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NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

Special issue

**Extract
from the 1975 report**

**on the agricultural
situation
in the Community**

BRUSSELS - LUXEMBOURG

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The Newsletter on the common agricultural policy has the pleasure of presenting this special issue to its readers.

For the first time, the Office for Official Publications of the European Communities is publishing on behalf of the Commission an abridged version of the annual report on "the Agricultural Situation" in the Community which was presented to the Council of Ministers in December 1975.

We reproduce in this issue the full text of this version of the report apart from the statistical annex. We would point out to readers who wish to obtain these statistics that the complete report is on sale in the sales offices *.

This special issue forms one of the documentary texts which the "Newsletter on the common agricultural policy" has been publishing since 1963.

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Introduction : The year 1975

1. 1975 will go down in the annals of the industrialized countries as the year of the most serious economic recession since the Second World War. The features of the economic situation are a substantial fall in industrial production, a high unemployment rate, a persistent high rate of inflation and distortions in the balance of payments.

2. If the rate of inflation tended to moderate somewhat in 1975, this was because the economies of the major industrial countries, hard hit in 1973 and 1974 by the energy crisis and the increase in the price of raw materials, appear to have partially absorbed the price increases which had already taken place, in particular that of oil. The major world currencies continued to float in 1975 thus perpetuating the uncertainty surrounding exchange rates.

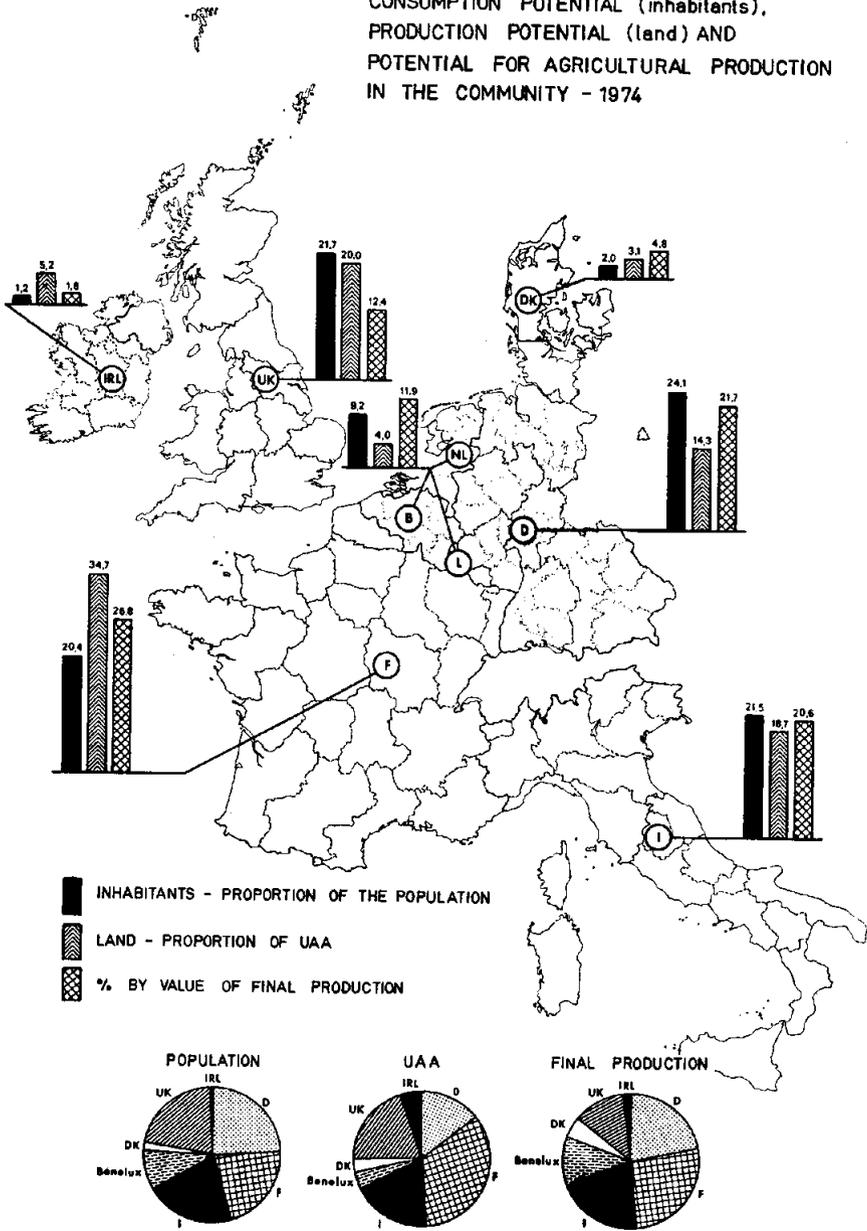
3. The agricultural sector of the Community is seriously hampered by the monetary instability which has led to a break-up of the single market. The development of the common agricultural policy is affected by rates of inflation which differ considerably between the Member States whose currencies have appreciated and those whose currencies have depreciated. The agricultural common market, being in symbiosis with the world market, is also affected by price movements on that market; following the spectacular increases since 1973 world market prices began to fall towards the end of 1974 and this trend continued during the first half of 1975.

4. World stocks of the main commodities are relatively low and the 1975 harvests do not promise any considerable change. On the other hand the Community possesses broadly adequate reserves, and also a high level of self-supply, in the main agricultural products intended for human consumption.

5. In 1975 agriculture in the Community continues to be marked by imbalance between supply and demand in a number of products. In the milk sector this imbalance is reflected in the accumulation of stocks of skimmed milk powder and in the wine sector by the massive distillation measures introduced.

6. 1975 is the year of the stocktaking of the common agricultural policy submitted by the Commission to the Council at the beginning of the year and which the Minis-

CONSUMPTION POTENTIAL (inhabitants),
 PRODUCTION POTENTIAL (land) AND
 POTENTIAL FOR AGRICULTURAL PRODUCTION
 IN THE COMMUNITY - 1974



GRAPH 1

ters of Agriculture, meeting in the Council, submitted in their turn to the European Council meeting in Rome at the end of the year.

The major events of 1975

Date	Event
13.2	Council Decision on the common agricultural prices for the 1975/76 marketing year
26.2	Commission presents a stocktaking of the common agricultural policy
28.2	Lomé Convention signed
18.3	Council Decision setting up the European Regional Development Fund
28.4	Entry into force of the Directive on mountain and hill farming and farming in certain less-favoured areas
26.5	European Council (Dublin)
5.6	'Yes' vote in United Kingdom Referendum
12.6	Greece applies for membership
16.6	European Council (Brussels)
10.7	The French franc rejoins the Community 'snake'
22.7	Treaty signed strengthening the budgetary powers of the European Parliament
12.9	France imposes a tax on imports of certain Italian wines
23.10	The Commission proposes a common organization of the market in sheepmeat
6.11	Negotiating brief on a long-term contract with Egypt on exports of agricultural products
10.11	Council adopts stocktaking of the common agricultural policy
2.12	European Council (Rome)
10.12	Commission proposals on the common agricultural prices for the 1976/77 marketing year
22.12	The Commission proposes a common organization of the market in potatoes.

I — The general situation

7. In 1975 the general environment of Community agriculture and the common agricultural policy was one of economic recession. 1. The Community is in the most difficult economic situation since its creation, a situation marked by high inflation, grave recession, high unemployment and considerable distortions in balances of payments. 2. In 1975, the repercussions of monetary instability continued to affect the common agricultural policy, and the Community still consisted of four zones differentiated by monetary compensatory amounts. 3. From the second half of 1974 onwards the world markets in important agricultural products entered on a period of relative calm following the many tensions since 1972. 4. In 1975 the Community has taken various initiatives in the field of external relations some of which directly affect Community agriculture and the common agricultural policy. 5. The Community has also, in 1975, continued to develop internal structures, both generally and within the domain of the common agricultural policy.

1. General economic instability

8. In 1975 the Community economy experienced the most serious recession since the end of the war. The gross domestic product of the Community can, indeed, be expected to fall by about 2.5 % in 1975. In October 1975 about 5 million people were unemployed, 2 million more than a year earlier and more than 4.5 % of the working population. The general economic outlook for 1976 is more encouraging with an upward trend apparent in economic activity. However, inflationary trends will continue to characterize the Community economy in 1976, although to a lesser extent, and unemployment will continue high.

9. The sharp rise in the general level of prices remains a disquieting problem in all the countries of the Community. The implicit price increase for the gross domestic product of the Community was of the order of 10.5 % in 1974 and will exceed 14 % in 1975. These averages hide marked differences in inflationary trends among the Member States. In 1975, the annual rates of increase in the general level of prices (calculated on the basis of gross domestic product) are likely to range between about 7.4 % in Germany, 26.2 % in the United Kingdom and 26.0 % in Ireland.

The upward movement of internal prices is also illustrated by the continuing high rate of increase of consumer prices, in spite of a trend towards moderation in certain Member States. The development country by country reveals in general a higher rate of inflation in countries with depreciated currencies.

10. In this period of general recession and following the poor results in 1974, the agricultural sector appears to be affected in 1975 to much the same extent as the other sectors of the economy. The increase in the prices of the means of production which reached very high levels in the Community in 1973 (17 %) and in 1974 (21 %) fell to less than 11 % in 1975, while at the same time the prices of agricultural products have increased by an average of about 13 % in 1975 (3.7 % in 1974). The stabilizing mechanisms introduced under the common agricultural policy have thus helped to shelter agriculture from the adverse effects of the general economic recession. Nevertheless, imbalances persisted in 1975 on some markets, such as milk, common wheat and wine. In 1976/77 the imbalance in the milk sector is likely to continue, while the trend as regards the cattle and pig cycles suggests relative stability on these markets.

11. There were abrupt increases in the prices of the means of production in the second half of 1973 and the first half of 1974. Since then, there has been something of a lull, but in certain Member States price increases are still very considerable. In the original Community the annual rate of increase of these prices has trebled — from about 5 % in 1970, 1971 and 1972, to an estimated 16.8 % in 1973, 20.5 % in 1974 and 10.6 % in 1975. These averages hide considerable differences between Member States with a strong currency and those with a weak currency, as shown in the following table:

Rate of increase in prices of means of production ⁽¹⁾
(on the basis of data expressed in national currencies)

(in %)

Member State	1973	1974	1975 ⁽¹⁾ estimate
Germany	13.0	8.6	7.5
France	11.1	26.8	10.5
Italy	16.7	31.4	14.8
Netherlands	16.4	3.9	4.5
Belgium	14.0	8.1	7.5
Luxembourg	9.8	13.4	9.2
United Kingdom	28.2	30.2	13.2
Ireland	20.3	37.8	20.0
Denmark	28.3	8.6	4.5

⁽¹⁾ Intermediate consumption and gross formation of fixed capital.

⁽²⁾ Eurostat estimates.

12. The increase in agricultural wages ranged in 1974 from 31.8 % in Italy to 14.5 % in Germany. The expected further increase in non-agricultural wages in the Community of 15.5 % in 1975, as against 16.1 % in 1974, suggests that agricultural wages will increase by the same amount in 1975.

13. The downward trend in the part played in the economy as a whole by the agriculture, forestry and fishery sector continued; in 1973, it represented only 5.4 % of the gross domestic product of the Community at factor cost (compared with 6.3 % in 1968). This proportion probably fell again in 1974 and rose again slightly in 1975 because of the relatively favourable position of agriculture during that year in relation to the rest of the economy.

14. This trend has run parallel to a decline in the percentage of agricultural workers in the total labour force; in 1974, the percentage was 8.7 % (compared with about 12 % in 1968). For the Community, the annual rate of decrease in the agricultural labour force in 1974 compared with 1973 can be estimated at 3 %, which represents a slowing down compared with the 4 % decrease per year in the period 1969-74. This slowing down, which is probably due to the general economic recession and might therefore continue through 1975 and 1976, has been particularly marked in Italy and Belgium.

2. Monetary instability

15. The major world currencies continued to float in 1975. Thus their daily and weekly variations continued to affect the operation of the common agricultural policy in its relations with external markets (effect on the rates of levies); similarly the variations of the floating currencies within the Community and certain revaluations which had already taken place continued to affect the internal agricultural market (monetary compensatory amounts).

16. Since floating currencies have become a characteristic of the international monetary system, the exchange rates of the principal currencies have moved in various directions. Thus the US dollar first of all rose by about 20 % against European currencies within the 'snake' (DM, FF, Fl, Bfrs/Lfrs, Dkr, and the Nkr and Skr) during the second half of 1973, and then fell by about 15 % during the first months of 1974; after a brief rally the dollar fell again by 15 % until March 1975 when it levelled off. In July, the trend was reversed and the dollar has risen by 46 % since then.

17. The French franc, which rejoined the Community 'snake' on 10 June 1975 having left it at the beginning of 1974, together with the other floating currencies

within the Community (the Italian lira, and the UK and Irish pounds) were in their turn subject to considerable short-term variations.

18. These currency movements exert a considerable influence on agricultural markets. The successive depreciations of the US dollar against the Community 'snake' currencies had the effect first of all of modifying the increases in the prices of soya and maize during the first 10 months of 1974 and subsequently of accentuating the decline in the prices of these products since the end of that year. Within the Community, the variations in the exchange rates of the Italian lira and of the UK and Irish pounds reflected primarily the very high inflation rates which characterized the general economy, and as result agriculture, in these three Member States.

19. The variations in the exchange rates of Community currencies and the US dollar in 1975 against the 'EUR' unit of account are illustrated in the following table which shows the highest and lowest points for each currency.

Currency	Highest point	Date	Lowest point	Date	% variation between highest and lowest points
Bfrs	44.8064	29 January	46.4035	22 September	3.6
DM	2.99531	29 January	3.08584	30 July	3.0
Fl.	3.09335	5 March	3.19336	29 July	3.2
£	0.534944	2 January	0.587051	1 July	9.7
Dkr	7.03769	30 June	7.18113	14 February	2.0
FF	5.18439	26 June	5.57655	2 January	7.6
Lit.	792.410	29 September	829.896	6 March	4.7
\$	1.14519	23 September	1.32436	3 March	15.6

20. Within the Community, the absence of monetary stability continued to affect the common agricultural policy. At present the common agricultural market is divided into several monetary zones differentiated by fixed monetary compensatory amounts which are positive for Germany (+ 10 %) and Benelux (+ 2 %) and are variable and negative for the United Kingdom (— 6.4 %) and Ireland (— 4.8 %).⁽¹⁾ No amount is applied in Italy since the exchange rate of the lira has been close to its representative rate. Since the French franc rejoined the 'snake' no amount has been

⁽¹⁾ Situation at the end of the year.

applied in France, although there is a positive monetary disparity of 1.422 % between the representative rate and the central rate for the French franc. Finally, Denmark also does not apply monetary compensatory amounts.

21. As regards the currencies of Member States which are within the 'snake', it was possible to reduce the monetary compensatory amounts in February 1975 when fixing the common agricultural prices for the 1975/76 marketing year. For all currencies, with the exception of the Danish Krone, new representative rates valid for converting into national currencies prices and amounts fixed in units of account were introduced within the framework of the common agricultural policy.

3. The instability of world markets

22. In 1972 the world markets in agricultural products suffered various tensions arising from shortages and these persisted in 1973 and 1974 bringing a considerable rise in prices and fall in stocks (sugar, cereals, soya, fishmeal and rice). Towards the end of 1974 prices began to fall and this downward trend became more marked during the first half of 1975.

23. World market prices for cereals were slightly lower in 1974/75 than in 1973/74, with the possible exception of maize. The increase in production in 1975, however, has not been as large as expected. Cereal prices, which had been falling, rose once more, although they failed to reach their record level and continued to fluctuate thereafter. The main causes of the price variations on the all-important grain market were the poor grain harvest in the USSR and the export policy of the US Government.

24. It is unlikely that stocks of cereals can be replenished to any great extent during the 1975/76 marketing year. It will probably be more difficult, on the other hand, to find outlets for the soya harvest. There was a marked increase in oilseed prices between July and October 1974, during the 1974/75 marketing year. This was due to a decline of 21 % in soya bean production in the United States — a determining factor on the vegetable oil market. However, by the end of October it was obvious that the fall in world demand following the economic recession would more than compensate for the reduction in supplies, and prices began to slide.

The continuance of the price increases in the fish-meal sector was a result of increased demand for this product brought about by the failure of the Peruvian anchovetta fishery in the early 1970s. The rise in production was particularly pronounced in Denmark (30 % higher than in the previous year) while UK industrial fisheries landed nearly 20 % more fish for reduction than in 1973.

25. The relative shortage of sugar which had prevailed since 1972/73 and which produced an upward trend in world market prices, was abruptly aggravated in 1974/75. The fact that sugar production in the Community had been very low in 1974 and that the Community and the USSR had had to obtain supplies from abroad to cover their needs resulted in very high prices on the world market. The highest price for sugar was reached on the London Stock Exchange on 21 November 1974 with a quotation for early delivery of £650 per long ton of raw sugar, or 115 u.a. per 100 kg at the rate of exchange obtaining on that day, and more than 350 % above the Community target price.

26. The effects of the 1973 world shortage of rice were easing off towards the end of 1974 so that world market prices fell on the average in 1974/75 by 17 % (round-grained rice) and by 31 % (long-grained rice) compared with 1973/74.

27. In 1974, the world market in milk products once more moved from a state of balance to a state of imbalance. In 1975, this trend continued, resulting in a reduction in the world trade in butter, skimmed milk powder, casein and cheese. In the United States, in 1975, owing to increased production and reduced consumption, US intervention stocks of skimmed milk powder rose to over 200 000 m.t. The US cheese market posed considerable problems for exporting countries in 1974 and 1975 as a result of the increase in US production in 1974 and the threat that the United States would levy compensatory duties on certain cheese imports. During the first six months of 1975, US cheese imports fell by 69 % compared with the same period in 1974. Deliveries from the Community, which account for about 45 % of total US imports of cheese, decreased to the same extent.

