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Philip M. Raup
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PAPERS**

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SOCIO-STRUCTURAL INITIATIVES UNDER THE CAP
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Structural policy and the Treaty of Rome

From the earliest days of the common agricultural policy (CAP) there has been a contradiction between precept and practice in relation to the development of a socio-structural policy. Art. 39.2 of the Rome Treaty sets down guidelines to be observed in devising and implementing the CAP : to take account of (a) the special social structure in agriculture (ie its basis in the family farm); (b) the disparities between regions; (c) the need to allow change to take place gradually and without dislocation; and (d) the close links between agriculture and other sectors (ie that failure to create a CAP would hinder the realisation of the common internal market).

Despite these guidelines, which clearly require there to be a structural dimension to policy, no single Article of the Treaty is concerned with its creation, although structural implications can be seen in Art. 39.1 (a) (on increasing productivity and ensuring the rational development of production); Art. 41 (on training, research and dissemination of information); and Art. 42 (which allows aid contrary to competition policy if it is intended to protect enterprises handicapped by structural or natural conditions, and within the framework of economic development programmes). Art. 2 could also be cited in this regard as the establishment of a common market necessitates the harmonious development of economic activities which in turn requires the advancement of weak regions, many of which are over-dependent on a poorly structured farming sector.

The Stresa Conference

The Treaty called for the convening of a conference of the Member States to review agricultural policy and to produce a statement of resources and needs. This was held at Stresa in 1958. Its conclusions, having been assiduously ignored for years, are now finding favour with hard pressed policy makers who do not know which way to turn in the face of mounting difficulties (see, for instance, Commission 1975a). There is no doubt that the philosophy which animated that conference was more balanced than that subsequently displayed but even at Stresa there were ambiguities. Indeed, with the benefit of hindsight, one of the most incongruous features of the conference report (Communautés 1959) is the obvious concern with the structural inadequacies of Community agriculture - a concern which was not translated into action.

Among the points which feature in the Final Resolution at Stresa is the advocacy of a close correlation between the policies on structural adaptation and the market. The former should contribute to a narrowing of the range of production costs and to a rational orientation of production, while the latter should stimulate greater productivity. The participants believed that the improvement of agricultural structure would allow capital and labour to receive a return comparable with that obtained in other sectors of the economy. They also envisaged that retraining members of the farm workforce and the industrialisation of rural regions at risk would assist in solving the problems of marginal farms, incapable of becoming viable.

The conference report gives the impression that the participants expected a great deal from structural reform and it is perhaps surprising that there was no consideration of how slowly it achieves results - particularly as the problems facing agriculture were portrayed as acute. There was no enquiry as to why existing structural measures had not produced the desired

results and, as events were to prove, it was too readily assumed that price and structural policies would go hand in hand. There was an ominous confusion as to how exactly structural issues were to be handled and by whom. Some participants envisaged a Community structural policy, others envisaged the harmonisation of national structural policies. This confusion is consistent with the vagueness of the Rome Treaty and it has found an echo in the ambivalence of the Member States to Community structural policy down the years, something which is not fully resolved even today.

Structural policy and the setting-up of the CAP

In its initial proposals on the establishment of the CAP, the Commission attributed the lag in farmers' incomes to low labour productivity caused by structural defects (farm size, inadequate capital and poor labour mobility), and to the unfavourable cost/price ratio and low elasticities of supply and demand for food. Income differences also existed within the sector by region, type of enterprise and by ability of individual farmers.

The Commission envisaged the policy as having three elements : structure, market and trade to which, at the urging of the Economic and Social Committee, was added a social element in the final proposals (Commission 1960). Considerable attention was given in this document to structural issues but, despite this, the concrete proposals were weak, being limited to coordination of national policies, encouragement to Member States to increase their efforts in this area, and the provision of Community aid to help align national measures with the objectives of the new policy. Thus at no time was a structural policy comparable to a common price and market policy envisaged.

