid employment for at least six months of the year following completion of the operation.

On the other hand the Fund, at the request of governments, reimburses in full any expenses connected with vocational retraining and removal, provided all the conditions laid down by Community regulations are fulfilled. This means spreading the Fund's aid very thinly over a great many scattered schemes, and gives the Community's organs no chance of giving preference to priority problems. The result is a definite lack of effectiveness.

If the Fund is to play a decisive part in the implementation of the 'Agriculture 1980' programme, it needs to be radically reformed. The Commission will say so in the Opinion it is to submit to the Council under Article 120 of the Treaty and which is now in preparation.

As the Commission sees it today, the reshaped Fund should be an instrument which the Community organs can use to deal with the manpower problems that confront Member States as a result of decisions on the working of the common market or on common policies and of the lines of policy imposed by the medium-term economic policy programmes.

Once this view is accepted, it would be for the Council, acting on a proposal from the Commission, to specify the broad spheres on which intervention by the Fund is to be concentrated, and governments would

have to back up their applications for assistance from the Fund with detailed programmes of the measures they consider it necessary to take at national level in these spheres.

These measures should aim at the solution of only the most urgent and most difficult problems. It is obvious that the manpower problems involved in implementation of the 'Agriculture 1980' programme would be an important field of action for the Fund.

The Fund should provide aid primarily for the vocational retraining of farmers, both wage-earners and independent, who are to work in other branches of the economy, and should also help with their removal and settling-in expenses. Retraining might be in two stages: pre-training and training proper. A settling-in grant could be given to persons who, after retraining, have found a job in another region.

The cost of the whole set of measures for occupational retraining, as set out above, may be estimated at an annual average of around 480 million u.a.

80. But the essential point is that people must not only be well trained for some non-farming job but, more important still, must be offered opportunities of employment in the secondary and tertiary sectors without always having to move.

Should a retrained farmer be unable to find suitable employment within a reasonable time, steps will be taken for him to receive unemployment pay like any wage-earner out of work.

81. On an overall view, the shift of agricultural manpower to the secondary and the tertiary sectors, as well as job creation on the required scale, should raise no major problem for the economy of the Community generally, provided its real growth rate does not fall below 3%. But in practice this is not a general problem that can be solved by a global policy for growth. The policy of structural change in agriculture must, on the contrary, rest on a regional approach which takes account of the regional implications of such a redeployment of the agricultural labour force in secondary and tertiary activities.

d. Job creation

82. The outflow of agricultural manpower to other, more productive, occupations with higher earnings and a better social position may lead to a harmful depopulation of rural areas or to social tensions, unless there are job opportunities in those areas.

In such cases, regional schemes for the creation of new jobs are an indispensable condition of structural reform in agriculture.

83. But a choice needs to be made. The economic case for promoting the creation of industrial growth points or of similar growth points for the quaternary sector by establishment of the necessary infrastructure will have to be studied. Another question calling for investigation is whether the outflow of agricultural manpower should not be partially offset by the creation of holiday resorts or natural parks. Finally, there is the question of how to solve the problems involved in resettling a whole farming family.

As a first step towards analysis of these problems, the Community could be divided into three or four types of region.

• Industrial regions

84. The Community's well-established industrial regions are characterized by dynamic industrial development and high population density, generally more than 200 inhabitants per sq. km. They account for some 16% of the Community's total area, but the percentage varies greatly between member countries; it ranges from only about 10% to more than two-thirds of the national territory.

The proportion of farmers in the total labour force in these regions is usually around 10%. There should, on the whole, be no difficulty for anyone leaving agriculture to find a better paid job in these regions, at any rate so long as the growth of industrial production is maintained.

In some of these regions, however, there are industries with their own, very acute redevelopment problems (coal, steel, textiles, shipbuilding). In these cases the problems of agricultural reform would be superimposed on those of industrial redevelopment, whereas in most industrial regions the outflow of manpower from agriculture should help industrial expansion.