28. In New Zealand, milk production started to increase at the end of 1974, since the weather had returned to normal after the periods of drought which had occurred during the two previous milk marketing years. Production and export availabilities increased considerably, especially for butter and skimmed milk powder. Stocks of skimmed milk powder began to increase. In Australia and Canada, there were also slight increases in milk production, in the quantities available for export and in stocks, particularly in the case of skimmed milk powder.

29. Generally speaking, the world market in 1974 and 1975 reflected the increases in the production of milk and the trend towards converting milk into butter and, more especially, into skimmed milk powder.

The consumption of most milk products was hindered by the international economic recession. The situation regarding skimmed milk powder changed radically during the period in question. In 1973 there had been a decline in deliveries of soya and fish-meal and prices for skimmed milk powder increased, but the situation was

reversed in late 1974 and early 1975. The available quantities of soya and fish-meal increased, the use of skimmed milk powder declined, prices on the world market fell by more than 50 % between December 1974 and September 1975 and stocks increased. In the same way, buyers have shown increasing reluctance to renew their operating stocks.

4. The Community's external relations

30. In 1975 the Community pursued the initiatives taken *vis-à-vis* certain countries following enlargement and *vis-à-vis* the developing countries in general. The Lomé Convention, signed on 28 February 1975, the generalized preferences scheme, multilateral negotiations within GATT and work on the introduction of preferential schemes for the countries of the 'Mediterranean approach' are the aspects of the Community's external relations which have most impact on agriculture and the common agricultural policy.

31. The ACP-EEC Convention, signed at Lomé on 28 February 1975, brought about a new form of relationship between the Community and Community and forty-six African, Caribbean and Pacific (ACP) States; the Convention comprises a section on trade which provides, in principle, for a system of duty-free or privileged access to Community markets, subject to strict observance of the common agricultural policy, and sets up machinery to stabilize export earnings on certain tropical products.

32. As regards the developing countries, the generalized scheme of preferences (GSP) which the Community introduced in 1971, was further improved in 1975, bringing the volume covered to 750 million u.a., and it was decided that these arrangements, which were originally to last ten years, should be continued beyond 1980. As regards food aid, the Community decided to participate in the Food Aid Convention for a further twelve months (from 1 July 1975 to 30 June 1976). Under this Convention, the Community has undertaken to supply the developing countries with 1 287 000 m.t. of cereals over this period. The Community's own programmes for 1975 provide for 55 000 m.t. of skimmed milk powder, 45 000 m.t. of butteroil, 6 100 m.t. of sugar and about 1 million u.a. in cash for the purchase of foodstuffs.

It should also be mentioned that the Seventh Special Session of the General Assembly of the United Nations on development and international economic cooperation has given a new impetus to the initiatives launched by the World Food Conference.

33. For the latest round of multilateral negotiations within GATT (General Agreement on Tariffs and Trade) which opened in Tokyo in 1973, the Community

prepared a negotiating brief which included an agricultural chapter. This chapter was based on the principle that the common agricultural policy meets the special requirements of agriculture in the Community. Its principles and machinery could not be called into question and, consequently, could not be a matter for negotiation. This being the case, the Community is of the opinion that the specific aim of the agricultural negotiations must be to expand trade in a context of stable world markets, subject to maintenance of existing agricultural policies. To achieve the necessary stability the Community advocates the conclusion of international agreements for products such as cereals, rice, sugar and milk products. For the more homogeneous products agreements could include price mechanisms accompanied by storage measures except in the milk products sector. The implementation of food aid programmes would be facilitated by the conclusion of such agreements. As regards other products, the Community proposes to negotiate a code of conduct for importers and exporters so that their operations can be coordinated and dealings on the world market be carried out in an orderly fashion. Special measures could be envisaged on behalf of exports from the developing countries.

34. Discussions on the introduction of preferential arrangements in trade with the countries of the 'Mediterranean approach' have encountered a number of difficulties and the planned agreements could not be concluded, except that with Israel. Among the problems which arose, the agricultural problem proved to be of particular importance and complexity. The Community, while accepting that the agreements should cover a range of agricultural provisions of some importance, was concerned to make internal arrangements so that the interests of Community producers should be safeguarded.

The reactivation and implementation of the Association Agreement with Greece were actively pursued, while the implementation of the Association Agreement with Turkey continued. Greece officially applied for membership of the Community on 12 June 1975.

35. With regard to bilateral relations with the state-trading countries, the Community's autonomous common import policy was introduced on 1 January 1975.

Mention should also be made of the trade cooperation agreements concluded with certain non-associated developing countries (India, Sri Lanka, Mexico), the Euro-Arab dialogue into which the Community has entered and the imminent conclusion of a long-term contract with Egypt.

5. Common policies

36. The development of European policy in general and the decisions taken by the Community institutions within the scope of common policies, including the

common agricultural policy, provides the general political framework in which Community agriculture has evolved in 1975.

37. Since economic union and more specifically a common economic and monetary policy have not been achieved, one of the major European policy events, as concerning agriculture in the Community, was the setting up on 18 March 1975 of the European Regional Development Fund (ERDF). The Commission has often pointed out the need to implement simultaneously measures relating both to the common agricultural policy and also to regional and social policies, in order to resolve the fundamental problems of agriculture.

38. The Regional Fund actually got under way on 16 October 1975; it was on that date that the Commission approved the first instalment of aid from the Fund amounting to 160 million u.a. for 655 schemes representing a total investment of more than 1.2 milliard u.a. Of these schemes 91 are situated in regions covered by the Directive on mountain and hill farming and farming in certain less-favoured areas, mainly in the South of Italy and in France.

39. Apart from the continued implementation of measures already in force concerning markets and structures, there were a number of new developments in 1975 in the Common Agricultural Policy itself. On 28 April 1975 the Council finalized and put into effect Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas. At the same time the Council adopted eight other Directives (Nos 269 to 276) covering the Community list of less-favoured farming areas, for the purposes of Directive 75/268/EEC, in each of the Member States with the exception of Denmark, which is not at present making use of this Directive. This was a useful addition to the structural side of the common agricultural policy at the production level. With regard to the later stages of the economic process, the Commission has proposed a Regulation concerning common measures to improve the conditions under which agricultural products are marketed and processed. This proposal supplements the proposal for a Regulation on producer groups and associations thereof, submitted to the Council as long ago as 1967. Other draft Directives examined by the Council in 1975 concerned forestry measures, aid to young farmers and the harmonization of legislation. Mention may also be made for the establishment, in 1975, of the Standing Committee on Agricultural Research and the first meeting of the Advisory Committee on Foodstuffs.

40. In the area of price and market policy, the Council on 13 February 1975 decided on an average general increase in agricultural prices of 9.6 %. At the same time the Council adopted certain agri-monetary measures, representing a partial dismantling of monetary compensatory amounts, in which provision was made for an upward revaluation of the rates to be employed under the common agricultural

policy for certain Member States (Germany and the Benelux countries) and for a devaluation of the rates for certain others (France, Italy, United Kingdom, Ireland). In October 1975 the Council supplemented the revised version of the basic regulation in the sugar by adding Title V on the system of preferential imports, and in particular settled in principle the question of the arrangements to be applied to sugar originating in the OD and ACP with a view to the establishment of equal conditions of competition between these two sources of production. The Council devoted many meetings in 1975 to an examination of the situation on the market in wine and of the measures proposed by the Commission in that connection; it considered also the agricultural aspects of the negotiations with the countries of the 'Mediterranean approach'. Finally, the Commission has proposed a transitional common organization of the market in sheepmeat. The aim of the measure is to provide a Community framework for this market so as to encourage the harmonization of structures.

41. On a general view, 1975 was the year of the stocktaking of the common agricultural policy. On 26 February 1975 the Commission, in response to a request from the Council, presented its stocktaking which was widely discussed not only within the Community institutions, but also among the public at large and within those trade and farming circles particularly affected. At its meeting on 10 and 11 November 1975 the Council in its turn adopted a document entitled 'Stocktaking of the Common Agricultural Policy'. This document was put before the European Council in Rome on 1 and 2 December 1975.

42. The Commission and the Council agree that the common agricultural policy is and must remain an indispensable element in the integration of Europe. The common agricultural policy has achieved a high degree of integration and its achievements can be regarded as positive in many areas:

- agricultural incomes have increased and have come closer to incomes in other sectors, although the increase has not been even for all categories of producers and all regions of the Community;
- labour productivity has increased more rapidly in agriculture than in other sectors;
- relative price stability has been achieved despite disturbances on the world market and the security of supply of foodstuffs has been ensured, thus also benefiting the consumer;
- trade within the Community has increased, without detriment to trade with non-member countries.

43. In an undertaking of such scope problems inevitably arise. One reason is that the common agricultural policy cannot be considered in isolation, but must be set in the context of Community policy as a whole. This is particularly true if one

considers the lack of progress towards European integration, in particular in the areas of economic, monetary and social policy. On the other hand, some problems arise from implementation of the common agricultural policy itself. These problems arise more from the use made of the regulations than from their nature and often provoke criticisms, the most frequently quoted of which seem to concern regional imbalance, the complexity of the mechanisms involved and the cost to the Budget.

II — The factors of production

44. In 1975, the general agricultural structures of the Community were particularly influenced by the economic recession, which appeared to put a brake on the movement away from farming. Though statistics are lacking for 1975, recent trends in the factors of agricultural production are examined below. 1. The consolidation of farmlands continued at a steady rate, the average area per farm having risen from 20.6 ha in 1970 to 23.2 ha in 1974. 2. The number of farms decreased steadily, although more slowly between 1973 and 1975, particularly dairy farming; the size of the remaining farms, however, is constantly increasing. 3. There are about 9.1 million agricultural workers; 4. their productivity is increasing by 7.6 % per year, owing in particular to the decrease in the number of persons engaged in agriculture and to increased know-how and the results of agricultural research. 5. The recession, inflation and the energy crisis are also having an effect upon the fishing industry.

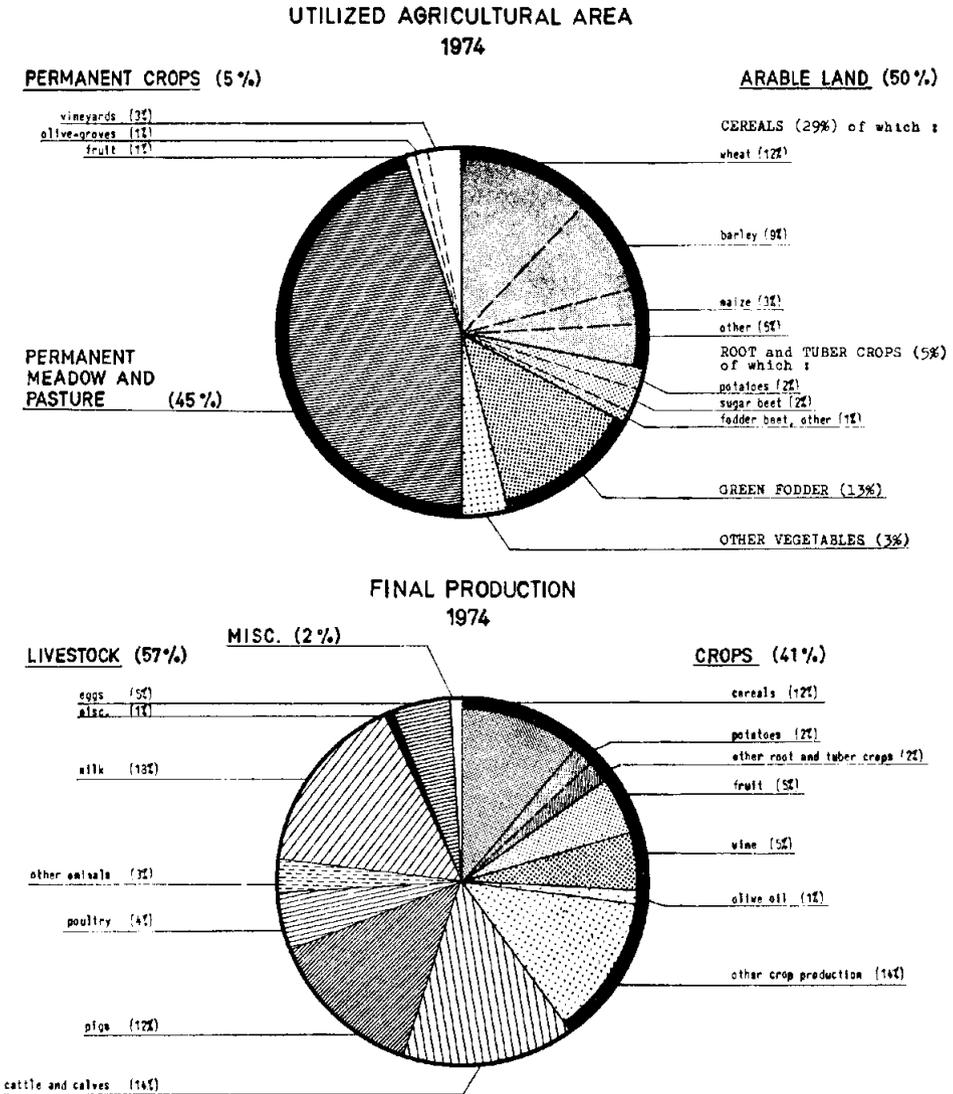
1. The consolidation of farmlands

45. In 1974, total utilized agricultural area in the Community amounted to 93 400 000 ha, a decline of 0.3 % in relation to 1973. This decline, although to differing degrees, occurred in all Member States with the exception of Ireland, where the UAA increased steadily as a result of the reclamation, by the Land Reclamation Commission, of barren and waste land.

The opposite occurred as regards the total area of woods and forests in the Community, which increased by 1.5 % during the period 1970-74.

46. During the past year there has been a change in the trend of land utilization: the steady decline in arable land area in the Community as a whole has been halted. In 1974 the total area of arable land in the original Community expanded by 0.3 % in relation to 1973. The constant decline in meadow and permanent pasture (which accounts for 45 % of total UAA in the Community) continued in 1974. In the original Community, the decline during the past year amounted to more than 1 % on 1973 and 2.3 % for the period 1970-74. In 1974 there was no change over 1973 as regards the area under permanent crops in the original Community; it accounts for more than 5 % of the utilized agricultural area.

COMMUNITY DISTRIBUTION OF THE UAA AND OF FINAL PRODUCTION BY CROP AND PRODUCT IN %.



GRAPH 2

In 1974, the area under cereals (including rice) in the Community, which accounts for more than 28 % of the total UAA, was 26 600 000 ha. This represents an increase of only 0.3 % over 1973 and is roughly equivalent to the 1970 level.

47. In 1973, the economic recession discouraged persons already employed from changing jobs. The situation was similar in agriculture; as a result, the number of farms of between 1 and 20 ha, the category to which most farmers leaving agriculture in the original Community belong (with the exception of Italy), fell by only 2.3 % in 1973 compared with 5.1 % in 1974. The results for the enlarged Community (excluding Italy and Ireland) ⁽¹⁾ were the same; a fall of only 2.5 % in the number of farmers, as against 5.1 % in 1974. These rates compare with an average annual rate of cessation of farming from 1970 to 1974 of 5.1 % for the original Community and 5 % for the enlarged Community.

48. Altogether, during the period 1970-74, the number of farmers in the Community has declined by almost 400 000, or more than 12 %. As a result of this trend, the average size of farms of over 1 ha increased from 20.6 ha in 1970 to 23.2 ha in 1974; in the original Community average UAA increased by 2.2. ha, i.e. from 16.5 ha to 18.7 ha.

49. Among the nine Member States, France has the largest share of forest of the Community, i.e. 45 % out of a total of 31 million hectares, followed by Germany with 23 %, Italy with 20 % and the United Kingdom with 6 %. The five other Member States account for only 6 % of the whole. Forest density in individual Member States on the other hand is less widely divergent, the rough average being 20 %, i.e. 32 % of the total area in Luxembourg, 29 % in Germany, 25 % in France, but only 4 % in Ireland, 7 % in the Netherlands and 8 % in the United Kingdom. The breakdown of Community forest area by ownership is as follows: 61 % private forests, 21 % public forests other than State forests and 18 % State forests.

50. The average wooded area of the State forests varies from 108 ha (Luxembourg) to 1 628 ha (Denmark), and that of forests belonging to other public bodies from 34 ha (Netherlands) to 167 ha (France), while in the Member States the average size of private forests does not exceed 8 ha (Denmark). The average size of private forests is only 2 ha in Luxembourg, 3 ha in Italy and Belgium, 4 ha in France and Germany and 7 ha in the Netherlands.

Although private forests amount to 61 % of the total forest area the properties are very fragmented. Thus, except in Ireland and the United Kingdom, 95 % of private owners hold wooded areas of less than 10 ha.

⁽¹⁾ Unless otherwise stated, Italy is not included in the results for the original Community, and both Italy and Ireland are excluded from the results for the enlarged Community.

51. Land tenure in the Community has been evolving towards ownerfarming and away from share-cropping and other forms. The proportion of rented farms has decreased slightly since 1963. The rise in the price of land, and in some countries the increase in rents, is much more marked. The increase in land prices revealed by the national averages available for 1974 appears to be linked directly to the depreciation in national currencies rather than to specific land market factors. However, an exception must be made in the case of the United Kingdom where, after a sharp rise in 1973 and early 1974, prices reveal a decline which appears to be continuing in 1975. In Ireland, prices do not seem to have changed very much from 1974 to 1975.