The original intention was that there should be two funds to finance Community agricultural expenditure : FEOGA (fonds européen d'orientation et de garantie agricole) concerned with price and market policy, and with structural measures only insofar as they arose directly from the creation of the common market; and FEASA (fonds européen pour l'amélioration des structures agricoles) which had a much wider remit to improve agricultural structure. FEASA was still-born largely due to the opposition of Germany which throughout the 1960s adopted an extremely narrow legalistic approach to the attempts made to establish a properly funded Community structural policy. FEOGA was redefined and divided into two sections : Guarantee to provide market support and Guidance to provide structural aid. The Guidance Section was to receive a sum equal to one-third of Guarantee expenditure (a dizzy height never actually achieved). In 1966, at the insistence of the Germans, the proportional link was broken and replaced by an annual ceiling on Community structural expenditure. In 1980 the annual ceiling was replaced by a 5-year allocation which allows a certain amount of flexibility between one year and another. Expenditure on structure is usually only about 4-5 per cent of total FEOGA disbursements.

Attempts to establish a structural policy in the 1960's

Apart from some structural aid designed to assist in the reorganisation of certain commodity sectors, which cannot be regarded as a coherent attempt to establish a structural policy, three more important and wide-ranging schemes were put forward which could have had a significant impact if they had received support from the Member States. The first was a proposal for aid to improve productivity and to rationalise agriculture

within the framework of Community Plans (Commission 1963). These Plans would have had four objectives : (a) to improve farm incomes in regions with an unfavourable structure; (b) to aid farms where the economic or social situation was particularly unfavourable; (c) to improve social policy within agriculture; and (d) to provide an income aid which was independent of production. Although Community Plans were not adopted, many of the ideas contained in them were recycled in later proposals of the Commission.

The second attempt to establish a structural policy arose out of Regulation 17/64 on the conditions for granting aid from the European Agricultural Guidance and Guarantee Fund which required the establishment of Community Programmes within which structural aid could be granted. In 1967 the Commission submitted 10 Community Programmes to the Council of Ministers (Commission 1967) where they rapidly foundered. Member States were obviously not ready to accept a detailed integrated structural policy which would have limited their own scope for action. Despite their speedy demise, Community Programmes remain of interest because many of the ideas put forward there were later taken up in other contexts. Of the 10 Programmes, 4 were on infrastructure, 5 on specific commodities, and 1 was intended to develop agricultural regions which were backward or in difficulty. Within each Programme geographic zones or regions of principal effort were designated where Guidance Section funds would have been concentrated as a matter of priority.

Discussion on the Community Programmes was overtaken by the third attempt to develop a coherent structural policy which was contained in the famous Mansholt Plan of 1968 (Commission 1968). In it the Commission highlighted the rising level of self-sufficiency, the growing problem of surpluses, the increasing cost of market support, the poor physical structure of the farming sector, the preponderance of poorly educated elderly farmers, the limited potential of many farms, the absence of alternative or additional sources of income which forced farmers to produce more intensively in order to achieve a reasonable income, the wide gap between agricultural and non-agricultural incomes and the differences in income levels within the farming sector. Plus ça change, plus c'est la même chose!

With these deficiencies in mind the Commission proposed a two-pronged approach : immediate modifications to the price and market support mechanisms to achieve a better market balance, and the adoption of long term measures to improve the structure of production. The latter were subdivided into three : changes in the organisation of production, a reduction in the area devoted to farming, and the adaptation of marketing structures. What makes the Mansholt Plan unique in the history of the CAP is that it represents the most coherent attempt to tackle the problems of agriculture by means of price and market policy and structural policy together, while simultaneously linking these efforts to activities in the social and regional spheres. Twenty years later the Community has still not achieved that union.