• **Semi-agricultural regions**

85. In these regions the number of farms is relatively large, but there is also a certain amount of industrial activity, and population density is less than in the first category. Regions of this kind occupy some 30% of the Community's area, and in individual Member States from 20 or 30% to as much as 60% of the national territory; in them, farmers account for between 10 and 20% of the labour force.

As manpower leaves the farms in larger or smaller numbers according to the individual region, it could find new, productive employment in these semi-agricultural regions provided the authorities take such measures as may be necessary to maintain and develop existing industrial activities or to attract new forms of economic activity.

Generally speaking, the infrastructure and environment of these regions will need to be improved by public action, so as to keep economic activity competitive. It may prove necessary to take special measures to encourage direct private investment.

• **Predominantly agricultural regions**

86. These are regions where more than 20% of the labour force is engaged in agriculture. Population density is usually very low (less than 100 inhabitants per sq. km), except for some predominantly agricultural regions of Italy, where population density is relatively high. There is virtually no industry in these regions, and urban centres are few and ill equipped with public services.

These regions account for about half the Community's territory, and for anything between 10 and 70% or so of the national territory of individual Member States.

Within the category of predominantly agricultural regions, a further distinction has to be made between those where agricultural productivity is high and the farm structure sound but where output may be further developed, and those where agricultural productivity is low and the labour force produces too little to maintain it.

It is in this latter sub-category that the problems of agricultural reform are most acute, because these regions cannot by their own effort keep in step with the general movement of change and overall growth. The cost of creating new jobs for people leaving agriculture may be very high, inasmuch as not only infrastructure but the very premises of economic activity will have to be built up from scratch.

In the case of the predominantly agricultural regions, it may prove necessary to keep farmers where they are for the time being; it may also turn out that the cost of creating new jobs is so high, in terms of the economy as a whole, that the movement of manpower from agriculture becomes a real flight from the land.

87. This classification by standard regions is obviously somewhat arbitrary, like every functional definition; it does, however, serve as a first step in seeing the problems in perspective, and in showing that the structural reform of agriculture can hope for success only if it is carefully adapted to suit the various regions, especially as regards the conditions of job creation. There are, incidentally, a number of specific factors which cut across the classification adopted, and these will have to be taken into consideration when the necessary measures are being prepared. Some regions, for instance, are well endowed by nature as regards climate and suitable soil for certain special crops (vineyards, flowers, or certain fruits and vegetables).

Others are handicapped by their topography and the nature of their soil; the land may for instance be suitable only for forest crops with a long growth cycle, or for stock farming on insufficiently productive pastures.

88. Undoubtedly, the industrial development of agricultural regions will be very costly, especially where little or no industrial activity has developed so far. Measures will have to be adapted to the situation of each region concerned, and cost estimates must, in principle, allow for three variables:

(i) Public funds to finance investment incentives for private enterprise. The investment costs for creating different types of jobs in industry vary greatly; an average cost might be 15 000 u.a. per job, of which public subsidies might have to cover some 10–25%, depending on how much the region itself has to offer.

(ii) Public appropriations for improvement of infrastructure. The total may be several times as large as the private investment costs involved, and will vary from region to region. But public expenditure of this kind is not conditioned solely by the industrialization of agricultural regions; a large part of it would have to be incurred in any case to improve rural living conditions, even if the agricultural population stayed in farming. These costs cannot, therefore, be imputed solely to regional measures.

(iii) The number of jobs to be created. Some part of the manpower that leaves agriculture will be able to do so without any public money being spent on new job creation, as the regions concerned will already have a small amount of industry and something of the requisite infrastructure. In predominantly agricultural regions, job creation may be limited to industry alone. Experience shows that every new job in industry leads spontaneously to at least one further job in the tertiary sector. As a working hypothesis, it may be assumed that something like 80 000 new industrial jobs will have to be created every year in the agricultural and semi-agricultural regions.