If the increase in the GDP is deducted from the 1974 land values, this gives the following net increases: 1.3 % in France, 13.8 % for arable land and 21 % for pasture land in the Netherlands, 12.9 % in England and Wales, 20 % in Denmark.

52. In France a new rent law has been in force since July 1975, strengthening the tenant's security and freedom to farm while boosting the landlord's income granting more freedom to fix the contractual rent level.

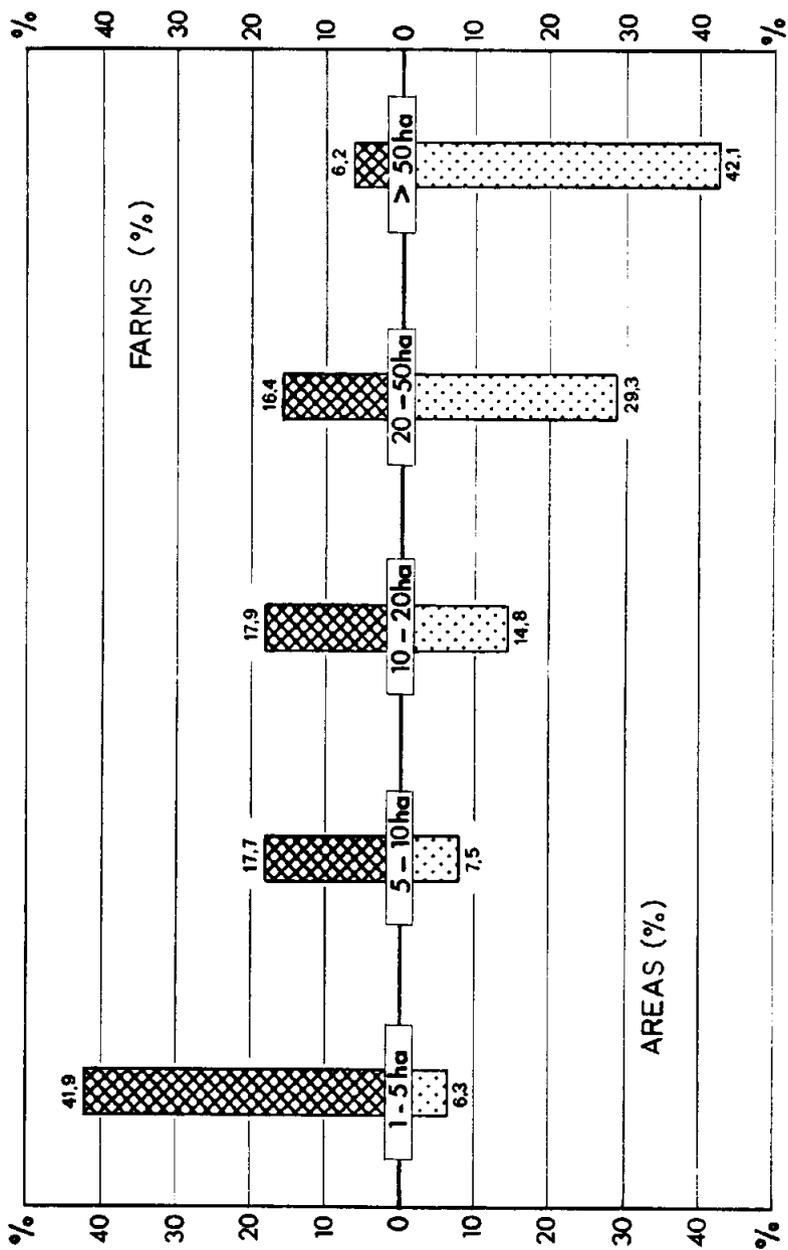
In Belgium, the law on rent restriction was revised for the first time after years of operation. Since September 1975 new coefficients have been fixed for multiplying the cadastral value to obtain the rent figure; the average increases for the country amounted to less than 20 %, increases being generally higher for pasture land than for arable land in the agricultural regions listed.

2. The development of farm structures

53. An analysis of trends within individual categories shows that the number of farms of 1-5 ha in the Community declined by 5.5 % in 1974 in relation to 1973 and by 20 % over the period 1970-74; in addition, the share of this category in the total number of farms of 1 ha and over fell to 25 % in 1974. Utilized agricultural area in this size category has followed the same trend as the number of farms; for the Community as a whole it declined in 1974 by 5.6 % on the 1973 level, while the average annual rate of decline for the period 1970-74 was 5.3 %.

54. For farms of between 5 and 10 ha, the rate of decline in the number of farmers was somewhat slower in 1974 than for the 1-5 ha category, falling by 5 % in relation to 1973. The share of the 5-10 ha category in the total number of farms of more than 1 ha in the Community declined from 19.2 % in 1970 to 17.4 % in 1974. This category covers 5.4 % of the utilized agricultural area (UAA), and the farms in the category therefore have an average size of 7.5 ha of UAA.

FARMS AND THEIR AREAS IN THE COMMUNITY IN 1974



GRAPH 3

55. In the 10-20 ha category the trend away from agriculture is not so pronounced as in the two categories already examined. Thus, in 1974 the number of farms of between 10 and 20 ha fell by 4 % on 1973, compared with 5 % for the 5-10 ha category and 5.5 % for the 1-5 ha category. In the medium term, the period 1970-74, the decline in the 10-20 ha category was also relatively limited, with an average annual rate of 4.2 %; this resulted in a fall in its share of the total number of farms of over 1 ha from 24.6 % in 1970 to 23.6 % in 1974. In 1974, farms of between 10 and 20 ha accounted for 9 600 000 ha of UAA, or 14.5 % of the Community total; in 1970 the proportion was still 17.2 %.

56. The number of farms in the 20-50 ha category remained constant from 1973 to 1974, while in 1973 there was a marginal increase (about 0.3 %) over the preceding year. During the period 1970-74 the number of farms in this category increased on average by about 0.3 % per year; thus its share of the total increased from 21.5 % in 1970 to 24.7 % in 1974. The UAA worked by the 20-50 ha category increased even more markedly, from 28.7 % of the Community total in 1970 to 32.5 % in 1974.

57. In 1974, the total number of farms of 50 ha and over increased by 1.8 %, representing an appreciable slowdown in the rate of growth for this category. During the period 1970-74 the average annual rate of increase was 2.6 %, with over 3 % in 1973. Thus this category has increased from 7.3 % of all farms of more than 1 ha in 1970 to 9.3 % in 1974; similarly, the total utilized agricultural area of farms of 50 ha and over has increased from 40.9 % to 44.7 %.

58. The steady increase in livestock numbers in recent years slowed down considerably in 1974 and in the case of dairy cattle and pigs numbers even began to decrease. The increase in production costs, particularly the cost of feedingstuffs, from 1973 onwards and the unfavourable trend in market prices for beef, veal and pigmeat inevitably reduced the profitability of these sectors. The depression in the dairy cattle sector can be partly explained by the application of the system of conversion premiums introduced on 1 June 1973; increased supplies have contributed to an unfavourable price trend.

59. In 1974, Community cattle numbers increased by only 0.6 % over 1973 to 79 300 000 head. The largest increase was in Denmark (6.4 %), followed by Luxembourg with 2.9 %, France with 1.5 %, Ireland with 1.4 %, the Netherlands with 1 % and finally by Germany with 0.4 %.

The steady fall in cattle numbers in Italy became still more pronounced in 1974 (— 2.9 %) while in Belgium (— 0.3 %) and the United Kingdom (— 0.1 %) the fall was less marked. In the medium term there is a strong tendency for numbers

to increase, with an annual rate of increase of 5.1 % in the Netherlands, 4.8 % in Ireland and 4.7 % in the United Kingdom over the period 1970-74.

60. In 1974, dairy cows in the Community totalled 31 400 000 head, or about 40 % of all cattle (more than 41 % in 1970). Numbers were 0.7 % down on 1973 as a result of decreases in Italy (— 3.8 %), Ireland (— 1.9 %), Belgium (— 1.8 %), Germany (— 1.6 %) and the United Kingdom; a slight increase in dairy cattle numbers occurred in the Netherlands (2.0 %), Denmark (1.9 %) and France (0.5 %). The medium-term trend (1970-74) was very positive in Luxembourg, Ireland and the Netherlands, where the average annual rates of increase were 5.4 %, 5.3 % and 4.3 % respectively. Only in Italy and Germany was the dairy cattle count lower in 1974 than in 1970. In the Community as a whole numbers have increased at an annual rate of 1.5 %.

61. As a result of the general inflation on the capital market the interest rates for medium- and long-term credits continue to be high, although there has been a slight downtrend since the end of 1974. Since the amount of capital invested in agriculture per labour unit is on the increase and an increasing proportion of such investment is financed by loans, the situation poses major problems for the modernization of farms. Nevertheless, market interest rates do not always reflect the real cost of capital to farmers given that several Member States give interest rate subsidies.

62. Given the limited opportunities for self-financing in agriculture, loan interest rates have a decisive effect on the profitability of the sector and the structural situation. In the first six months of 1974 the rates for short-term credit were situated between two extremes: 13.92 % in Germany and 7.80 % in France, ⁽¹⁾ but the most remarkable feature of interest rates (short- and medium-term) from the first half of 1973 to the second half of 1974 was a 2 to 3 % increase. It is very probable, however, that there has been a fall in interest rates from the beginning of 1975, as in the case of long-term credits.

63. The rates for long-term credit can be derived from the interest rates for long-term bonds set out in the table below; to obtain the interest rates on long-term loans and mortgages in the private sector, ⁽²⁾ between 2 and 4 % should be added to these percentages.

It should be noted that these long-term rates refer only to interest on long-term bonds, which merely provides an indication of the movement of loan-interest rates in the agricultural sector. In addition, from one Member to another, the actual cost

⁽¹⁾ The figure for France is greatly influenced by the agricultural credit system.

⁽²⁾ Except for France and Italy.

of agricultural credit varies with the institutional framework through which it is provided.

Interest rates on long-term bonds 1973/75

	January 1973	July 1974	December 1974	July 1975
Germany	8.6	10.6	9.7	8.3
France	8.3	11.4	11.2	10.2
Italy	7.4	11.0	12.5	10.7
Netherlands	7.5	10.4	9.1	8.7
Belgium	7.2	8.9	9.0	8.1
United Kingdom	9.6	14.9	17.9	13.9
Ireland	9.6	14.5	16.9	14.2
Denmark	11.5	17.7	14.5	12.9

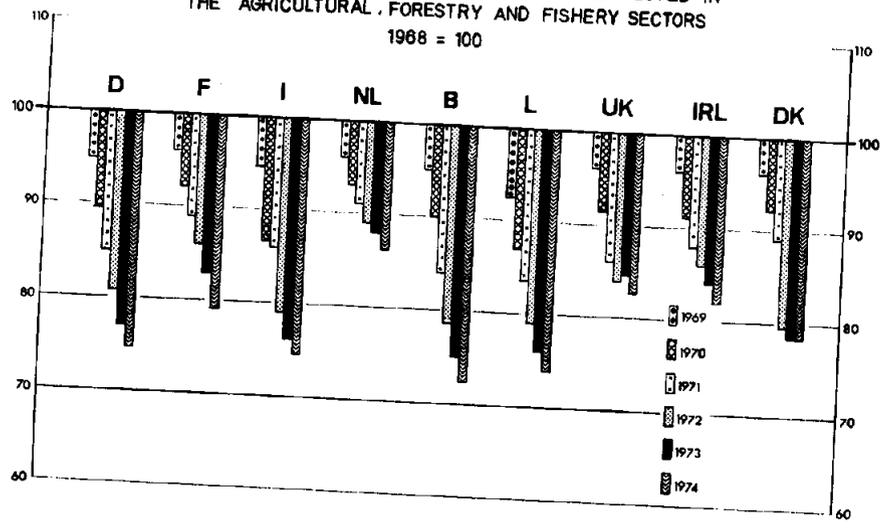
64. The figures in the table show that in 1974 interest rates increased sharply; this increase was already emerging in 1973. It is also evident that the abrupt changes in interest rates did not occur at the same time in each country. While interest rates began a downward trend in 1975 in most Member States, the level reached in July 1975 was still considerably higher than at the beginning of 1973, on most cases.

3. The decline of the agricultural working population

65. Until 1972 more and more farmers were leaving the land each year. Since then the pace departure has slowed, probably because of the relative profitability of agriculture in 1972 and 1973 and the general increase in unemployment in other sectors. In 1974 the agricultural working population was estimated at 9.1 million, or 8.9 % of the total working population. In the past, the decline in the number of family and hired workers was much sharper than in the number of farmers, but now this process appears to be reversed. Both the actual number and the percentage of self-employed persons fell, but while the number of wage-earners fell, the percentage increased. In other words, although the rate of decline accelerated from 2 % to 3 % from 1972 to 1974 the percentage of wage-earners in the agricultural working population increased.

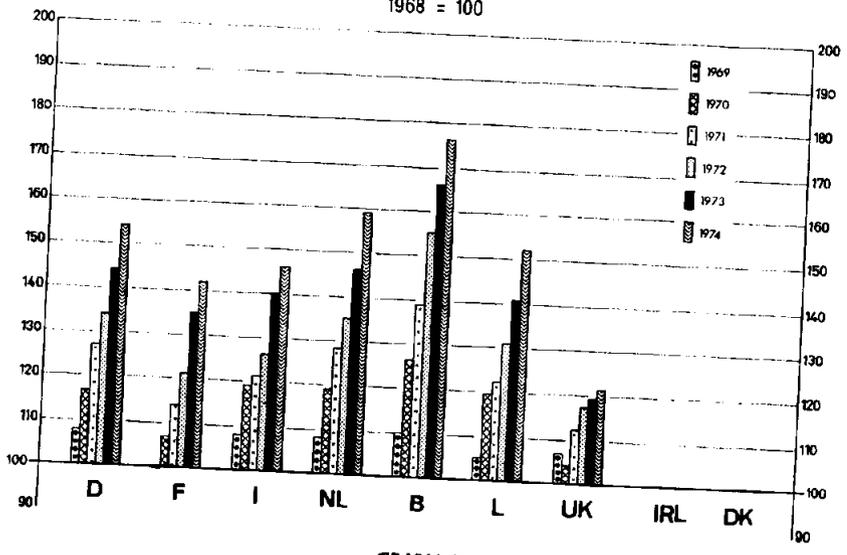
66. The number of wage-earners appears to be levelling out, suggesting that it is now approaching the level required by present-day agricultural technology and structures. As for self-employed persons, one can derive additional information

DEVELOPMENT OF THE NUMBER OF PEOPLE EMPLOYED IN THE AGRICULTURAL, FORESTRY AND FISHERY SECTORS
1968 = 100



GRAPH 4

DEVELOPMENT OF LABOUR PRODUCTIVITY IN AGRICULTURE
(calculated on the basis of final production at 1970 constant prices per person employed in agriculture)
1968 = 100



GRAPH 5

from the trend in the number of farms. In the Community, excluding Italy and Ireland, the number of farms fell by 3.3 % between 1973 and 1974. Even though the percentage decline is a little less in Italy and Ireland, the fact remains that the fall in the number of farmers was probably the same as the fall in the number of family workers. Thus, it appears that the situation is approaching the stage where, in most cases, a reduction in the agricultural working population will mean the disappearance of farms.

67. A second characteristic of the agricultural working population is that it is becoming older than the total working population. In agriculture the proportion of workers aged 50 or over is greater than in the working population as a whole, while the proportion of workers aged between 14 and 35 is considerably less. The decline in the number of young persons is very pronounced. Even though the full effects of the Second World War are bound to disappear gradually, this is more than offset by the steady decline in the number of young persons coming into farming. Similarly, the significant fall in numbers in the 55-and-over age group reflects the fall in the birth rate during the First World War, combined with the increase in the death rate during the Second World War. However, this is only a temporary factor and in due course the 55-and-over age group will increase in size again. Thus the relative youth of the agricultural working population is unlikely to become more pronounced or even to continue in the natural course of events. What is more, the present overall economic situation is unlikely to provide any new alternative employment capable of absorbing agricultural labour.

68. Parallel to the general economic trend there has been a very appreciable increase in per capita earnings, although this trend is levelling off slightly. In 1974 per capita earnings were 16.2 % higher than in 1973, while in 1975 the rate of increase has been 15.5 %. The trends vary considerably from one Member State to another, ranging in 1975 between 14 to 15 % (Netherlands, Denmark, Luxembourg and France) and 27 to 28 % (United Kingdom and Ireland). In Germany, however, the rate of increase was only 6.5 %. The increase in agricultural wages ranged in 1974 from 31.8 % in Italy to 14.5 % in Germany. The expected further increase in non-agricultural wages in the Community (15.5 %) in 1975, as against 16.1 % in 1974, suggests that agricultural wages will increase by the same amount in 1975.

69. The extent to which farmers are covered by social security is the same as in previous years; accidents at work are still not covered in Belgium, Ireland, the Netherlands and the United Kingdom, neither are sickness, maternity or disablement in the Netherlands and Ireland (in the latter country sickness benefits can be granted subject to certain income requirements). Participation of the nation as a whole in the financing of social security still plays a considerable role in Denmark (99.8 %) and Italy (92.8 %) while a near-balance has been achieved in the Netherlands (5.7 %). In

some countries the annual amount of the old-age pension followed the increase in the cost of living (however, some considerable increases were partly due to the rates used for converting national currencies into units of account); the Netherlands and Denmark still lead the field with 3 029 u.a. and 2 097 u.a. respectively while Italy brings up the rear with 528 u.a.