The 1972 socio-structural Directives

The Mansholt Plan was followed in 1970 by concrete proposals for 5 Directives and 1 Regulation. The proposed Directives were on modernisation of farms; retirement from farming and the release of land for structural improvement; the provision of socio-economic information and the professional training of those working in farming; the limitation of agricultural area; and the provision of aid to guide livestock production away from surplus items. The draft Regulation was a revised version of the proposal to encourage the formation of producer groups (Commission 1970). These proposals were drastically modified in subsequent revisions and the structural package which emerged early in 1972 bore little resemblance to

them, let alone to the concept of agriculture expounded in the Mansholt Plan.

The 3 Directives which were passed in 1972 were on modernisation, retirement, and the provision of socio-economic advice. They are often represented as being the commencement of structural policy in the Community but, if they are, then they do little more than illustrate the inadequate commitment to this policy which is such a notable feature of the history of the CAP.

There were 2 key elements in the structural aspects of the Mansholt Plan : the reduction of the farm workforce by half from 1970-1980 (ie by over 5 million persons, of whom 4 million would retire and 1 million find alternative occupations), and the removal of 5 million ha. of land over the same period (of which 4 million would have been afforested and 1 million turned over to recreation and leisure). In the event, the farming population fell by about 2.5 million persons in the original 6 Member States and only about 4 m.ha. of utilised agricultural area were shed. The rather insignificant results of the 1972 Directives have no doubt contributed to the absence of any major structural change.

From their inception to the end of 1985 the record of achievement of the 3 socio-structural Directives has been :

	Number
farm development plans approved;	155,156
farmers qualifying for the switch-over premium to beef and sheepmeat production;	24,134
farmers qualifying for incentive aid to keep accounts;	245,624
groups qualifying for launching aid for mutual assistance between farms;	15,584
land reparation and irrigation projects;	592
beneficiaries of a retirement pension;	5,312
councillors trained and appointed;	1,415
farmers who have followed a complete course of agricultural training under the scheme (Commission 1986).	465,539

Structural policy in the 1970's

One of the most striking features of the Mansholt Plan is the emphasis placed on structural issues and their solution. This approach is noticeably absent in all the Commission discussion documents subsequent to the Plan, where little thought is given to working out in any detailed manner the rather generalised views expressed on structural policy and its role within the CAP. This, despite the fact that the circumstances of agriculture changed quite radically during the 1970's. Ever since the recovery of food production in the post-World War II period, increases in per capita farm income had been achieved largely by a combination of higher production and a decline in the labour force : this was no longer possible.

The presumption that the farm workforce could be reduced by migration to other occupations became less realistic as the recession took hold and unem-

ployment rose. The growing volume of production, already a burden in the late 1960s, reemerged after the commodity shortages of the early 1970s as an even greater problem. Inflation pushed up the cost of price support and slowed the pace of structural change; currency fluctuations and the use of separate exchange rates for many farming purposes exacerbated an already unstable situation. Structural policy as it had evolved was ill-equipped to deal with these new circumstances. It comprised a very mixed group of measures which for the sake of simplicity can be classified as follows:

<i>farm structure</i>	<i>problem regions</i>	<i>commodities</i>	<i>post-farm gate</i>
modernisation	LFAs	eg citrus	producer groups
retirement	Mediterranean	wine	processing and
advice	Other	milk	marketing

Of these, by far the most important in terms of funds allocated and disbursed were the measures on modernisation (Dir. 72/159); LFAs (Dir. 75/268); and processing and marketing (Reg. 355/77). One of the main purposes of all the measures coming under the structural policy is to improve the income situation within farming but, given the range of measures in force in the 1970s, it was extremely difficult if not impossible for them to be pursued successfully without also either encouraging the expansion of production or allowing existing production levels to be maintained. The only exceptions to this generalisation were the few schemes intended to eliminate production of unsaleable varieties of fruit or to reduce the number of milk cows.

Thus in practice - whatever might have been the intention - the effect of the structural policy as it developed during the 1970s was to re-enforce the incentive to produce provided by the price and market policy. In addition, in relation to the general aid schemes which apply across the Community (such as the Directive on modernisation or the Regulation on processing and marketing and its predecessor Reg. 17/64) it has been found that the already prosperous farming regions have benefited disproportionately greatly from these measures (see for instance Commission 1976, 1980 and 1986). This too has fuelled over-production of a wide range of commodities.