On the basis of these various hypotheses, the order of magnitude of the annual expenditure involved might be estimated at 2 000 million u.a.

In brief, the cost of creating new jobs has its counterpart in considerable gains for the national economy; the transfer of manpower to more productive sectors promotes economic growth; the fillip given to the economy of backward areas generates additional, secondary growth impulses, and these gains to the economy as a whole will soon exceed the cost of redevelopment; and, finally, the transfer of manpower so far employed in farming to other sectors will mean a large increase in revenue from taxation.

88(bis). The Commission considers that, if the measures contained in the 'Agriculture 1980' programme to help persons wishing to change their occupation or to retire have the effect expected, the active agricultural population will fall from 10 million in 1970 to 5 million in 1980.

2. Measures to help persons remaining in modernized agriculture

a. Increasing the size of farms

89. Among the measures to help persons who decide to stay on in agriculture the most important will be those concerned with improving the structure of production.

More and more, agricultural production will have to be concentrated in efficiently managed businesses — those with proper accounting and programming and which are large enough to offer the people working in them incomes and living conditions comparable to those of other workers in equivalent occupations.

These farms will be in a better position to follow the pointers afforded by the market, and for this very

reason the market itself will work better and supply will more closely follow demand, so that structural surpluses will no longer accumulate.

Each of these enterprises, moreover, should have enough people at work, whether wage-earners or otherwise, to ensure that none of them need work excessively long hours each week and that each in turn can take holidays without disrupting production. The average working week should not be longer than elsewhere in the economy, everyone should have annual leave, and it should be possible to replace a worker in case he falls ill or has an accident. With due allowance for all this, however, the aim on each farm should be to have no more workers than are needed to produce the quantities aimed at.

A set of measures, as outlined below, will be needed to help farmers, individually or in groups, to achieve the aims described, as regards both the size of farms and standard of living. Benefits under these measures are to be reserved for those whose farm development plans will demonstrably lead to the target results on completion of the proposed changes. Indiscriminate encouragement of investment in any sort of agricultural business might indeed mislead a certain number of farmers into hopeless ventures.

The establishment of 'production units' or 'modern agricultural enterprises', on the other hand, will enable farmers to tackle structural modernization with a higher degree of security.

• **Production units (PUs)**

90. Different branches of farming may be carried out in production units large enough for the most efficient production methods to be employed and, consequently, for use of the factors of production to be optimized.

A production unit may be set up by a number of farmers who decide to go in for joint production of a given commodity (partial amalgamation), or it may be established on one single farm.

These production units will have to meet certain minimum size specifications roughly corresponding to the economic optimum. These specifications may vary from one region to another within a bracket fixed for the Community as a whole but will definitely be a good deal higher than in the majority of farms now to be found in the Community.

For staple crops like grains or root crops, for example, production units would have to have at least 80 to 120 hectares, in dairy farming they would keep 40 to 60 cows and in meat production 150 to 200 head of cattle, in poultry farming they would have to turn out 100 000 birds a year or, if they go in for eggs, keep 10 000 laying hens, and in pig farming they would fatten 450 to 600 animals at a time.

Production units would constitute a very suitable solution for regions with small, multi-purpose farms. These farms could, without losing their characteristic features, amalgamate one part of their activities and thus improve the farmers' living conditions. The progression in scale that would be necessary, both in application of the measures proposed and in the, public funds to be spent is discussed in sections 96 and 97 below.

• **Modern agricultural enterprises (MAEs)**

91. The establishment of large-scale production units is itself a great step forward, and the number of people to be employed in them need not, therefore, be fixed during the first few years. This means, of course, that there can be no certainty that the problem of living standards and of income will be satisfactorily solved at this stage.