4. The upsurge in productivity

70. During the period '1968'-'1973', there was an annual increase in labour productivity of 7.6 % in the original Community. This development was due to the combined effect of the average increase in final production (2.1 %) and the decrease in the number of persons engaged in agriculture (-4.7 % per annum). Calculated on the basis of gross value added, labour productivity increased by 5.9 % per annum. For the various Member States, these rates are respectively 7.2 % (7.4 %) in Germany, 6.3 % (3.7 %) in France, 6.4 % (4.5 %) in Italy, 7.9 % (7.2 %) in the Netherlands, 10.4 % (8.3 %) in Belgium and 6.5 % (5.1 %) in Luxembourg. In the United Kingdom labour productivity increased by 4.4 % (4.1 %).

71. Taking all sectors of the economy together, the rate of 7.6 % is to be compared with an annual growth rate of the gross domestic product per person employed in the original Community at constant prices and exchange rates for the same period of 5.4 % for the original Community and 4.8 % for the enlarged Community. Over the same period, the productivity per hectare of utilized agricultural area in the original Community has shown an annual growth rate of 3.1 % (1.9 %).

72. Over the longer period from '1963' to '1973', the average yields per hectare showed quite substantial annual rates of increase. These varied in the Community from 4.6 % for durum wheat, 5.0 % for grain maize, 3.4 % for common wheat, 1.8 % for barley and 1.4 % for sugar beet. For cereals as a whole the annual growth rate was 2.8 %. In general, yields showed an appreciably lower rate of increase in the three new Member States.

73. The second joint research programme on classical and African swine fever is continuing with the cooperation of 17 institutes and research centres in eight Member States, plus Spain and Portugal. Joint coordinated programmes of research are to be undertaken in the field of animal leucoses, livestock effluents, beef production and plant protein production. To implement these programmes the Commission has drawn up contracts with some 140 institutes and laboratories in the Member States. Eight seminars, three workshops and numerous exchanges of researchers were organized by the Commission in 1975 in order to obtain the optimum coordination of research.

74. At the present time the marketing of agricultural products in the Community which, by improved organization, could help to increase the market value of those products is undertaken by various producer groups and organizations. Such bodies were either set up by the farmers themselves, as in the case of cooperatives, or by the government, as in the case of the recognized producer groups which were expressly provided for by law in France and Germany. These laws do not stipulate a specific legal form for the recognized producer groups but allow them to take many legal forms. In France, for example, there are syndicates, associations, cooperatives and SICAs (joint agricultural companies). Thus, in France, in the table poultry sector, the 43 producer groups which existed in 1971 included 20 cooperatives, 10 SICAs and 20 associations and syndicates. On the other hand, in Germany more than 70 % of the recognized producer groups chose the cooperative as their legal form.

75. In the Netherlands and in Denmark, cooperatives play an important economic role in the productivity of agriculture; in the Netherlands 60 % by value of total agricultural production is marketed via cooperatives. In the United Kingdom, on the other hand, despite the long history of the first cooperatives which were founded at the end of the last century, they occupy only a secondary position in the sale of agricultural products, probably as a result of the existence of marketing boards for certain of these products. In all Member States, except the United Kingdom, the milk sector seems to form the backbone of the cooperative movement because of the fact that milk is a highly perishable product. The percentage of milk production collected by cooperatives ranges from 35 % in Italy to 90 % in the Netherlands and Luxembourg. In the United Kingdom, milk is mainly marketed through the Milk Marketing Board.

76. As a product intended for processing, sugar beet is sold in all Community countries, with the exception of the Netherlands (37 %), solely or almost exclusively under contract. A very high proportion of the garden peas grown for canning companies is sold under contract (the whole of production in Ireland and in Belgium and almost all in Germany, France, the Netherlands and Denmark). As regards table poultry, production and marketing are frequently organized by means of contracts or agreements between the compound feedingstuffs industry, breeders and slaughterhouses. Thus, in the Netherlands and Belgium almost all table poultry (90 % and 95 % respectively) is sold under contract. In the fresh eggs sector, on the other hand, contractual arrangements with the compound feedingstuffs industry, breeders and packing centres are much less common, a considerable proportion of production being marketed directly by the producer to the consumer or sold on the markets.

5. Difficulties in the fisheries sector

77. The total number of vessels in the Community fleet fell from 52 772 units in 1972 to 52 245 in 1974. The tonnage was slightly higher in 1974, however, at 1 267 194 grt as against 1 223 344. In addition to the above fleet, there are a further 31 591 small boats engaged occasionally in fishing. The total number of vessels in the Community over 24 metres in length — and vessels over this length are mainly employed in distant water fishing — was 2 018 in 1974, of which about 400 were over 500 grt. Only 4 Member States, the United Kingdom (492), France (305), Italy (200) and Germany (151), have large distant water fleets.

78. Due to the oil crisis, operating costs rose sharply from the last quarter of 1973 to the end of 1974, varying from about 20 % in Denmark and the Netherlands to 30-40 % chiefly in Italy. Over the year, landed prices tended to lag behind inflation, and the more valuable species tended to become scarcer, which resulted in some owners being forced to lay up vessels and in fishermen's wages dropping below the three-year average. Due to the economic uncertainties, high building costs, the high rates of interest being charged on loans, and the reluctance of the banks to lend because of the danger of overfishing which could lead to a poor return on investment orders for new vessels fell off, although there were some deliveries in 1974 of vessels ordered in the more prosperous days of 1972 and 1973. The age of the distant water fleet in certain areas still gave cause for concern, especially in the United Kingdom, Germany and Belgium, where respectively 47, 46 and 38 % of the fleet was over 15 years old.

79. The total number of full-time fishermen in the Community is about 146 000, with at least another 13 000 part-time operators. However, the fishing population is tending to age, and in most countries of the Community the under-20 age group has decreased slightly.

Productivity in m.t. per fisherman in 1974 tended to increase marginally, except in Germany where there was an increase of 33 % and in Denmark where the increase was 22 %. Productivity in Ireland and Italy, on the other hand, tended to be below the Community average.

80. In the processing industry sector, between 1972 and 1974, there was little change in the amount of fresh and chilled fish supplied to the market, but an increase of over 20 % in the amount of frozen fish and an increase of over 14 % in the amount of smoked, dried and salted fish was recorded.

The demand for Community canned fish products fell by over 20 %. The amount of fish-meal manufactured by the Community increased from 43⁰ 000 m.t. in 1972 to 491 000 m.t. in 1974. The main fish-meal producer in the Community was Denmark.

III — The common market in agriculture

A — General survey

81. In the medium term ('1968'-'1973'), the volume of the Community's final production increased by 2 % per annum. In 1974, the increase over 1973 was 2.2 % (as against 5.1 % for 1973). Unlike the situation in 1973 and the medium-term trend, there was a higher increase in 1974 in livestock production (3.6 %) than in crop production (0.1 %). In the long term ('1963'-'1973'), the average annual growth rates in the Community varied considerably according to product; some were negative (rye, oats, potatoes, flax, hemp), while most were between 1.5 and 3.5 %, and others were over 3.5 % (durum wheat: 6.8 %; barley: 4.3 %; maize: 8.9 %; rape and sunflower seed: 12 %; oranges: 6.1 %; lemons: 4.8 %; poultry-meat: 6.6 %).

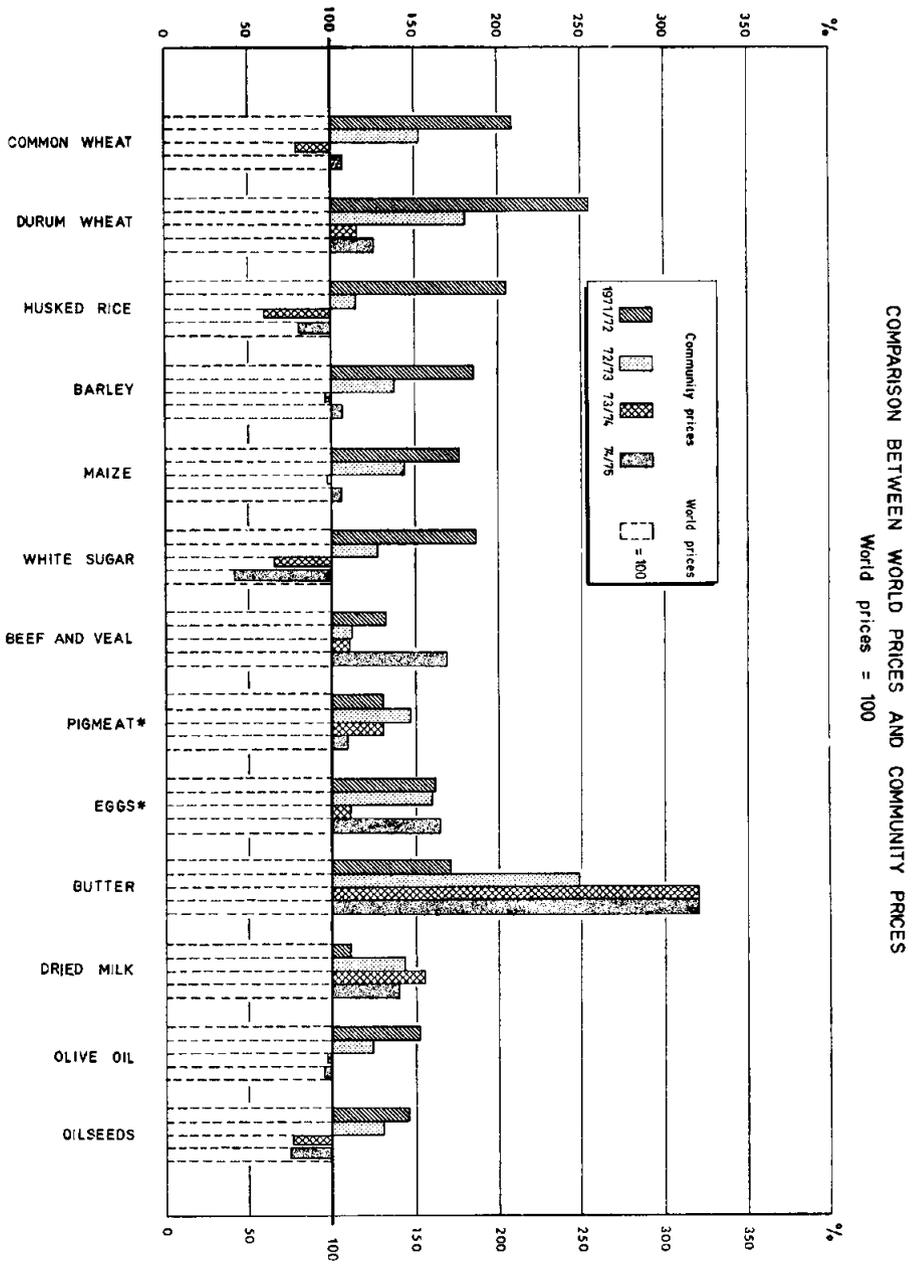
82. In 1973 the proportion of consumer expenditure going on food products represented 25.7 % of private consumer expenditure (21.1 % in Germany and 38.7 % in Ireland). Independently of the effect of national consumer habits, which vary considerably within the Community, it may be said, in general, that the consumption of potatoes, bread grains, milk and butter has dropped in the last four years, while that of fruit and vegetables, sugar, vegetable oils and fats, meat, eggs, cheese and fresh cream has risen. Despite certain national habits which generally remain fairly constant, changes have occurred; they do not appear to be due solely to the rise in the standard of living but also to the new possibilities offered to consumers as a result of the integration of the agricultural markets.

83. There were no major changes in the Community's degree of self-supply in 1973/74, except in respect of wine (115 %), beef and veal (100 %) and rice (90 %). In 1974 prices rose generally on international markets; this increase ended in autumn 1974 and changed to a decrease at the end of 1974 and in the first six months of 1975.

B — The situation in the main sectors

84. With regard to the markets in the various products in 1975, there was a surplus of wine, milk powder and apples, and a shortage of white sugar at the beginning of

*1971 - 1972 - 1973 - 1974



GRAPH 6

the year, while the market in beef and veal was restored to a more normal situation. Apart from slight imbalances inherent in any agricultural market, the situation in the other sectors, with the exception of the increase in feed wheat, which is likely to present major problems in 1976, shows no marked differences from that of 1974.

a) Markets in serious difficulties in 1975

1. Milk and milk products

85. The market in milk and milk products is in serious difficulties because, although the medium-term trend in deliveries to dairies reveals an annual increase of 1-2 %, the medium-term trend of consumption is one of stagnation. These trends have given rise to stocks of butter which were disposed of at low prices on the world market in 1973 and on the internal market in 1974 on special terms and in stocks of skimmed milk powder amounting to more than 1 million m.t. at the end of 1975.

— Production and use of milk

86. In 1974, milk production represented some 18.5 % by value of the Community's final agricultural production; total world output of milk in 1974 may be estimated at about 380 million m.t. The Community's share, more than 91 million m.t., represented a substantial proportion of world production, namely 24 %. There have been considerable changes in the structure of milk production in recent years. There are some 2.2 million milk producers in the Community owning about 25.2 million dairy cows. About 1.5 million producers own fewer than ten cows, accounting for about 20 % of the total dairy cow numbers. The average size of herd varies from five cows in Italy to 23 in the Netherlands and 70 in Scotland. The marked trend towards the restructuring of production which has appeared in recent years seems to have accelerated; it is characterized in particular by a drop in the number of milk producers, an increase in the average number of cows per herd and the increasing transfer of milk production to regions where there is a high proportion of permanent pasture.

87. The preparation and processing of milk in the Community is carried out by some 7 500 firms with about 8 800 establishments, almost half of which are in Italy. Average quantities of milk prepared and processed per establishment in the Member States in 1973 vary from 1 000 m.t. in Italy to 56 000 m.t. in Luxembourg. With concentration and modernization, the number of establishments is continuing to decrease. The aim of the rationalization measures is to lower processing costs considerably and to make more effective use of modern techniques for the production of high-quality products.

88. In December 1974 the number of dairy cows was 25.2 million, i.e. 1.4 % less than in the previous year. Total dairy cow numbers increased only slightly in the Benelux countries and in France. In all the other Member States, the decrease was 1-4 %. The latest figures available point to a further slight reduction in dairy herds in the Community as a whole in 1975.

89. In 1974, milk production was equal to that of 1973, and it is not likely to have been much higher in 1975. On the other hand, deliveries of milk to dairies continued to increase (81.3 million m.t.) in 1974, being almost 1 % up on 1973. Deliveries decreased only in Ireland and the United Kingdom, due mainly to the increase in the costs of milk production, and in particular the prices paid for feedingstuffs.

— Production and consumption of the principal milk products

Drinking milk and similar products

90. The consumption of whole milk continued to decrease, whereas that of semi-skimmed milk increased. Sales of cream rose slightly. The consumption of fresh milk products (yoghourt and milk-based beverages) did not increase as rapidly as in recent years. On the whole, the consumption of drinking milk and similar products increased slightly. For 1975, no significant structural change is expected in consumption in this sector.

Butter

91. Although butter stocks were at their lowest level at the end of 1974 (148 000 m.t.) following a decrease in production and an increase in consumption owing to special measures for disposal on the internal market, the situation has since altered following the 2 % increase in production in 1975 and the slackening of consumption. This slackening in consumption is due mainly to two increases in butter prices in the absence of any readjustment of the consumer subsidies granted in some Member States and to the recent drop in the price of margarine, which has affected the position of butter on the market. Exports to non-member countries have continued to fall since the massive special sales, effected at considerable financial cost, eased the situation on the butter market in 1973. As a result, stocks at the end of 1975 will be about 220 000 m.t. and will not exceed the stocks at the end of 1973.

Skimmed milk powder

92. The imbalance between supply and demand is due to both the increase in production (6 % in 1975) and the decrease in internal consumption and extra-Community exports. This situation resulted in a considerable increase in stocks

which, at 1 April, were 56 000 m.t. in 1973, 123 000 m.t. in 1974 and 437 000 m.t. in 1975. They will exceed one million m.t. at the end of 1975. Most of these stocks are likely to be public, since the private stocks held by manufacturers, traders and processors will have been greatly reduced.

Cheese

93. Production and consumption of cheese are clearly no longer showing the high rates of expansion seen in preceding years. Overall cheese consumption appears to have reached a level which is unlikely to rise appreciably in the near future. Per capita consumption was 11.5 kg in 1974. On the other hand, the trends noted in recent years relating to the consumption of the various types and qualities will probably continue.

Whole milk powder; condensed milk and casein

94. The production of whole milk powder will continue to decrease slightly in 1975 and about 60 % will be consumed in the Community and 40 % exported. The production and consumption of condensed milk will probably continue to decline and exports in 1975 cannot be considered favourable. The production of casein also had to be limited in 1975 following the reduction in internal demand and low-priced imports of competing products.

— World market situation and international trade

World market

95. In 1974, the world market in milk products once more moved from a state of balance to a state of imbalance. In 1975, this trend continued, resulting in a reduction in world trade in butter, skimmed milk powder, casein and cheese.

96. In the United States, milk production remained stable in 1974 and 1975. This change from the previous downward trend, combined with a drop in the consumption of liquid milk and skimmed milk powder, meant that considerably fewer milk products needed to be imported than in 1973. Imports of skimmed milk powder consequently fell from 121 000 m.t. in 1973 to 52 000 m.t. in 1974. In 1975, owing to increased production and reduced consumption, US intervention stocks of skimmed milk powder rose to over 200 000 m.t. The US cheese market posed considerable problems for exporting countries in 1974 and 1975 as a result of the increase in US production in 1974 and the threat that the United States would levy compensatory duties on certain cheese imports. During the first six months of 1975, US cheese imports fell by 69 % in relation to the same period in 1974. Deliveries from

the Community, which account for about 45 % of total US imports of cheese, decreased to the same extent.