Change of direction in the 1980s

By the beginning of the 1980s it was becoming increasingly evident that something had to be done to rein-in the market and price policy by curbing the open-ended commitment to internal support. Structural policy too was in need of reorientation: the 1972 socio-structural Directives were coming up for renewal or replacement, as was the 1975 LFA Directive. Examination of Commission discussion documents of the time yields interesting evidence of the way in which certain concepts previously analysed at best in an off-hand manner - or at worst rejected out right were becoming accepted as revealed truth. Four such concepts spring to mind: part-time farming; employment maintenance; direct income aids; and protection of the environment.

Part-time farming had been dismissed in the Mansholt Plan (Commission 1969) as some kind of passing phase. By way of contrast, in the Perspective (Commission 1985a) it was latched onto as a useful means whereby farmers could receive part of their income from non-agricultural sources, which could assist in the maintenance of an agricultural workforce. Acceptance of the existence - and indeed growth - of part-time farming is not easy in the context of a policy built on the fiction that the farming

population is dependent on farming for its livelihood. Widespread part-time farming should mean less pressure on price policy as a means of supporting incomes but acceptance of such a proposition flies in the face not only of the CAP since its inception but of the whole framework of agricultural policy in the developed world at least since the early 1950s and for many countries since the 1930s.

Linked to the concept of part-time farming is that of employment maintenance - very much an idea of the 1980s and one which represents a complete turn around from the 1960s and 1970s. Then, agriculture looked to out-migration as one of the main means whereby the incomes of those who remained in farming could be raised; by 1981 the drift from the land was being described as 'inopportune' (Commission 1981), and in 1985 the Commission was referring to the challenge of ensuring 'the maintenance of a significant number of persons in agriculture by means which do not result in unacceptable waste of economic and financial resources' (Commission 1985a). The about-turn is the result not only of practical necessity due to the economic downturn of the 1970s, with the resultant rise in general unemployment, which makes it difficult for those from a farming background to find work off the land, but also to a late realisation that the migration of so many from farming and from rural areas has had an adverse effect on the well-being of rural society and the demographic balance in many regions.

There is a further point in the present encouragement of employment maintenance, which is not specifically mentioned but which nevertheless is of importance, namely the link between the decline in the farm labour force and the rise in production. Capital has been substituted for displaced labour, with both national and Community encouragement, which may well have led to the over-capitalisation of the sector. The burden of debt which many farmers carry encourages them - even forces them - to intensify production purely to service the debt. If means could be found to maintain employment it could help to limit additional capital investment; once the substitution of capital for labour is made it is extremely difficult to reverse or even materially modify the high input/high output pattern of production which almost inevitably develops.

The third concept - direct income aids - was rejected in the *Improvement* (Commission 1973) but claimed increasingly as part of the policy from the *Stocktaking* (Commission 1975) onwards. It is astonishing to find that this concept was mentioned favourably as long ago as 1963 as a means by which certain farmers could be compensated for a projected fall in cereal prices (Commission 1963), yet it was still the subject of debate in the following two decades. Admittedly, until very recently, the Commission's view of direct income aids was somewhat singular, as it related very largely to the compensatory allowances paid to farmers in LFAs. For the most part these are headage payments based on the livestock units on the farm (see, for instance, Commission 1975 or 1985a). It would seem much more appropriate to regard such production related subsidies as another form of commodity aid. The concept of direct income payments should surely relate to those which are granted for social reasons and which are quite independent of the level of production.