As another possible solution it is proposed, therefore, to set up 'modern agricultural enterprises' where the balance between the various factors of production — especially between labour on the one hand, and land and capital on the other — will be such that labour can count on satisfactory incomes and living conditions. An MAE can be formed either by the expansion of one farm or the amalgamation of several; in the latter case it will differ from a PU in that the farms concerned will put all their land, livestock, machinery and equipment together into the new joint production venture.

The main commodities produced on an MAE will attain the minimum quantities referred to above in connection with PUs. If an MAE produces a commodity liable to sharp fluctuations on the market (e.g. pigs, eggs, poultry), it will have to produce at least one further commodity.

Modern agricultural enterprises will have to observe certain standards in respect of the staff employed; in their first five years, for instance, they will not be able to employ more than 75% more labour than is really needed, and thereafter not more than 25% in excess of real needs.

• **Constitution and incentives**

92. When a number of families link up to establish a farm enterprise (MAE constituted by the amalgamation of more than one farm, or PU involving more than one farm), they will be free to adopt whichever of the legal forms in their country best enables them to act as a unit.

Establishment of a production unit or a modern agricultural enterprise must rest on a decision freely taken by the farmer concerned. But, however advantageous it may be to set up a PU or an MAE, farmers could find their decision inhibited by financial, legal, fiscal or psychological obstacles, and these the public authorities must endeavour to eliminate.

Incentives will be required. It must be a fundamental principle in this connection that any incentives under the programme launched at Community level shall be available on equal terms to anyone who is a farmer within the meaning of the legislation applicable in the Member States and who sets up such units or enterprises, whether they originate in one farm or several. The moves suggested are described below.

93. To facilitate the establishment and working of MAEs and PUs, it may be necessary to amend the law and other rules. To facilitate and encourage mergers among farms, it may even prove necessary to provide a suitable 'European' form in law, which could exist side by side with national forms. Any tax provisions which impede or prevent the establishment of such farming enterprises or compromise their existence will have to be revoked.

94. A system of financial aids will have to be introduced to encourage the founding of modern agricultural enterprises and production units. To purchase the plant and equipment needed for the new and larger farms is going to cost very considerable sums. The following aids are suggested:

(i) Investment grants (applicable to investment other than in vehicles and livestock) at an average rate of 30%; this could be done either by capital grants or by interest rebates.

In this connection stress should be laid on the need for caution with investment grants that can affect products in which there are surpluses; a grading of rates may be the answer. Businesses not tied to the soil will not be eligible for this assistance which, moreover, must not be allowed to counter the progress of regional specialization where this is desirable.

Finally, priority access to investment grants might be conceded to those who have to make the greatest efforts in setting up such units or enterprises.

(ii) Large-scale credits, with a system of guarantees to back the requests for loans when sufficient tangible security is lacking.

(iii) Take-off grants for modern agricultural enterprises; these would vary with the number of farms combined in an MAE, and average 5 000 u.a.

95. In the case of certain specialized or quality products, enterprises falling short of the minimum sizes referred to in section 90 will be eligible for assistance provided:

- (i) That their production is profitable;
- (ii) That they offer a living standard comparable to that enjoyed by other occupational groups;
- (iii) That contractual commitments exist both upstream and downstream (e.g. producer groups, purchasing and sales co-operatives).

96. Member States should increasingly concentrate their own expenditure for aid to farm businesses on modern agricultural enterprises, production units and the type of enterprises mentioned in section 95 until, from 1975 onward, these are the sole beneficiaries. Up to that date farms which do not meet the required standards may still receive aids.

97. Once the basic decisions on the criteria governing eligibility for the above aids have been taken, supplementary provisions will have to be adopted at regular intervals on the basis of experience; this will allow the scale of intervention in this field to be stepped up as necessary and specific allowance to be made for the great variety of regional conditions.

98. A drive to inform everyone of these developments must be undertaken in collaboration with the trade organizations.

b. Problems of land tenure

99. An unsuitable system of land tenure is a major obstacle to the creation and survival of production units and modern farm enterprises. It is important that these should, at the moment of their establishment and in the course of their subsequent development, be able to acquire without difficulty the land they need, without having to incur undue costs in connection with land purchases.