97. In New Zealand, milk production started to increase at the end of 1974, since the weather had returned to normal after the periods of drought which had occurred during the two previous milk years. As a result, production and export possibilities increased considerably, especially for butter and skimmed milk powder. Since the market in casein remained poor throughout 1974 and 1975 and there were fewer dealings in skimmed milk powder in 1975, stocks of skimmed milk powder began to increase. In Australia and Canada there was an increase in the quantities available for export in 1975, while imports by Japan decreased.

98. Generally speaking, the world market in 1974 and 1975 reflected the increase in the production of milk and the trend towards using milk for the production of butter and, more especially, skimmed milk powder, whilst the consumption of most milk products was hindered by the international economic recession. The situation regarding skimmed milk powder changed radically at the end of 1974 and in 1975 in relation to 1973, a period in which there was a decline in deliveries of soya and fish-meal and prices for skimmed milk powder increased. The available quantities of soya and fish-meal increased, the use of skimmed milk powder declined, prices on the world market fell by more than 50 % between December 1974 and September 1975 and stocks increased. Correspondingly, buyers have shown increasing reluctance to renew their operating stocks.

Extra-Community trade

99. Apart from special sales and food aid, normal commercial exports of butter rose from 86 000 m.t. in 1973 to 130 000 m.t. in 1974, an increase of 51 %, due mainly to deliveries of butteroil for reconstitution. In 1974, increases were recorded in exports of cheese (20 %), skimmed milk powder (18 %), condensed milk (5 %) and casein (75 %). This situation was reversed, however, in 1975 in respect of the four products, whilst exports of whole milk powder continued to decline.

100. In 1974, the Community imported 132 000 m.t. of butter, including 117 358 m.t. supplied to the United Kingdom by New Zealand under Protocol No 18 to the Treaty of Accession. The quantity delivered by New Zealand in 1974 was in fact 41 000 m.t., or 26 %, less than the quota allowed by the abovementioned Protocol No 18. The United Kingdom's cheese imports from New Zealand fell from 47 000 m.t. in 1973 to 18 000 m.t. in 1974, about 43 000 m.t. less than the quantity allowed by Protocol No 18. Community imports of cheese from non-member countries other than New Zealand rose in 1974 by 4 500 m.t., or 7.5 %, a rate of increase almost double that of 1973. The increase was mainly in the group of cheeses covered by agreements on consolidated duties.

— Prices

Milk: target price and producer prices

101. The target price for milk was fixed in two stages at 15.59 u.a./100 kg for the 1975/76 marketing year. This represents an increase of 10.7 % over the previous marketing year, and of 32.5 % since 1 February 1973, the date of the entry into force of the common rules on agriculture in the enlarged Community. The intervention prices for butter, skimmed milk powder and certain Italian cheeses were raised to try to ensure that the milk target price would be obtained for the entire tonnage sold by producers during the marketing year.

102. Producer prices for milk varied appreciably during the reference period, not only between one Member State and another but also from one dairy or region to another within individual countries. However, whereas in previous years the average producer price in the Community had invariably been higher than the target price, in 1974 and 1975 it was about the same as the target price.

Wholesale and consumer prices

103. Trends in these prices in the Member States have been running more or less parallel to trends in intervention prices. However, as a result of the continuing inflationary pressure in all Member States, the indices of both wholesale and consumer prices for milk and milk products have in certain cases risen more rapidly than delivery prices to dairies, since increased charges at the various marketing stages have been passed on to the consumer.

Owing to the stagnation of demand for milk and milk products and the generally slower increase in purchasing power, sellers have sometimes had difficulties in imposing price rises on the market. This explains to a large extent the increased quantities, particularly of skimmed milk powder, offered to the intervention agencies.

— Economic aspects of the measures taken

Import levies

104. Free-at-frontier prices for skimmed milk powder fell from 60.50 u.a./100 kg in January 1974 to 37.20 u.a./100 kg in October 1975. During the same period, price variations between 63 and 71 u.a./100 kg were recorded for butter. After a rise in 1974, the free-at-frontier prices for Gouda remained stable at about 72 u.a./100 kg in 1975 and prices for Cheddar, after falling until April 1975 (67 u.a./100 kg), rose again to 78 u.a./100 kg in October 1975. In general, it may be said that import levies made it possible to continue traditional imports of certain special types, such as Emmentaler, Tilsit, sheep's milk cheeses, etc.

Export refunds

105. After a certain degree of stability in 1974, refunds increased in 1975 in order to take into account the development of the market. The refund on skimmed milk powder rose from 4 u.a./100 kg in July 1974 to 48.48 u.a./100 kg in October 1975. The refunds on exports of cheese to the USA were abolished on 12 July 1974 in order to prevent the application of countervailing duties. Following discussions with the US authorities, they were reintroduced in February 1975 for most cheeses.

Subsidies for skimmed milk, skimmed milk powder and casein

106. The quantities of liquid skimmed milk for which subsidies were granted totalled 4.3 million m.t. in 1974. The figure is estimated at 4 million m.t. for 1975.

In 1974, subsidies were granted for 1 143 000 m.t. of skimmed milk powder used in feedingstuffs, a decrease of 4.6 % in relation to 1973. The quantities for which aid was requested during the first six months of 1975 continued to rise. The upward trend noted some years ago has given way to a decline, owing mainly to the reduced amounts of skimmed milk powder used in milk feeds for the raising and fattening of calves. Subsidies for skimmed milk converted into casein were adjusted very cautiously during the years 1973 and 1974. An appreciable increase was recorded in 1974. The quantities for which subsidies were granted amounted to 2 395 000 m.t. in 1974 as against 1 869 000 m.t. in 1973, an increase of 28 %.

Intervention measures

107. Public stocks of butter fell from 117 500 m.t. at the beginning of 1974 to 53 500 m.t. at the end of 1974. In 1974, about 110 000 m.t. were sold at greatly reduced prices and 43 000 m.t. were released from storage for supply as food aid following processing into butteroil. The special measures concerning sales within the Community related mainly to sales to the ice-cream and confectionery industries (about 7 000 m.t. per month) and to the armed forces and non-profit-making bodies (about 2 000 m.t. per month). Private stocks of butter qualifying for subsidies amounted to 225 000 m.t. in 1974. Finally, the following measures were applied to boost sales of fresh butter and butter from private stocks: sales at reduced prices for social welfare purposes (32 600 m.t. in 1974, as against about 15 000 m.t. in 1973) and national and Community subsidies for the consumption of fresh butter (applied only in the UK and Ireland).

108. Public stocks of skimmed milk powder, which were about 166 000 m.t. at the beginning of 1974, amounted to 365 000 m.t. at the end of 1974. The reduction of stocks was effected mainly in connection with food aid, which amounted to 52 500

m.t. in 1974. A further quantity of about 15 000 m.t. was sold for feedingstuffs (at 2 u.a./100 kg above the intervention price) and 3 000 m.t. for export.

109. In 1974, no Italian cheeses were offered for intervention (public storage). From January 1974, however, certain quantities came under the system of private storage aid: about 27 000 m.t. of Grana-Padano and 5 300 m.t. of Parmigiano-Reggiano. Certain long-keeping cheeses, especially those bound under GATT and sheep's milk cheeses requiring at least six months for maturing, may qualify for private storage aid. In 1974, the total quantity was about 15 000 m.t. (Emmentaler type).

Food Aid

110. It was not possible to deliver the entire quantities promised for 1974 (55 000 m.t. of skimmed milk powder and 45 000 m.t. of butteroil). The balance, about 39 000 m.t. of skimmed milk powder and 18 600 m.t. of butteroil, was delivered in 1975.

— Budgetary costs

111. Expenditure by the Guarantee Section of the EAGGF in respect of milk products amounted to 1 497 million u.a. in 1973 and 1 221 million u.a. in 1974 and has been estimated at 1 153 million u.a. for 1975, i.e., 39.2 %, 39.3 % and 25.2 % respectively of the Guarantee Section's total expenditure. The total amount of 1 153 million u.a. includes 304.8 million u.a. for export refunds, 197 million u.a. for storage and 651.7 million u.a. for price subsidies.

2. Wine

112. In 1975 there were surpluses on the wine market which were partly absorbed by exceptional distillation measures. These measures applied to 20 million hl in 1974/75 and 6 million hl in 1973/74. It is true that the excellent harvest of 1973/74 was followed by a good harvest in 1974/75, but these short-term variations, which are a normal occurrence in the wine sector, must not conceal the medium-term trend towards structural surpluses owing to the fact that the medium-term growth rate of supply is higher than the medium-term growth rate of demand.

— Supply

113. In 1973/74, just over 2 million producers had 2 369 million ha of vineyards in production, i.e., 4 % more than in 1970/71, the date on which statistics were

harmonized. This increase stems from Germany (+7 000 ha, or +9.4 %) and Italy (+96 000 ha, or +9.7 %), whilst there was a reduction in the area under vine in France (-13 000 ha, or -1.1 %) and Luxembourg (-100 ha, or -10 %). In 1973/74, the total area of vineyards in the Community, including vines in production (2 369 million ha) and vines not yet in production (166 000 ha), was 2 535 million ha. Account being taken of the new areas scheduled for planting, (+22 000 ha) and the areas scheduled for replanting (+47 000 ha) and grubbing (-54 500 ha) in 1974/75, there is likely to be an increase of 14 500 ha, or 0.6 % in relation to 1973/74, in the vineyards growing wine grapes. This increase in vineyards is planned in the four main producer Member States. A qualitative factor must be introduced into this analysis, however: this increase of 14 500 ha in 1974/75 would result from an increase of 11 600 ha in vineyards producing quality wines produced in specified regions and of 4 800 ha in vineyards producing wines intended for the production of cognac, and a reduction of 1 900 ha in vineyards producing table wine.

A considerable proportion of the production of table grapes is used for wine-making. There has been no reduction in the areas of open-air cultivation of table grapes. In Italy, the quantity of table grapes used for wine-making increased from 2.4 million quintals in 1968 to 5.4 million quintals in 1973.

114. Wine production totalled 127 million hl in 1972/73 and 171 million hl in 1973/74, and it has been estimated at 156 million hl for 1974/75. These widely divergent figures obviously lead to the conclusion that only a long-term analysis can enable the exceptional nature, whether good or bad, of a harvest to be assessed. The average annual growth rate of production from '1967/68' (three-year average) to '1972/73' (three-year average) was about 1 % (Germany: +7 %; France: +1.6%; Italy: -0.3 % and Luxembourg: +2.9 %). This trend is explained by the increase in areas but also by a long-term increase in yields. The main effect of grubbing, followed by the planting of new areas and replanting, is to redirect production towards quality wines produced in specified regions and wines intended for the production of cognac, rather than table wines, but there is also the secondary effect of increasing yields, since areas which are replanted or newly planted are more productive than old vineyards. There is a further increase in productivity in that replanting projects are often combined with the consolidation of holdings, improvements in roads or in the water distribution network, and with the replacement of mixed cultivation vineyards by specialized cultivation vineyards.

— Demand

115. Direct human consumption fell by 4.4 % from 1972/73 to 1973/74, a drop of 5.1 % in per capita consumption. In 1974/75, there would appear to have been a drop in the consumption of table wines, partly counterbalanced by an increase

in the consumption of quality wines produced in specified regions, stagnation of consumption in Italy and a slight rise in the other Member States which was insufficient to make up for the fall in consumption recorded in France. In the medium term (from '1967/68' to '1972/73'), there was a zero growth rate for total direct human consumption in the Community, which corresponds to a drop of 0.9 % in annual per capita consumption. It is obvious that, in the absence of tax harmonization measures (excise duties), the expansion of consumption in those Member States where consumption is low will be impeded, the general trend towards stagnation will continue and consumption will not be sufficient to meet the increase in production.

116. In these circumstances, it is not surprising that exceptional distillation measures had to be adopted and that they were applied to 3.4 million hl in 1970/71, 3.5 million hl in 1971/72, 6 million hl in 1973/74 and more than 20 million hl in 1974/75.

— Balance between supply and demand

117. After the 1971/72 and 1972/73 marketing years, when supply was lower than internal requirements, the 1973/74 and 1974/75 harvests were considerably in excess of the quantities required for normal internal uses, excluding, of course, exceptional distillation measures. If the amount of surplus wine which was distilled (6.0 million hl) is subtracted from the total supply figure, the self-supply rate for 1973/74 was 119 %. Calculated on the basis solely of direct human consumption, this rate would be 137 % for the same marketing year, but it does not take into account the quantities normally intended for processing (cognac, armagnac, vermouth, vinegar, etc.). Even though 20 million hl were distilled as an exceptional measure in 1974/75, the self-supply rate for 1974/75 will still be considerably greater than 100 %.

118. Apart from the exceptional distillation measures, a balance between supply and demand was obtained by increasing stocks (+25.7 million hl in 1973/74). This was relatively easy in 1973/74, since the poor harvest of 1972/73 had resulted in a 12 million hl reduction in stocks; the situation became very critical, however, when the good harvest of 1974/75, following upon the excellent harvest of 1973/74, had to be stored.

119. This situation was slightly aggravated by an increase in net imports from 1972/73 to 1973/74 (4 million hl in 1972/73 as against 4.6 million hl in 1973/74). Care should be taken, however, in interpreting these figures; these two marketing years cover 1973, when the prices ruling in the Community were higher than the reference prices. The comparison of extra-Community imports in 1973 and 1974 reveals that they dropped by about 1.3 million hl (6.9 in 1973 and 5.6 million hl

in 1974), while extra-Community exports remained fairly constant (4.5 million hl); the net external balance fell from 2.4 million hl in 1973 to 1.1 million hl in 1974. Despite the lack of figures for 1975, it may be said that this trend continued in 1975. As regards quality, bulk imports of wine of an actual alcoholic strength of 13° or less increased, owing mainly to the massive imports by France. There is a similar trend in bulk imports of wines of an alcoholic strength of between 13 and 15° and also in imports of wine without designation of origin of an alcoholic strength of between 15 and 18° and wines of between 18 and 22°; on the other hand, imports of liqueur wines such as port and sherry have tended to decrease; there is a considerable drop in imports of wines fortified for distillation.

120. The balance between supply and demand had also been seriously disturbed within certain Member States of the Community. Italy supplied 59 % of Community deliveries from other Member States during the 1973/74 marketing year, whereas France supplied only 36 %. This is surprising, since the French and Italian volumes of production are approximately the same. It is interesting to note that, despite considerable difficulties in disposing of some its domestic production, France imports increasing quantities of Italian wines. Some Italian wines are used for coupage with French wines of a lower alcoholic strength and demand for such Italian wines will increase in proportion to the number of French wines of low alcoholic strength.

Furthermore, since the end of 1974, the price of Italian wines has generally been lower than that of French wines, even when account is taken of transport costs. The French market has therefore become attractive for Italian wines and the trade flow which developed and expanded at the beginning of 1975 resulted in the distillation measures of April 1975 and the storage measures introduced in France for 1 500 000 hl of wine. What is more, the French Government saw fit to tax imports of table wine and wine suitable for producing table wine from Italy as from 12 September 1975. On that occasion, the Commission instituted proceedings against this unilateral measure.

— Effects on prices of the imbalance between supply and demand

121. During the 1974/75 marketing year, market prices for all types of table wine were in general lower than the activating price. The drop in prices which was caused by the 1973 harvest, and which was already quite large for the 1973/74 marketing year, thus continued. At the beginning of the 1975/76 marketing year, in France at least, there was a very distinct improvement in prices as a result of forecasts of an average harvest. The gap between market prices and the relevant activating prices was particularly wide for table wines of types A II, A III and R III. The prices quoted for these types of wine were generally about 60 % of the activating

price. On the other hand, the lowest prices for table wine of types R I, R II and A I were sometimes 75 % of the respective activating price. In 1974/75 prices were between +12.4 % and -36 % of the previous years' levels, depending on the market. The unsatisfactory price levels during the marketing year just ended were caused by the very large harvest of 1973 and the abundant harvest of 1974, which was also in excess of normal Community requirements.

122. Wine prices on world markets in 1974/75 were generally considerably lower than Community prices in respect of trade with non-member countries. Quotations as low as about 0.90 u.a./°/hl were recorded, i.e., 60 % of the lowest activating price in the Community. Consignments were offered to Community countries at cif prices of 2.22 u.a./°/hl or more for ordinary quality red wine, which thus complied with the corresponding reference price when customs duties are taken into consideration.

— Measures adopted to correct the imbalance between supply and demand

123. First of all, the countervailing charges' had to be reduced slightly in 1974/75 compared with the previous year. The countervailing charge, however, plays only a very minor role in the wine sector, since the Community's principal suppliers have undertaken to abide by the reference prices, and the countervailing charge is not applied to the 18 countries which have given this undertaking.

124. Refunds for the 1974/75 marketing year were unchanged on the previous year, although there was an increase in refunds at the beginning of the 1975/76 marketing year and a less restrictive application than in the past with regard to geographical destination.

125. During the 1974/75 marketing year, all the intervention measures provided for in the Community rules were applied. Storage contracts were thus concluded for a monthly average of 16.8 million hl (12.5 million hl in 1973/74). This average had never before been reached since the common organization of the market. Never before had there been such large-scale intervention in the form of the distillation of surpluses with public aid. The quantity of wine distilled between the beginning of 1974 and the end of August 1975 totalled about 26 million hl, some of which was not covered by a Council decision. It is certain that if distillation operations are carried out too frequently and too intensively, they will lose the exceptional nature which, at the outset, they were intended to have. Furthermore, in so far as the structural nature of the surplus is confirmed, it must be admitted that the use of distillation can lessen the effects of a surplus, but does not permit effective action against the causes of the trouble.