The fourth concept - protection of the environment - was mentioned first in the *Improvement* (Commission 1973) at a time when the Community had just introduced its first Action Programme on the environment. Subsequently lip service was paid to conservation in various pieces of agricultural legislation - most notably the LFA Directive of 1975. During the 1970s agriculture was portrayed in a totally unrealistically positive manner as a conservator of the countryside; there was little or no evidence of any awareness that it could also be the despoiler of the country-

side. This unquestioning attitude has changed (see in particular Commission 1985 a and b) and it is now admitted that agriculture is not always a beneficial influence. However, there still seems to be no appreciation of the fact that both the market support policy and the structural policy have encouraged intensification and this, without doubt, has had an adverse effect on species diversity which is one of the hallmarks of a healthy eco-system.

The first major legislative event in the 1980s which reflected the change of mood in relation to structural policy arose through the need to renew or replace the three socio-structural Directives of 1972 and the LFA Directive of 1975. The replacement legislation was Regulation 797/85 on *improving the efficiency of agricultural structure*. This is the most comprehensive piece of structural legislation ever adopted by the Community. Although it is a direct descendant of both the modernisation Directive and that on LFAs, it encompasses far wider forms of aid than either. Some are the continuation of previous legislation, others are new measures which the Commission tried unsuccessfully to have adopted during the 1970s. The aims of Reg. 797/85 are to help restore equilibrium between production and market capacity, to maintain a viable agricultural community, and to contribute to the protection of the environment and the lasting conservation of the natural resources of agriculture.

There are a number of interesting shifts of emphasis in this legislation. For instance, the aid for farm improvement has a much less demanding income goal than previously, thereby allowing a greater number of farmers to participate. The purposes for which the aid can be given are not so single mindedly production orientated, but rather are intended to assist in the improvement of quality, the adaptation of production to market requirements, the reduction in production costs, the achievement of better living and working conditions, energy saving, and the protection and improvement of the environment.

Time alone will tell to what extent these purposes are achieved and success is by no means certain. For instance, it is difficult to promote quality and the orientation of production to market requirements without raising output or production capacity as a secondary and unwanted by-product. Equally, there is the danger of environmental degradation in the inclusion of a wider range of farms eligible for development aid unless their plans are carefully monitored. There is no indication in the legislation of any realisation of this potentially damaging circumstance.

The aid for the conversion of production to non-surplus products is new and, in the first instance, is limited to cereals, beef and veal, and wine. The Council has yet to determine the products toward which the released land can be converted. With so many commodities in chronic surplus this may be no easy task.

The aids available in LFAs have been strengthened, in particular by raising the level of compensatory allowances in areas with particularly severe natural handicaps (how these are to be defined is not clear) and by extending the allowances to land producing low yielding wheat and vines. There are two disturbing features of the LFA legislation generally which the 1985 Regulation does nothing to alleviate : the absence of adequate limitations on the amount of aid which any one farmer can receive so as to guard against intensification, and the weakening of the impact of the curbs on surplus production which the special arrangements for the LFAs represents.

On the first of these, there are many dangers : overstocking and the resultant overgrazing of fragile pastures; the 'improvement' of traditional pastures by draining, reseeded and enhanced levels of fertilizer application leading to species impoverishment; and the conversion of grassland to arable production. On the second, it is nothing short of remarkable that over 50 per cent of the utilised agricultural area of the Community is now classified as less-favoured. Considering that LFAs are supposed to suffer from ~~permanent~~ handicap, this percentage cannot fall and indeed the area so classified has increased over time. With such a large area qualifying for special treatment can one really have confidence in the attempts to curb production?

The other element in Reg. 797/65 to be highlighted here is the aid available in environmentally sensitive areas. It is intended to compensate farmers for income loss due to the introduction or maintenance of farming practices compatible with the need to protect the environment and natural resources, or to maintain the landscape and countryside. The problem with a measure of this kind is that it divides farmland into that designated as environmentally sensitive and the rest. Unless great care is taken, it will mean in practice that outside designated areas consideration of environmental factors will be regarded as irrelevant.