Once holdings have been combined, it must not be possible for part of the land to be withdrawn in conditions which would compromise the profitability of the investments already made.

Two types of measure, both equally indispensable, may be suggested as appropriate solutions for this problem, which is of major importance in the reform of the structure of production, namely, measures involving adaptation of national legislation on land tenure, and measures based essentially on financial incentives.

100. As regards the first set of measures, the Commission draws the attention of the Council to the need for a survey of existing legislation, with a view to abrogation of any provisions that at present hamper residential or industrial uses of farm land which would be in line with normal regional development and impede the establishment of production units or modern agricultural enterprises.

Such action might be necessary in, for instance, the case of restrictions on the right to acquire farmland, or when a tenant farmer is not allowed to cede the leased land to a third party during the life of the tenancy agreement, or yet when the farmers do not enjoy jointly the pre-emptive rights available to the individual tenant farmers.

Similarly, there may be a case for amending the law with a view to encouraging the new production

structures. In particular, it might be well to introduce a preferential leasehold right for existing production units and modern agricultural enterprises without prejudice to the exceptions specified by law in each country, as regards, for instance, the lessor's right to give notice in case he or his heirs wish to resume the running of the farm concerned.

Some Member States already have public or semi-public agencies for guiding the use made of land along lines which contribute to structural improvement in agriculture, and they have been given pre-emptive rights. There can be no question, however, of these agencies buying up a lot more land; rather, the pre-emptive right should be used as a means of improving land use. The establishment of similar agencies in other countries might speed up the growth of farms and help to balance production and consumption by reducing the agricultural area (encouraging afforestation, recreational areas, etc. — see sections 89 *et seq.* and 103 *et seq.*). There may be a case also for these agencies being given preferential rights to the leasehold (without prejudice to existing rights) so that they in turn can make the land available to a PU or MAE and thus perform their guidance functions without having to buy land.

101. As regards the second category of measures, financial incentives, it should first be recalled that it is a condition of eligibility for the various aids connected with withdrawal from farming activities that the owner shall undertake to make his land available for uses in line with structural improvement policy (see sections 70 and 74).

At the same time it would be necessary to encourage real estate companies, credit institutions handling agricultural credit and private individuals to buy land and lease it on long-term contracts (18 years) to production units and modern agricultural enterprises. In return for the constraints imposed on them, the lessors would receive suitable compensation calculated in the light of yields on the capital market but also of the security of investments in landed property. This compensation might take the form of a direct annual subsidy, or of tax exemptions of equivalent effect.

The same benefits should be available to landowners who use their land in other ways that conform with the purposes of structural policy (afforestation, withdrawal from farm use under certain conditions).

Every member of a modern agricultural enterprise or production unit must, on joining, undertake to leave his land at the group's disposal for as long as the group remains in existence or at least for a long period (18 years), even if he himself withdraws for some reason or other. In the latter case, he or successive owners would be eligible for the above-named benefits from the time of withdrawal until the group is dissolved or the lease expires.

Modern agricultural enterprises should, moreover, have access to loans for buying in the buildings and taking over the working capital of those of their members who withdraw without wishing to leave these assets to the MAE against remuneration.

These aids might best be administered by the public or semi-public agencies mentioned in section 100.

c. Professional competence of farmers

102. Measures in favour of that part of the labour force that decides to stay in agriculture consist mainly in a range of economic aids to facilitate the establishment of production units and modern agricultural enterprises.

However, special attention will have to be paid to the question of the farmer's skill at his job. The Commission will propose Community action in this sphere.

A number of different programmes will be needed if the requisite technical and supervisory staff are to be available and the future managers and skilled workers trained.

A special and concurrent effort will have to be made to teach farmers how to set up and run the new-style farms on profitable lines. In many cases they will have to work in different conditions, or even to change their system of production. There will have to be aids for the retraining and further training of farmers and their staff; these aids will have to allow for the need to be absent from the farm during the training period.