126. The distillation measures decided on in 1975, at a time of serious crisis, are carried out at price levels very close to the activating prices, and sometimes even higher than the market prices. In these circumstances, it cannot be said that they do not favour the disposal of low-quality wines. Given the level of the ruling prices, these distillation operations have certainly not constituted an incentive for the producer to improve the quality of the wines.

127. Moreover, the quantity of wine distillates in storage is becoming considerable and already amounts to more than the normal quantity marketed in three or even four marketing years. Although there is no real disturbance of the market in alcohol, it may be said that the market in wine brandies has already been clearly disturbed.

— Budgetary costs

128. All these measures, which were essentially short-term, had a considerable effect on expenditure by the Guarantee Section of the EAGGF which amounted to 12.4 million u.a. in 1973 and 42 million u.a. in 1974 and is estimated at 209.2 million for 1975, i.e., 0.3 %, 1.4 % and 4.6 % respectively of the total expenditure of the Guarantee Section.

The total amount of 209.2 million u.a. for 1975 breaks down as follows :

1.0 million for export refunds, 52.4 million u.a. for storage, 147.5 million u.a. for distillation and aid for the restorage of table wines, 3.3 million u.a. for distillation costs relating to the by-products of wine-making and 5.0 million u.a. carried over from 1974.

b) Other markets

1. Beef and veal

— Production

129. About 3.3 million farms are engaged in beef production, on 60 % of the Community's UAA, and the share of beef production in the value of final agricultural production in the Community in 1974 was 14.4 %. At the end of 1974 the cattle count had increased by only 9.6 % by comparison with 1973 because of the large number of slaughterings in 1974. The number of cows and calves also fell in 1975 and the number of slaughterings appears to be levelling out at present; indeed the slaughtering of young bulls is slowing down. Slaughtering of adult bovine animals and calves in 1975 amounted to 29 million head, i.e. the same number as

in 1974, thus gradually relieving the market which had been in very serious crisis in 1974.

130. Although beef production in 1974 increased by more than 20 %, production in 1975 would not appear to be very much higher than the 6.5 million m.t. produced in 1974. In spite of a slight increase in the number of adult bovines slaughtered in 1975, production has not increased in proportion because of a drop in the average slaughter weight (shortage of fodder, high cost of feedingstuffs, high premiums granted at the beginning of 1975). After rising by about 9 % in 1974, veal production fell slightly in 1975.

— Consumption

131. After rising between 1964 and 1971, per capita consumption fell slightly in 1972 and 1973 but recovered in 1974 and 1975. In the medium term, annual per capita consumption of beef has increased by about 2 kg while that of veal has dropped by about 0.5 kg. The relatively slight increase in beef and veal consumption in a period of overproduction, particularly in 1974, may be explained in part by the simultaneously abundant supplies of pigmeat.

— Self-supply and trade

132. In 1974, for the first time in its existence, the Community was self-sufficient. In 1975 it will probably again have a slight deficit. The large-scale buying-in by intervention agencies in 1974 and 1975 left a certain amount of beef and veal in storage at the end of these years. In mid-October 1975 there was still over 0.25 million m.t. of intervention beef and veal in storage and it is likely that there will still be a considerable quantity in storage by the end of the year.

133. The Community's external trade reflected the situation on the Community market.

While the USA, the Community and in recent months the USSR have been the world's main beef and veal importers, the main suppliers of beef and veal to the Community are Argentina, Uruguay (which together supply more than a third of total imports and 40 to 50 % of imports of frozen meat), eastern Europe (more than a fifth of total imports and two-thirds of the live animals imported), Australia, New Zealand, Yugoslavia and Austria.

The Community's external trade

(1 000 m.t.)

Trade	Period	1971	1972	1973	1974	1975 (estimate)
	Imports from non-member countries :					
Béef and veal		652	943	951	356	200
of which live animals (1000 head)		170 (952)	190 (1046)	168 (846)	102 (517)	35 (170)
fresh or chilled meat		153	203	235	83	65
frozen meat		329	550	548	171	100
Exports		110	58	75	178	180
Net trade balance		542	885	876	178	20

— Prices

134. In mid-October Community market prices for all qualities of animals were about 86 % of the guide price for adult bovines and more than 110 % of the guide price for calves. After the drop in market prices observed in several Member States in 1974/75, the Community average rose by about 10 %, although prices still vary greatly from one Member State to another. After falling in 1974, import prices remained relatively stable at a level some 30 % below the figure for spring 1973. Market prices for frozen meat continued to fall in the period 1973-75.

135. Consumer prices increased by about 4.8 % in 1974. Since the increase in private spending will be about the same in 1975 as in 1974 and producer prices will rise by about 10 %, a relative reduction in the trading margin, which rose considerably in 1974 because of the drop in producer prices, is to be expected in 1975.

— Economic aspects of the measures taken

136. The Community progressively adopted a number of measures to overcome the imbalance between supply and demand:

— *protective measures at frontiers*; the issue of import licences for beef and veal from non-member countries was suspended in July 1974. This measure was relaxed in April and September 1975 by the EXIM procedure and by authorization of the import of a specific number of calves and young bovines for fattening;

- *market clearance measures*: granting of export refunds, direct purchase by public intervention agencies (0.02 million m.t. in 1973, 0.47 million m.t. in 1974 and 0.38 million m.t. in 1975, with provision for deboning) and granting of private storage aid for beef and veal (21 000 m.t.) in 1974, and for carcasses (about 69 000 m.t.) and forequarters of adult bovine animals (70 000 m.t.) in 1975;
- *measures to stimulate consumption* (publicity campaigns, sale at reduced prices to social organizations and recipients of public assistance); from the end of 1974 until spring 1975, *granting of premiums for deferred marketing* of 5.2 million beef animals and, in certain areas, premiums for retention of beef herds;
- lastly, during the 1975/76 marketing year, *granting of a slaughter premium for adult bovine animals except cows* (clean cattle) in all Member States except France and Italy, *a premium for the retention of cows* (8.1 million head) in France and a calving premium in Italy.

137. Under the GATT agreement, the Community agreed to open annual import quotas of 38 500 m.t. (in terms of boned meat) of frozen beef and veal, at a rate of 20 %, and of 30 000 heifers and cows of certain Alpine breeds, and 5 000 head of certain Alpine breeds other than those intended for slaughter, at a rate of 4 %. Under the ACP/EEC Lomé Convention, a special system was established for the import of beef and veal from Botswana, Kenya, Madagascar and Swaziland. In addition to exemption from customs duties, the agreement also provides for the reduction of other import charges.

Under an agreement concluded with Austria, Sweden and Switzerland, individual levies may be fixed on imports of live bovine animals and fresh and chilled and veal from these countries. Reduced levies are also applicable to certain imports from Yugoslavia (baby beef).

Owing to the length of time required for sea transport, the Community agreed to the advance fixing of the levy for chilled meat imported from Argentina and Uruguay. The practical effects of these three agreements were limited in 1975 because of application of the protective clause.

— Budgetary costs

138. Expenditure by the Guarantee Section of the EAGGF in respect of beef and veal amounted to 16.6 million u.a. in 1973 and 320.8 million u.a. in 1974 and is estimated at 848 million u.a. for 1975, i.e., 0.4 %, 10.4 % and 18.6 % respectively of the total expenditure of the Guarantee Section. The sum of 848 million u.a. includes 160 million u.a. for the cost of export refunds, 278.5 millions u.a. for storage and 429.5 million u.a. for price subsidies.

2. Pigmeat

— Production

139. About 2.8 million farms rear and fatten nearly 70 million pigs, average herd numbers varying between 140 in the United Kingdom and 10 in Italy. The regional concentration of production (areas bordering the North Sea and the English Channel and in northern Italy) is accompanied by a tendency to situate the place of slaughter in production areas rather than consumption areas.

140. Price levels entered the upward phase of the 'pig cycle' in early summer 1975, and on 1 August 1975 there were 69.9 million pigs in the Community, i.e. a reduction of 4.5 % over the same date in 1974. The number of slaughterings in 1975 is expected to drop by about 2 % compared to 1974.

141. In 1974 pigmeat production, with nearly 8.5 million m.t., or 12.4 % by value of final agricultural production, took first place in meat production (43 % of all meat produced in the Community). Production in 1975 was about 8.3 million m.t. (a drop of 2 % over the figure for 1974). Production fell considerably in Ireland and the Kingdom, and increased slightly in Italy, France and Germany.

— Consumption

142. Per capita consumption in 1974 increased by nearly 2 %, varying between 50.5 kg in Germany and 16.9 kg in Italy. A slight drop is expected in 1975.

— Self-supply and trade

143. The self-supply rate for the Community as a whole is close to 100 % but varies greatly from Member State to Member State (United Kingdom: 67 % and Denmark: 427 %).

144. Intra-Community trade in 1974 increased by 6.9 % to 1.6 million m.t. In the first half of 1975 imports from non-member countries increased by nearly 13 % over the same period in 1974 while exports to these countries fell by more than 24 %. The trade deficit with non-member countries in 1975 will therefore be greater than in 1974, when it amounted to 61 000 m.t. Imports from non-member countries were mostly live pigs and fresh and salted meat (60 %) and exports for the most part processed products (70 %).

— Prices

145. To allow for the various elements in the rise in production costs, the Council decided to increase the basic price for pig carcasses during the marketing year. This price, which had been fixed at 97.65 u.a./100 kg for the period 7 October 1974 to 31 October 1975 was increased to 106 u.a./100 kg from 1 August 1975, thus anticipating the entry into force of the new basic price applicable until 31 October 1976.

146. In spite of a tendency for 'pig cycle' fluctuations to decline in amplitude and for the price disparities between various production zones to narrow, market prices for pig carcasses in the period August-October 1975 increased by 24 % compared with the same period in 1974. The situation similar in non-member countries, but particularly serious in the United States.

147. Consumer prices rose continuously in 1974 and 1975, failing on the whole to reflect the cyclical falls in producer prices in 1974.

148. In 1975 the cost of the standard grain ration increased by about 10 %, which among other things led to a modification of the basic price in the course of the marketing year.

— Economic aspects of the measures taken

149. The fixing of levies reflected the trend of feed grain prices. A substantial reduction in additional amounts was made in stages during the second half of 1975.

150. Intervention on the markets, in the form of private storage aid, was applied to certain products from 10 July 1974 until 15 June 1975. Aid was granted in respect of 112 393 m.t. of pigmeat, or about 1.3 % of Community production in 1974. No intervention measures have been necessary since June 1975.

— Budgetary costs

151. Expenditure by the Guarantee Section of EAGGF in the respect of pigmeat amounted to 104.2 million u.a. in 1973 and 67.1 million u.a. in 1974 and is estimated at 55 million u.a. for 1975, i.e. 2.5 %, 2.2 % and 1.2 % respectively of the total expenditure of the Guarantee Section. The amount of 55 million u.a. includes 40 million u.a. for expenditure on export refunds and 15 million u.a. for storage expenditure.

3. Cereals

— Production

152. Cereal production, which accounted for 12.1 % by value of the final production of agriculture in 1974, covers 28.7 % of the utilized agricultural area. After rising by 2 % in 1974, production in 1975 will fall by 10 % to around 97.5 million m.t., due above all to a fall in yields.

153. Except for an increase (17 %) in durum wheat production and stagnation of maize production, production of the other cereals will probably fall in 1975 (common wheat by 18.6 %, in spite of an increase in the production of feed wheat, rye by 11.9 %, barley by 7.2 % and oats by 5 %).

— Consumption

154. Total net human consumption of cereals has remained almost constant since 1967/68, which amounts to a drop of about 0.5 % per annum in per capita consumption. A slight increase (0.4 %) in per capita consumption of wheat products in 1973/74 may be explained by the fact that the economic recession made foodstuffs proportionately more expensive.

155. The increase of 1.1 % in animal consumption in 1973/74 actually conceals a drop of 18 % in the use of wheat for animal feed as a result of the abolition of the denaturing premium. This was offset by a 7.4 % increase in the use of barley and a 9.6 % increase in the use of maize. A slight fall in total animal consumption is likely in 1974/75.

— Self-supply and trade

156. The deficit of 10.8 million m.t. in 1973/74, corresponding to a degree of self-supply of 90.6 % was followed in 1974/75 by a deficit of 10 million m.t. and a degree of self-supply of 95 % due to an increase in production and the expected decrease of 4 to 5 % in the quantity of cereals (barley and maize) fed to livestock. In addition stocks will rise by some 4.5 million m.t.

157. After the abnormally high French deliveries of cereals to Germany and the Benelux countries in 1973/74, the situation was reversed in 1974/75 with a reduction in these deliveries by 43 % for wheat and barley and 63 % for maize. This reversal may be explained by the elimination of the monetary advantage which French cereals enjoyed in 1973/74 and by certain speculative movements counteracted by substantial advance fixing of low rates of levy followed by a rapid fall in world market prices.

158. Imports from non-member countries amounted to about 21.5 million m.t. in 1973/74, of which some 12.4 million were maize. In 1974/75 the corresponding figures are about 20 million and 12 million m.t. (75 % of Community imports of maize come from the United States.) The drop in imports in 1974/75 affected mainly barley and common wheat.

159. Total exports from the Community increased in 1974/75. They can be put at 7.6 million m.t. for common wheat (5.2 million m.t. in 1973/74) and 2.1 million m.t. for barley (3 million m.t. in 1973/74).

— Prices

160. Since 1967/68, the target price for common wheat has increased by 31.2 %, while for maize and barley it has increased by 39 to 40 % reflecting the desire for a better correlation of the price of common wheat and the prices of feed grains.

161. Prices on the internal market were maintained at a high level until December 1974 and then fell rapidly (in particular common wheat) to the intervention price or below for the reasons set out in paragraph 157 (intra-Community trade).

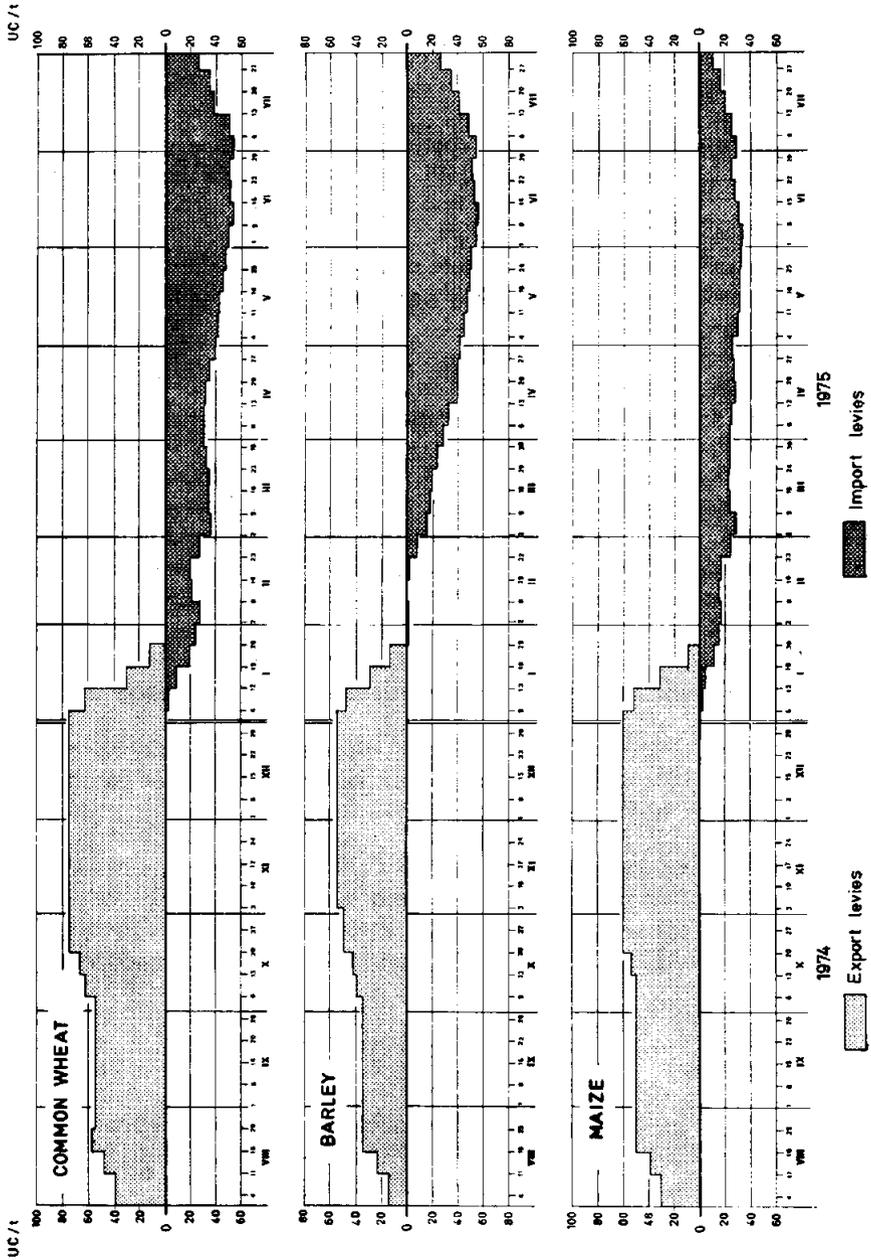
162. World prices followed the same trend: rising until December 1974 as a result of the growing concern for the maize crop in the United States. The turn-around of prices in January 1975 resulted mainly from rapidly falling demand for cereals for animal feeding in the United States and in Europe, despite confirmation of the very poor United States maize crop. Prices continued to decline until June 1975 in the expectation of much higher carry-over stocks and because of the excellent outlook for 1975 cereal crops in North America and started to climb once again in July as drought began to affect crops in the USSR, in Europe and to a lesser extent in North America.

163. Consumer prices rose sharply in the United Kingdom, Italy and Ireland, though it would be wrong to assume that the bread price increases were entirely due to the increase in the wheat price, since the price of the wheat content represents only about 30 % of the price of a loaf of bread.