Early in 1987 the Commission put forward a group of proposals on income aid and early retirement (Commission 1987b). The two proposals on income aid are intended to compensate farmers for the restrictions being imposed on the scope of the price and market support system made necessary by the unfavourable prospects for agriculture at a time of serious overproduction. The first proposal (the Community scheme) is linked to the development of the farm to a position of viability within 5 years; the second (a national scheme) is for those farms which cannot reach this income threshold in the time allowed. It is going to be extremely difficult to ensure that aid to the former group will not exacerbate the problem of overproduction, while aid to the latter group could result in farmers remaining in certain lines of production which are in surplus, which in the absence of the income aid they might be persuaded to abandon. As to the proposal on early retirement, what is surprising is that it was put forward at all, given the poor response to the Community's earlier pension scheme under Directive 72/160.

Final thoughts on current trends

Does the shift in emphasis in certain major elements of structural policy amount to a new beginning or has it merely added to the confusion of the CAP? Irrespective of new or adapted structural measures, one cannot ignore the fact that the dominance of the price and market policy has in no way lessened. It still represents well over 90 per cent of the Community's subventions to agriculture. The proposal under the Mansholt Plan (Commission 1968) that in 10 years spending on structure would outstrip that on price support and that the latter would be falling has an air of such fanciful unreality it is hard to believe it was ever seriously contemplated. A shift in emphasis within structural policy which is not accompanied by a shift away from the dominance of price policy cannot be anything other than marginal in effect.

Another limitation on the impact of structural policy is that so many of the measures are optional i.e. ones which the Member States may or may not adopt. For instance, of all the measures funded under Reg. 797/85 only the farm development aid and that on conversion and extensification are compulsory. No doubt this approach ensures an easier passage for the leg-

isolation through the Council of Ministers but inevitably it means an extremely patchy uptake of the various schemes. There is no guarantee that those Member States with the most acute structural problems will adopt them. When viewed in a historical perspective, one has the sense that the Community is returning to the philosophy of the early 1960s when the coordination of national structural policies was the height of the Community's ambition. More and more it seems to be that, providing the Member States can draw up plausible programmes, they have considerable freedom to do as they like and to receive Community funding to subsidise their efforts.

The drawing together of many different structural strands within Regulation 797/85 may create a tidy impression but it does not ensure a coherent policy. At the time of writing this Regulation was simultaneously assisting the attainment of viable farms, encouraging younger farmers to become established, improving infrastructure, supporting production in LFAs, encouraging self-help groups, promoting on-farm forestry, improving farming skills, protecting environmentally sensitive areas, and supporting extension! This range of activity is not only bewildering but shows signs of frenetic desperation: one can only wonder to what end?

In the 1970s when the pattern of legislation was not one single umbrella Regulation but a plethora of individual measures applying to different regions and commodities, very few were in fact of any real consequence. This is true whether viewed in terms of funds allocated or beneficiaries assisted. As mentioned above, three measures (modernisation, LFAs and processing) took by far the lion's share. Why should the 1980s and 1990s be any different? Can one really believe that the innovative measures will have any impact?

It is true that the Commission has stated that 'the Community's structural policies will in future pursue a limited number of simple clear objectives' (Commission 1987a). One of these (there are 5 in all) is devoted to 'speeding up the adjustment of agricultural production structures and encouraging rural development in line with the European social model, with a view to the reform of the common agricultural policy'. This can hardly qualify as a simple or clear objective. Elsewhere in the same document this objective is re-defined as 'supporting rural development and encouraging the adaptation and diversification of agricultural production throughout the regions most affected by the reform of the common agricultural policy'. This apparently involves redirecting aids for processing and marketing to backward regions and removing infrastructural projects (other than irrigation) to the Regional Fund. None of this seems to add up to a coherent policy.

There is a well developed tradition within the Commission whereby projects which were rejected at some earlier time in the Community's history are recycled, often in a slightly renovated form but still clearly recognisable. Many of the structural measures enacted or proposed so far in the 1980s bear a strong resemblance in concept to the early proposals on FEASA referred to above (though admittedly without its generous proposed funding), and to the Community Plans of 1963. Can it be that the plumage in which structural policy is now attired is no more than the singed features of yet another phoenix?

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