In addition, the methods and possibly also the institutions of the advisory services will have to be adapted to the new conditions of agricultural production. No doubt it will prove necessary to mount an information campaign so as to acquaint farmers with (the opportunities open to them in the light of their personal circumstances. It is proposed to make grants towards the training and specialization of the advisers and leaders that will be needed.

Finally, pilot production units will be set up.

VI. Reduction of Agricultural area

103. The problem of structural farm surpluses is one known in practice to all industrial societies. It involves public expenditure on a scale that taxpayers are less and less inclined to accept, it swallows up financial resources which are deflected from more productive activities and, finally, it impedes the balanced development of world trade.

These surpluses spring largely from two different sources. First of all, too many people are still having to rely for their main or sole source of income on the production of certain commodities because they have no alternative. Secondly, under the impact of technological progress and relatively high prices, more and more land is being devoted to certain lines of production, and unit yields have been rising.

This being so, it must be remembered that reform of the structure of production by the creation of larger and more rational production units and of modern agricultural enterprises, with their greater openness to technological progress, is bound to speed up the expansion of agricultural output.

While the establishment of modern units should enable farmers to adjust more closely to the market and the larger farms will in certain regions, at least, doubtless adopt more extensive production methods (see Annex 20), measures will none the less have to be taken to ensure that the agricultural area in use is in fact used to the best purpose and that output is limited in accordance with demand.

104. To this end, the first step is to prevent public intervention from leading to an increase in the area devoted to agriculture. The following measures should be adopted:

- (i) Current projects which increase the areas devoted to agriculture must be amended. In some cases, e.g. seaboard protection, the reclaimed land will have to be permanently assigned to other uses.
- (ii) Except for exceptional cases connected with the particular position of some production unit or modern agricultural enterprise, all aid from public funds will have to be discontinued where it encourages farmers to take into cultivation waste land, woodlands or other areas not hitherto used for farming.

105. In addition to these restrictive measures, active steps should be taken to withdraw from farm use such areas as can be farmed only with inadequate returns. This should be done as part of a ten-year programme.

Between 1970 and 1980 the Community's agricultural area should be reduced by at least 5 million hectares.

Part of the areas freed should be assigned to a Community programme relating to leisure and public health. Establishment of such a programme is being forced upon governments by the reduction of the working week, coupled with the growing number of overpopulated industrial conurbations. The programme should

include measures ranging from the creation of natural parks to schemes for facilitating the purchase of holiday homes in rural areas.

But the bulk of the areas freed, say at least 4 million hectares, will be turned into woodland. For a number of reasons it would seem appropriate that forestry should take over from agriculture in large areas. Among other things, it should be recalled that the Community's annual timber deficit amounts to more than 50 million cubic metres of raw timber equivalent and, according to the United Nations Food and Agriculture Organization, may rise by 1975 to 88 million cubic metres.

106. The following measures are suggested as means of achieving these purposes:

- (i) Subsidies or equivalent tax reliefs (e.g. tax exemption for areas turned over to woodland) for owners of agricultural land who make it available for the purposes of the ten-year programme referred to in section 105.
- (ii) Afforestation grants for owners of agricultural land who themselves turn it over to woodland, amounting to 80% of afforestation costs.
- (iii) Measures such as the establishment of producer groups designed to ensure an adequate return on land turned over to woodland.
- (iv) Community programmes to promote leisure activities and public health, through the promotion of natural parks and green belts. Concerted and supplementary action will be needed in connection with tourist facilities.

107. The implementation of such a programme might be made the responsibility of public or semi-public agencies of the type described above (section 100). They would be well placed for this task, in so far as all contracts for sales or fixed-period leases would have to be submitted to them and, in addition, they would administer the grants connected with land and afforestation. They would, in addition, have the task of acquainting landowners with the advantages they can draw from the ten-year programme for reduction of the agricultural area (section 106). In case the owners do not wish to turn over to woodland themselves and cannot find a buyer willing to do so, these agencies would be able to lease or, exceptionally, buy the land concerned.