— Economic aspects of the measures taken

164. There were no import levies on the major cereals (apart from rye) from August 1974 to January 1975. As world prices fell, import licences for barley and maize (about 4 million m.t.) were issued in January and February 1975, with advance fixing at zero or very low rates.

Levies : CEREALS



GRAPH 8

Advance fixing was suspended on 21 February 1975 but these licences were valid for a period of sixty days, during which time some low-priced imported cereals reached Community markets.

165. Dissuasive export levies were applied until mid-January 1975. They were then abolished, but were introduced again at the beginning of the 1975/76 marketing year.

166. Refunds were also adapted to meet developments on the world market. Very high in the second quarter of 1975, they were abolished in August 1975 and partially reintroduced later at low rates.

167. During the 1974/75 year 882 643 m.t. of cereals were delivered as food aid, 42 % of it under the 1974/75 programme and 58 % under earlier programmes.

168. In 1974/75 2.3 million m.t. of cereals, of which 2.1 million m.t. were common wheat, were offered for intervention. In spite of sales from intervention, intervention stocks of common wheat increased to 2.4 million m.t. while stocks of barley remained unchanged at 0.6 million m.t. Normal intervention was supplemented by a system of storage contracts for privately owned stocks (B-intervention) under which the holder undertook to store the grain for a specified period in return a fixed payment. Under this system some 1.3 million m.t. of common wheat were in storage at the end of July 1975 and are not due to be released until 29 February 1976.

169. At the end of the 1974/75 marketing year total stocks may be expected to amount to about 15 million m.t. including 7 to 8 million m.t. of common wheat, 3.1 million m.t. of maize and 2.9 million m.t. of barley.

170. Accession compensatory amounts varied with market developments. Reduced to nil in the first part of the marketing year, they were reintroduced with considerable advance fixing in the second half. This gave rise to some intra-Community trade between the United Kingdom and other Member States which would not otherwise have taken place.

— Budgetary costs

171. Expenditure by the Guarantee Section of the EAGGF for the cereal sector amounted to 1 029.5 million u.a. in 1973, 399.8 million u.a. in 1974 and is estimated at 634 million u.a. in 1975; i.e. respectively 27 %, 12.7 % and 13.7 % of the Section's total expenditure. The total amount of 634 million u.a. for 1975 breaks down into 327.5 million u.a. for export refunds, 66 million u.a. for storage aid and 240.5 million u.a. for export refunds, 66 million u.a. for storage aid and 240.5 million u.a. for price compensatory measures.

4. Fresh and processed fruit and vegetables

A — Fresh fruit and vegetables

— Production

172. Community production of fresh fruit and vegetables, which is mainly concentrated in Italy and France and amounted to 11.5 % by value of final agricultural production, is relatively stable on a medium-term view, although the range of variation is more marked for some fruits (apples) or vegetables (tomatoes, cauliflowers). In 1974 fruit production was 10 % down on 1973 while vegetable production was almost unchanged.

— Consumption

173. About 88 % of fruit and vegetables consumed in the Community go to human consumption which is stable in the medium-term. Market losses are high (8 to 10 %) and use as animal feed is purely accidental.

— Self-supply and trade

174. In 1973/74 the self-supply rate of the original Community was 93 % for vegetables, 86 % for fresh fruit and 49 % for citrus fruit. Total imports and exports for fresh fruit and vegetables appear to have been close to the 1973 figures. Most of the trade was done in apples, onions, tomatoes and citrus fruit.

— Prices

175. Between 1967/68 and 1975/76 withdrawal prices increased by about 85 % for lemons, 81 % for peaches, 76 % for tomatoes and mandarins, 60 % for table grapes, 50 % for cauliflowers, 48 % for oranges, 41 % for pears and 37 % for apples. Between 1973/74 and 1974/75 reference prices increased by between 4.5 and 10 %, while withdrawal prices rose by about 10 % except for apples (+ 7 %) and pears (+ 4 %).

176. It is very difficult to give an average market price for fruit and vegetables. As a rough guide it may be said that between 1973/74 and 1974/75 the average price for apples rose by 12 to 60 % and the price of mandarins by 7.2 % while the price of pears fell by between 2.5 and 40 % (except in France, where it rose by 7.6 %), the price of lemons fell by 36 %, and that of oranges by 10 %. Average market prices for cauliflowers increased by 4.8 to 16.1 % (except in France where they fell by

24.3 % and Italy where they fell by 9 %). Apart from the wide variations in price movements from one Member State to another, it should be noted that the rapid change in daily prices and the effect of the coefficients applied to them may explain why, despite average prices higher than the basic prices, some products fall short of the withdrawal price and are withdrawn from the market by producer groups.

177. The increase in consumer prices in 1974 was on average very slight in Germany, Luxembourg and Ireland (2.4 to 3.8 %), moderate in France, Belgium, the Netherlands and Denmark (7.8 to 12.3 %) and considerable in Italy and the United Kingdom (20 %).

— Economic aspects of the measures taken

178. During the 1974/75 marketing year it was necessary to apply a countervailing charge to certain products for short periods, or even to abolish a preferential customs duty. Export refunds, generally fairly low, also had to be fixed in certain specific cases. A Community measure was introduced to suspend, from 4 to 11 July 1974, the free circulation in France of peaches imported by other Member States from non-member countries.

179. The total quantity of fruit and vegetables withdrawn from the market in 1974/75 was 542 405 m.t. (a little more than 1 % of commercial production) of which 201 158 m.t. were pears (nearly 9 % of commercial production).

180. For the 1974/75 marketing year, the market promotion premiums for peaches and mandarins were maintained at their previous level. However, the financial compensation to encourage the processing of certain varieties of oranges was increased.

— Budgetary costs

181. The expenditure of the Guarantee Section of the EAGGF for fruit and vegetables, including processed fruit and vegetables, amounted in 1973 to 34.9 million u.a. and in 1974 to 66.9 million u.a., while for 1975 it is estimated at 83.5 million u.a., i.e., 0.9 %, 2.2 % and 1.8 % respectively of the total expenditure of the Guarantee Section. The sum of 83.5 million u.a. can be broken down into 27.2 million u.a. of expenditure on export refunds, 44.6 million u.a. on withdrawals from the market and 11.7 million u.a. for price compensatory measures.

B — Processed fruit and vegetables

182. In general it may be said that the production of tomato-based products increased considerably, while there was practically no change in the production of peaches in syrup, citrus fruit juices and preserved mushrooms.

183. Consumption of tomato concentrates fell in 1974 and this, combined with the increase in Community production, brought about a drop of 11 % in imports. Consumption of skinned tomatoes, on the other hand, increased by 19 %, increasing imports by 15 %. The 11 % increase in the consumption of tomato juice may be ascribed to the increase in Community production. Consumption of peaches in syrup fell by 20 %, due above all to a fall in imports. For the same reason consumption of orange juice fell by 10 %. Consumption of preserved mushrooms increased very slightly; the foreign trade balance increased (40 900 m.t. in 1974 compared with 35 005 m.t. in 1973) while Community production fell.

184. In 1974, the prices of tomato concentrates were sufficiently high to permit the abolition of export refunds for tomato-based products in October 1974. For most other processed fruit and vegetable products, prices remained at satisfactory levels in 1974, except in the case of preserved mushrooms, for which the Commission introduced protective measures in August 1974 which are still in force.

5. Eggs

— Production and consumption

185. Egg production, which accounted for 4.5 % by value of final agricultural production in 1974, increased by 0.5 % over the figure for 1973. Total consumption increased by only 0.3 %, which in fact amounts to a drop of 0.2 kg in per capita consumption.

— Self-supply and trade

186. The Community was 100 % self-supplying in 1974, which because of the difficulty of exporting to the outside world explains the fragility of the market. Trade with non-member countries is very limited and totalled less than 90 000 m.t. Consignments are usually imported with the undertaking to respect the sluice-gate price. Some concerns in the Community's northern areas process eggs under the inward processing system.

— Prices

187. Producer prices, except in two Member States, are falling rapidly and were most often below prime costs. Discrepancies between neighbouring Member States should disappear with greater fluidity of intra-Community trade. The costs of collection, packing and often the commercial margins increased in 1974 and the consumer has not enjoyed reductions similar to those suffered by producers.

— Economic aspects of the measures taken

188. At the end of 1974 and in 1975, due to increases in world prices of feed grains, sluice-gate prices had to be increased each quarter. Furthermore, component a) of the levy either disappeared or was very much reduced in the third and fourth quarters; it reappeared on 1 August 1975 following the raising of Community cereal prices. The export refund was in 1974 paid only in respect of eggs in shell.

At the beginning of the year it was limited to the value of component a) of the levy ⁽¹⁾ and was abolished on 1 May 1974. It was reintroduced on 1 August 1974, but advance fixing was suspended and the right to export with refund to certain destinations (Middle East, European non-member countries) was limited.

— Budgetary costs

189. The expenditure of the Guarantee Section of the EAGGF amounted to 23.3 million u.a. in 1973, to 16.9 million u.a. in 1974 and is estimated at 16 million u.a. for 1975; these figures represent 0.6 %, 0.6 % and 0.4 % respectively of the total expenditure of the Guarantee Section. The amount of 16 million u.a. is all earmarked for export refunds. ⁽²⁾

6. Poultrymeat

— Market situation

190. Poultrymeat production, which becomes increasingly concentrated and integrated, represents 4.4 % by value of final agricultural production, and increased slightly in tonnage (0.2 %) in 1974. Total consumption increased by 1.1 %, an increase of 1.7 kg in per capita consumption. This increase is due to the efforts made to offer consumers better quality products and to developments in the poultry cuts and ready-cooked dishes sector.

— Self-supply and trade

191. The Community's degree of self-supply fluctuates around 103 %. Exports increased slightly (4.4 %) while imports fell (— 11 %). Intra-Community trade

⁽¹⁾ Component a) of the levy covers the difference between the cost of feedingstuffs on the world market and on the Community market.

⁽²⁾ Budgetary costs cover all expenditure on eggs and poultry.

increased by 2.6 % but still encounters health protection, veterinary or animal care obstacles.

— Prices

192. Producer prices dropped considerably in 1974 and, apart from the first few months, were lower than production costs. This state of affairs did not improve until June 1975. Appreciable rises at consumer level reflected higher costs of collection, slaughtering and marketing and in some cases higher margins.

— Economic effects of measures taken

193. In addition to adjusting the components for calculating sluice-gate prices and levies, and the measures taken each quarter to follow the development of feed grain prices on the world market and in the Community (see point 5), the amount of the refund was changed several times. Between February and April 1974 it was equal to component a) of the levy and was then fixed at a higher level in May and June. It was reduced to nil in July but raised again on 15 August 1974 though advance fixing was suspended and a list of countries of destination was drawn up to limit the scope of the measure. (1)

7. Live plants

194. This sector represents 3 % by value of final agricultural production of the Community and in 1973 cut flowers and pot plants represented three quarters of that value. Consumption increased by 6 % in 1973, but increased energy costs (heated glasshouses) and the general economic climate have led to a reduction in the activity of the sector in the last two years.

8. Sugar

— State of supply

195. Sugar production, which represented 2.2 % of the value of final agricultural production of the Community in 1974, dropped by 10 % in 1974/75 due to lower yields, the areas under cultivation remaining the same. This drop in production in all Member States, except Denmark, was particularly marked in the United Kingdom,

(1) For budgetary costs see point 5, at end.

Belgium and Ireland. Since the coefficient for fixing the maximum quota had been increased by the Council from 1.35 to 1.45 in 1974/75, the quantity of sugar in excess of the maximum quota was smaller (207 000 m.t.) than in 1973/74 (660 000 m.t.); it was possible to market most of it (189 000 m.t.) on the Community market.

196. Per capita consumption fell by 8 % in 1974/75 mainly as a result of the rise in the price of sugar, precautionary purchases made at the time of the energy crisis in 1973 and the increased use of sweeteners, especially in industry. In this connection, it should be noted that the production refund on sugar used for the manufacture of products which can be made either from starches or from sucrose, has not been granted since October 1974. The production refund on other chemical products, which is linked with sugar prices on the world market, had been abolished as from 1973/74.

— Trade

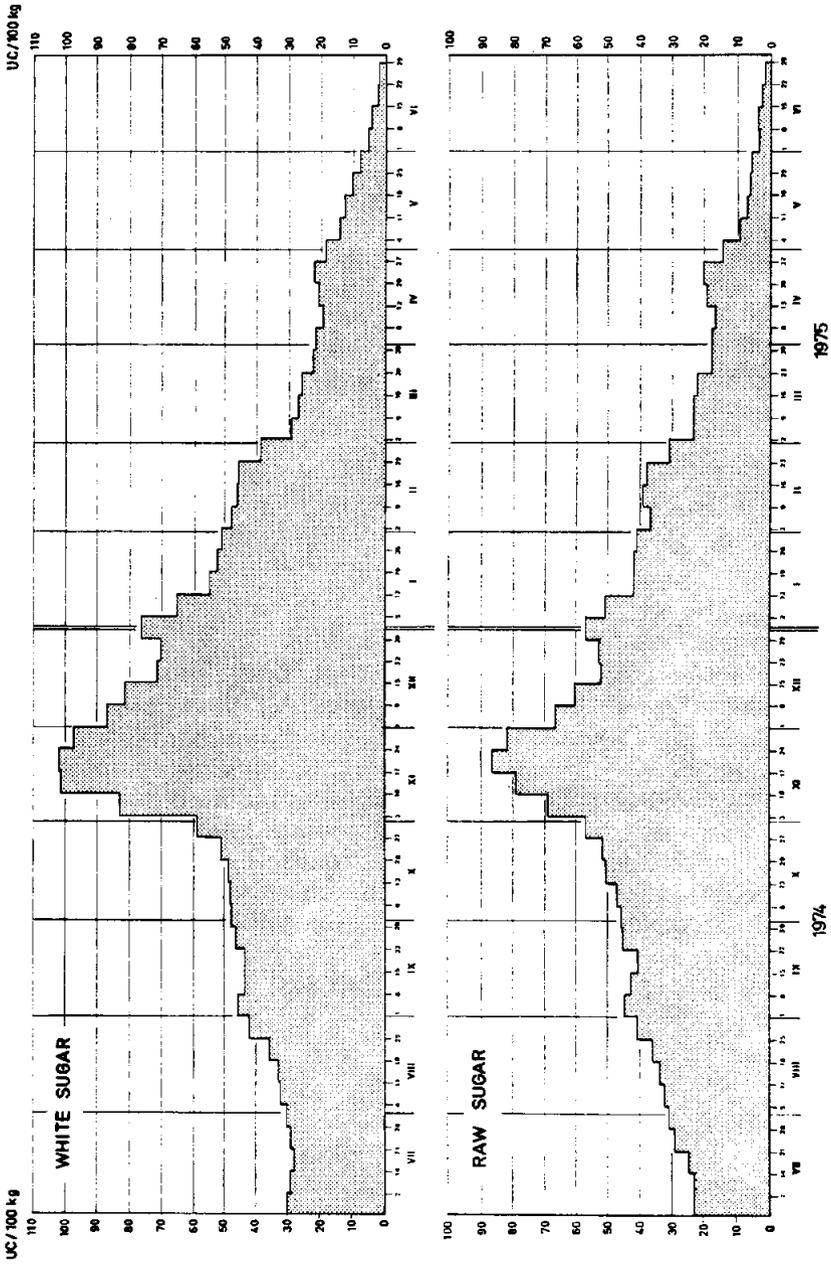
197. In 1974/75 there was a shortage of sugar in the Community for the first time. To remedy it, provision was made for import subsidies for 500 000 m.t. of sugar, and subsidies for the extraction of sugar from molasses. In addition, the application of export levies on sugar was extended to sugar exported in the form of processed products. The coupling of the right to import and the right to export a corresponding quantity from the 1975/76 crop free of export levies, enabled the amount of the subsidies to be substantially reduced.

198. As a result of the regional deficit (Italy and the United Kingdom), intra-Community trade increased by 28 % in 1974/75.

— Prices

199. The reduced stocks in 1974 and the bad harvest of 1974/75 led intra-Community prices above the threshold price during the winter of 1974, sometimes quite considerably. Some Member States were forced to oblige the sugar industry not to exceed a certain price for delivery on the home market. The United Kingdom and Ireland abolished their accession compensatory amounts, and in January 1975 the United Kingdom ensured the continuance of imports from the ACP countries by guaranteeing those countries, for deliveries made during the 1975 calendar year, a price of £260 per long ton of raw sugar cif United Kingdom. This price is more than £100 per long ton above the Community price. In addition, as agreed between them and the sugar industry, Community beet growers obtained additions to the minimum sugar-beet price to take account of the higher market prices for sugar.

Export levies : SUGAR



GRAPH 9

200. On the world market, prices reached a record level (£650 per long ton for early delivery of raw sugar on 21 November 1974). From January 1975, a downtrend of prices began and in July 1975 world market prices sank almost to the level of Community prices.

— Economic aspects of the measures taken

201. During the 1974/75 marketing year, an export levy remained continually in force for products subject to levy under the common organization of the market in sugar. In December 1974 a reduced export levy was introduced for sugar in processed forms and was abolished only in May 1975. In June 1975 import levies were reintroduced for white sugar and raw unprocessed sugar. No export refunds were granted in 1974/75.

202. In 1974/75 the Community delivered 4 094 m.t. (of a commitment of 6 094 m.t.) as food aid to Palestinian refugees. The balance of 2 000 m.t. of the commitment was met by way of a cash payment to the United Nations (UNRWA).