VII. Marketing improvements

Reform of the structure of production must be backed up by a readjustment marketing conditions.

1. Aims

108. Improvements in the structure of markets and the conditions of marketing are essential if producers are to take full advantage of the opportunities offered by the single market.

Furthermore, the quantitative concentration of supplies and their qualitative adaptation to demand, together with greater transparency of the market, can do much to balance supply and demand on the market for agricultural products. Producers who manage to follow market developments, either on their own initiative or thanks to official intervention, and who gain control of the volume of produce to be marketed at any given time, thereby exert a direct influence on price formation. In this way the producers stabilize the markets of sensitive products more effectively — and at less cost — than do official rules and interventions.

Producers should aim, too, at improving the quality of their products, so as to take full advantage of the new

opportunities afforded by the common market. Here the producers have at their disposal one means of increasing their receipts and making sure of regular earnings, by concluding, if need be, supply contracts with wholesale traders or processing industries.

2. Means

109. To bring about such a situation, the following three sets of measures are called for:

(1) Information. Market reports should cover not only the current position, but the medium- and long-term outlook as well. Permanent arrangements must be made for the publication of figures for the whole of market supply and demand, including stocks. As regards the medium- and long-term outlook, information on expected production and demand developments will have to be collected and published for the benefit of producers and all others connected with the market, so that investment and acreage decisions can be taken in full knowledge of the situation.

(2) Producer discipline. If producers want to achieve the aims described above, they must accept a measure of discipline. Its scope will have to be sufficiently wide, especially if the organized producers risk suffering harm at the hands of the others; it will have to cover quantity, quality and marketing conditions.

(3) Concentration. It is only by joining together in large groupings that producers can satisfy the growing requirements of demand (regular and homogeneous supplies in bulk) at Community level, and it is only thus that they can acquire sufficient bargaining power, especially for the conclusion of contracts.

3. The measures proposed

110. The following measures are proposed:

(1) A set of measures designed to make the market more transparent, such as harmonization of price quotation methods, establishment of a joint market reporting system, the regular collection and publication of information on expected developments in production and consumption.

(2) A set of measures designed to improve the quality of produce, such as defining or extending the use of quality standards.

(3) Immediate adoption by the Council of the regulation concerning producers' groupings and associations thereof, together with supplementary rules in favour of producer organizations consisting mainly of production units or modern agricultural enterprises.

(4) The establishment of a European type of company to facilitate and encourage traders and processing industries, such as co-operatives, to set up in business and merge across frontiers.

4. Product councils and groupings of product councils

111. More generally, and primarily with the aim of making it easier to apply the measures described above, it is suggested that councils or groupings of councils might be set up at European level, for individual products or groups of products.

These councils should take on all those tasks which need to be dealt with centrally, i.e.:

- (1) To take care of the establishment and operation of the permanent information system and of anything else needed for the transparency of the market;
- (2) To determine the methods of fixing price quotations on agricultural markets;
- (3) To make effective quality checks on goods when marketed;
- (4) To examine at the beginning of each marketing year, and in the light of market prospects, the conditions that will prevail and the arrangements to be enforced;
- (5) To mount sales promotion campaigns for individual products;
- (6) To organize Europe-wide publicity campaigns;
- (7) To assist producers' groupings and associations thereof to develop their contacts with central purchasing agencies, processing industries and the wholesale trade, and more particularly to organize such contractual commitments as may be useful.

The Commission intends to propose rules to govern such product councils and groupings of product councils, so as to make it possible to hand over to them wider responsibilities in the above-mentioned fields as and when further progress is made with the common agricultural policy.

VIII. Cost estimates

112. No final judgement can be passed on the measures proposed in this Memorandum unless estimates are available indicating the expenditure they might entail both for Member States and the Community, for the cost of each measure and of the whole range of agricultural intervention in the years ahead is an essential element in the decisions that will later have to be taken.

113. At present, any such cost estimates are bound to lack certainty. They can be based only on a series of hypotheses which depend not merely on the measures envisaged in the Memorandum, but on the weighting of each one of them, on the timing of their application, on the decisions taken by the Community and Member States and the way in which the effort involved in a Community programme is distributed. They depend, too, on how the economic transactors and social groups concerned react to the opportunities offered them, and more particularly — since there is to be freedom of choice — on the choice between alternatives made by the farmers themselves.

114. One thing that can be stated at this moment is that, on the present basis, the cost of market intervention in 1969 will be 2 300 million u.a. The cost of market intervention is growing and, unless measures such as those described are taken, it can be said here and now that it will be so astronomical as to threaten the whole existing system. This applies particularly to the dairy product sector, where the trend that has been registered will very soon lead to the collapse of the market policy unless co-ordinated short- and medium-term measures are taken at once, as butter surpluses are nearing the limit of existing storage facilities.

115. Structural expenditures by all the Member States together have also risen, from 850 million u.a. in 1960 to an estimated 2 200 million in the budgets for 1969.

116. The measures advocated by the Commission would lead to a more balanced distribution of the bulk of public expenditure between the two categories of market and structural expenditure. Financially speaking,

the tenor of the Commission's Memorandum is that thanks to a concerted effort and increased spending especially for improvement of structures, it should be possible in the years ahead gradually to reduce the cost of intervention on the markets.

The target is that from 1980 onward the sum of the two categories of expenditure should amount to less than it does now and should not exceed 2 000 million u.a. (of which 750 million for market support), compared with the 4 500 million budgeted for in 1969 on the present basis. This requires that there shall be a sufficiently massive and co-ordinated attack on the structural side, so that the influence it is expected to exert on market support can gradually build up.

117. Public spending on agriculture, in connection with the measures suggested in this memorandum, will tend to rise for the next few years, and there is reason to believe that it will reach its peak in the years 1973–75. At that time structural expenditure will be at its highest but, like the short- and medium-term measures suggested in the memorandum, it will not yet have exerted its main impact on market support expenditure.

If all the measures advocated are introduced on the conditions set out in the memorandum, average annual structural expenditures during the period 1970 to 1980 would be of the order of magnitude of some 2 500 million u.a.

This may seem a lot of money in absolute terms, but it must be compared with the foreseeable expansion that will occur in the overall expenditure already being incurred by the Community and the Member States unless agricultural policy is rapidly reshaped along new lines.

In short, a supplementary effort will be required, and this will pay off thanks to the results that will be achieved at the end of the 1970–80 period.

118. The estimates given above do not include the cost of creating new jobs; in the wider context, these are a necessary supplement to the agricultural measures advocated in the memorandum (an estimate of their cost is given in section 88). Nor do the estimates include the cost of vocational retraining discussed in section 79.

119. While the Commission is not, for the time being, putting forward a complete assessment of the financial aspects of this memorandum, it will be ready, in the course of the forthcoming debates within the various appropriate institutions, to try and supply precise figures on the partial or full financial implications of such measures as seem likely to be approved.

At that stage it will be necessary to work out the specific expenditures for each set of measures, as well as to consider the timing of these expenditures and their possible distribution among the Community and Member States.

Only in the light of the coming discussions and of the hypotheses that appear most acceptable will it be possible to work out estimates which would not be liable to rebuttal on grounds of principle.

(1) Draft of the second Medium-term Economic Policy Programme.

(2) This degree of self-sufficiency has already been reached for the 'food, tobacco and beverages' group, where there is a high import ratio for beverages (tea, coffee) and tobacco.

(3) Measures to reduce the area of agricultural land will be discussed below (sec. 104 et seq.) of persons