— Budgetary costs

203. The subsidies covered by the 1974 and 1975 Budgets totalled 170 million u.a. and consisted of import subsidies (520 000 m.t.), subsidies to maintain C sugar in the Community (24 000 m.t.) and subsidies for the extraction of sugar from molasses (35 000 m.t.). To meet this expenditure, it can be estimated that, for 1974/75, around 12 to 14 million u.a. will be derived from export levies on sugar in processed forms and small quantities of sugar exported as such. In 1975, budget expenditure is estimated at 325.6 million u.a., including 100 million u.a. for the reimbursement of storage costs and around 42 million u.a. for expenditure in respect of compensatory monetary amounts, without taking into account income derived from the storage levy.

9. Olive oil

— Production

204. Production is estimated at 1.2 % of the value of final agricultural production of the Community in 1974 and 30 % of world production. Since the entry into force of the common organization of the market in oils and fats, the area under olive trees has remained stable (2.3 million ha). On the basis of applications for subsidies, production in 1973/74 amounted to 572 000 m.t. in Italy and 2 900 m.t. in France;

for 1974/75 these figures were 446 300 m.t. and 1 636 m.t. respectively. Controls now being carried out might show that between 5 and 10 % of the abovementioned quantities were not really eligible for aid. It should be pointed out that this aid is not as effective as planned, since in Italy on 31 August 1975 the amounts still to be paid for the 1972/73 and 1973/74 marketing years represented 24 % and 82 % respectively of the total due.

— Consumption

205. In 1973/74 consumption seems to have remained at the level of 1972/73, but market offtake was larger because of precautionary purchases in Italy, especially in 1973 and at the beginning of 1974. In 1974 consumption slowed down as a result of the rise in prices and again in 1975 as a result of the more rapid drop in seed-oil prices and the utilization of household stocks built up in 1974. Demand began to pick up in August 1975, although it was still considerably less than in 1973.

— Trade

206. The Community, which is the principal net importer of olive oil, reduced its imports in 1974/75 to quantities similar to those of 1966/67 after reaching a peak of 250 000 m.t. in 1972/73. Since June 1975, following some easing of prices on the world market, applications for import licences grew in both number and volume. Since this situation jeopardized the disposal of Community production, the Commission suspended the issue of import licences with advance fixing of levies on 23 June 1975 and the Council decided to bring forward the date of application of the threshold price for the 1975/76 marketing year from 1 November 1975 to 27 June 1975. In 1973/74 exports remained at their normal level (14 500 m.t.).

207. Intra-Community trade rose from about 5 000 m.t. in 1970/71 to 13 500 m.t. in 1973/74.

— Prices

208. Reflecting the price situation on the world market, the average market price for 1973/74 was 168 u.a./100 kg, or 73 u.a. above the market target price. At the beginning of 1974/75 prices began to fall off until the end of June 1975; this was followed by a slight recovery with market prices in September 1975 at a level close to the intervention price set for the 1975/76 marketing year. The drop in market prices at the beginning of 1975 was due to the decline in world market prices of olive oil, the reduction in demand, the increased demand for import licences for 'lampante' grade oil and the malaise which arose from the fact that oil producers had

known since May 1975 that large increases in common prices would come into force on 1 November 1975. After this application date had been brought forward to 27 June 1975 for the threshold price (+ 47 %), the Community market was better protected.

— Economic aspects of the measures taken

209. The import levy, which was reduced to zero in March 1973, was fixed at 19 u.a./100 kg on 27 June 1975 and reached 36 u.a./100 kg on 1 October 1975. Export levies were abolished on 26 June 1975. With the aim of maintaining the traditional export pattern for branded oils in small containers, an export refund is still granted.

210. Since February 1973 a compensatory amount has applied to imports of refined olive oil in small containers from a Mediterranean country which practises a certain discriminatory policy. On 1 October 1974 this charge was extended to containers of more than 20 kg.

These compensatory amounts were then abolished on 20 December 1974.

211. In order to prevent oil from the new harvest from being submitted for intervention as a result of the non-disposal of oil from the previous harvest, the Commission decided to introduce private storage premiums for olive oil from the 1974/75 marketing year, the contracts to be signed before 31 October 1975.

— Budgetary costs

212. Expenditure by the Guarantee Section of EAGGF in the olive oil sector amounted to 281.4 million u.a. in 1973 and 135.8 million u.a. in 1974, and has been estimated at 229.5 million u.a. for 1975; i.e., 7.4 %, 4.4 % and 5 % respectively of the Guarantee Section's total expenditure.

For 1976, in addition to higher refunds, (about 0.8 million u.a.) provision should be made for private storage aid for olive oil in an amount of 2.4 million u.a. Intervention expenditure may also be incurred.

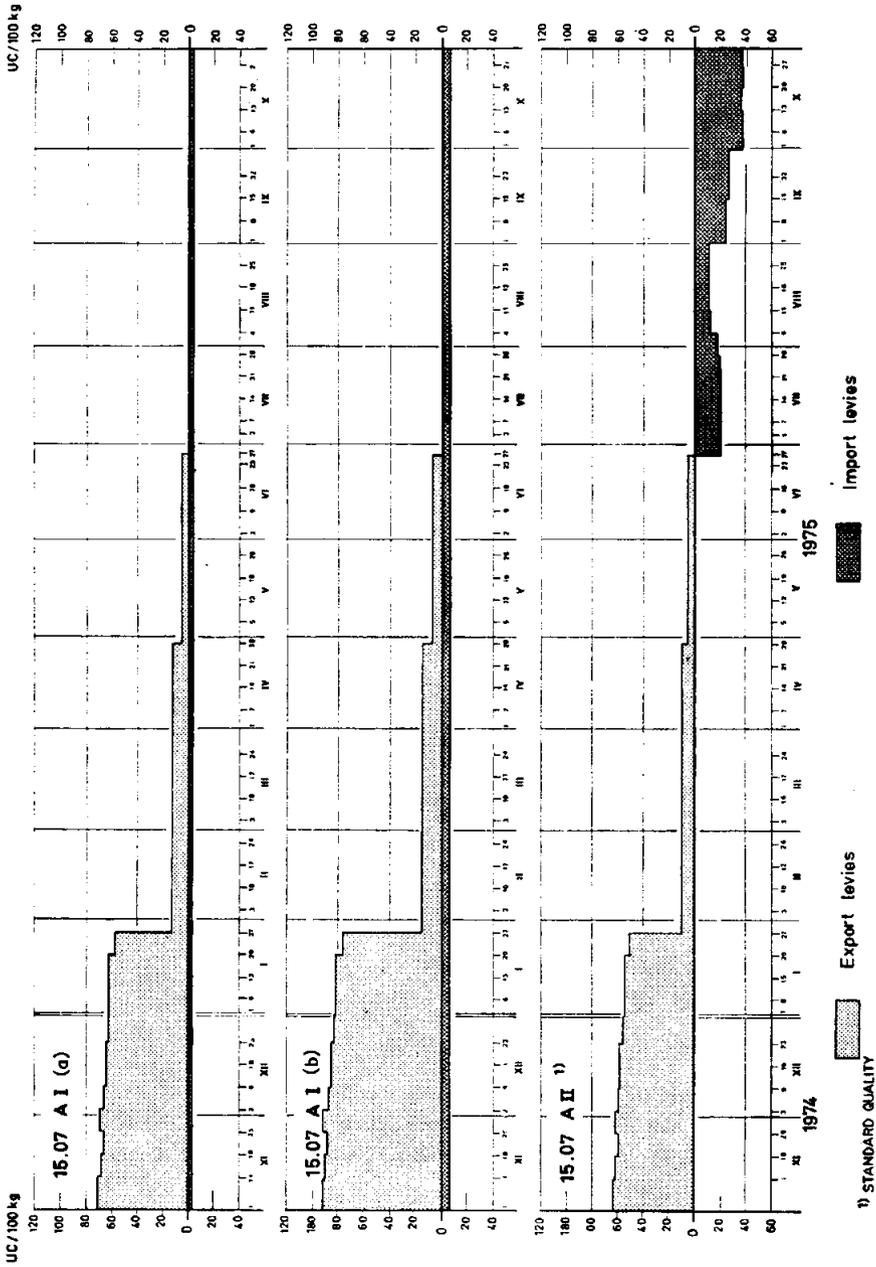
10. Oil, protein and cotton seeds

— Colza, rape and sunflower seeds

Production

213. Oilseed production, which represented 0.5 % of the value of final agricultural production in 1974 increased steadily between 1967/68 and 1972/73, particularly as

Levies : OLIVE OIL



GRAPH 10

1) STANDARD QUALITY

a result of favourable price ratios. As regards colza, after a slight slowing down due to weather conditions and more balanced price relationships with competing products, production picked up again in 1974/75, mainly as a result of the extension of the common organization of the market to the new Member States. As regards sunflower, 1974 production is about the same as in 1973.

Consumption

214. After an increase until 1972/73, there was a certain drop in demand for colza oil, whereas the demand for sunflower oil remained relatively stable.

215. On the other hand, the demand for colza oilcake doubled from 1967/68 to 1972/73 and its growth has continued in recent years; there has been no identifiable trend in the demand for sunflower seed oilcake since 1967/68.

Trade

216. Through its own vegetable oil production the Community covers only a very small part of its oil and oilcake requirements. Its degree of self-supply for oil (other than olive oil) does not exceed 11 % and for oilcake is 4 to 5 %.

217. Following a slowing down in demand, imports of colza and sunflower seed have dropped off since 1971/72, despite a slight increase in 1973/74 of imports of colza seed. Exports, negligible in respect of sunflower seed, increased considerably in 1974/75 as a result of exceptionally large purchases by Japan.

218. Intra-Community trade, which is stable and restricted as regards sunflower seed, increased in 1974/75 for colza and rape seed despite the reduction in demand by Italy due to the campaign against colza oil (maximum permissible erucic acid content 15 % since 1 April 1974).

Prices

219. After a considerable increase in world prices between July and October 1974 due to the drop in United States soya production, prices fell gradually following the downturn in demand due to the economic recession and the availability of large quantities of copra and palm oil.

220. A large part of the Community crop was sold at high prices between July and October 1974 (in France: 20 u.a./100 kg above the intervention price). Since prices had dropped and the high prices for the following marketing year were known, the

remaining holders of colza stocks postponed sales and at the end of the marketing year 5 % of the Community harvest was still unsold. The fall in prices also led to the fixing of aid at the end of February 1975, after 15 months of zero aid. The level of aid between February and mid-October fluctuated between 0 and 6.6 u.a./100 kg.

Economic aspects of the measures taken

221. From 1 October 1975 a refund of 1.5 u.a./100 kg was introduced to promote sales of colza seed from regions in the Community where the market price was close to the intervention price. No refund was fixed in 1974/75.

222. When the target and intervention prices for the 1974/75 marketing year were fixed, the standard quality for colza seed was changed by a reduction of the moisture content to 9 %, in view of the difficulty of preserving this seed at a higher moisture level. For 1975/76, the standard quality of colza seed was again changed to take account of the lower oil content of new low erucic acid varieties; the oil content requirement was lowered from 42 % to 40 %.

Budgetary costs

223. Expenditure by the Guarantee Section of EAGGF in respect of oleaginous products amounted to 86.3 million u.a. in 1973, 10.9 million u.a. in 1974 and 32.0 million u.a. in 1975; i.e., respectively 2.3 %, 0.4 % and 0.1 % of the Guarantee Section's total expenditure. The total of 32 million u.a. in 1975 consists of 1 million u.a. for export refunds and 31 million u.a. for price subsidies.

— Soya beans

224. Since 15 July 1974 special measures have existed for soya beans produced in the Community and in 1974/75 about 3 000 m.t. of soya beans were produced in France. Imports of soya beans into the Community amounted to 8.2 million m.t. in 1973/74 and imports of oilcake to 2.9 million m.t., making a total available supply of soya cake of 9.3 million m.t. Imports of oil, on the other hand, fell.

— Cotton seed

225. Production (1 500 m.t. of seed and 900 m.t. of fibre), confined mostly to Sicily, maintains itself largely due to Community subsidies which increased from 82 u.a./ha in 1974 to 87.78 u.a./ha in 1974/75 and 96 u.a./ha for 1975/76, involving an expenditure of 0.2 million u.a. in 1973 and in 1974 and about 0.5 million u.a. in 1975.

11. Raw tobacco

— Market situation

226. The production of raw tobacco, which is mainly grown by family undertakings and which represented 0.4 % of the value of final agricultural production in 1974, dropped by 2 % as a result of climatic factors. The area under the dark Badischer Geudertheimer, Philippin and Nostrano varieties is declining and that under Bright is increasing.

227. In 1974, tobacco consumption in the Community increased by 1 % (5 % in the developing countries). The degree of self-supply was 20 %.

228. Community imports fell by 9 % in 1974 and exports increased slightly; supply and demand in the Community were therefore balanced through a fall in stocks.

— Prices and economic aspects of the measures taken

229. On the world market, only the prices of fire-cured and oriental tobaccos increased in 1974. Community planters generally reached the norm price.

230. There was a major decrease in quantities offered for intervention as a result of production being better geared to the qualities demanded.

In addition, the granting of export refunds in respect of the 1972 and 1973 harvests enabled certain varieties, in respect of which supply and demand were not in balance within the Community, to be sold to non-member countries.

— Budgetary costs

231. Expenditure by the Guarantee Section of the EAGGF in respect of the tobacco sector was 129.6 million u.a. in 1973, 187.6 million u.a. in 1974 and is estimated at 216.4 million u.a. in 1975, i.e., 3.4 %, 6.1 % and 4.7 % respectively of the Guarantee Section's total expenditure. Of the total of 216.4 million u.a., 198.8 million u.a. went on price compensatory measures, 16.4 million u.a. on storage costs and 1.2 million u.a. on export refunds.

12. Rice

— Market situation

232. Forecast production of rice (0.3 % by value of final agricultural production and 0.2 % of total UAA in 1974) in 1974 is 830 000 m.t. or a decrease of 1.7 %

compared with 1973/74, but an increase of 34 % compared with '1967/68'. This drop is mainly due to a reduction in the area under rice, which increased between 1963 and 1973 and then began to fall.

233. The rise of 68 000 m.t. in 1973/74 in human consumption, due to the increase in population, conceals a downward trend in per capita rice consumption.

— Self-supply and trade

234. The substantial harvest in 1973 increased the self-supply rate to 90 % compared with 67 % in 1972/73 and limited extra-Community imports to 421 000 m.t. (608 000 m.t. in 1972/73). Exports to non-member countries were only 291 000 m.t. compared with 454 000 m.t. in 1972/73, thereby leading to an increase in stocks. A large increase in intra-Community trade in 1972/73 (+ 13 %) should also be noted.

— Prices

235. In 1974/75, market prices were about 11-13 % above the intervention price. World prices dropped considerably (17 % for round-grained rice and 31 % for long-grained rice).

236. Consumer prices in 1974 seem to have increased considerably in Germany (+ 23 %) and slightly in Italy (+ 5 %).

— Economic aspects of the measures taken

237. Following the decline in world prices, import levies were reintroduced from December 1974 and increased rapidly. Export levies, which were applied in October 1973, were gradually reduced and finally abolished at the end of May 1975. Export refunds were granted from 17 January 1975 to 30 January 1975 only for long-grained husked rice. From March 1975, tendering for the levy and/or the export refund was invited.

238. In 1974, 12 726 m.t. of rice were delivered as food aid.

239. Accession compensatory amounts are in practice limited to the amount of the import levy which, since accession, has been below the level of the compensatory amounts. Up to the present no monetary compensatory amount has been fixed for rice.

— Budgetary costs

240. Expenditure by the Guarantee Section of EAGGF in respect of the rice sector was 11.4 million u.a. in 1973, 1.2 million u.a. in 1974 and is estimated at 4.7 million u.a. for 1975; these figures represent respectively 0.3 %, 0.04 % and 0.1 % of the Guarantee Section's total expenditure. In 1975, the expenditure of 4.7 million u.a. was made up of 3.9 million u.a. for export refunds and 0.8 million u.a. for price compensatory measures.

13. Hops

241. In 1974, 9 874 hop growers, including 7 102 members of recognized producers' groups, produced 47 900 m.t., or 43 % of the world production of hops from an area more or less equivalent to that of 1973 (about 29 000 ha), corresponding, because of lower yields, to a reduction of 9 % on 1973. Production is turning to varieties rich in alpha acid and the use by brewers of hop extracts which can be stored for several years is on the increase. In order to balance supply and demand account should be taken of the sensitivity of hops to variations in climate, to disease and to parasites.

242. Beer consumption increases at an annual rate of 1 to 2 % in the Community. However, in view of the use of hop extracts which reduces the use of hops per unit of beer, hop consumption is stationary. The Community thus exported 42 % of its production, whilst imports slightly declined.

243. Prices for hops sold under contract rose by 1.7 % in 1974 and hops not sold under contract by 9.8 %. In conditions of surplus and strong inflation producers tend to sell on the open market, this explains in part the drop in prices in relation to 1972. The conclusion of contracts between producers and buyers is essential in order to achieve a more balanced market and a measure of stability. It is for this reason that Community legislation encourages the establishment of producer groups.

244. The expenditure of the Guarantee Section of the EAGGF was 4.6 million u.a. in 1973, 4.4 million u.a. in 1974 and is estimated at 7.2 million u.a. in 1975, i.e., 0.1 %, 0.1 % and 0.2 % respectively of the total expenditure of the Guarantee Section.

14. Dehydrated fodder

— Production

245. In 1974 dehydrated fodder production (1.6 million m.t.), of which more than two thirds comes from France and Denmark, was 3.7 % higher than in 1973, which

represents a slowing down in the average annual growth rate (6 %) observed between 1968 and 1974. This slowing down is mainly due to the exceptional increase in the price of fuel. However, production aid, awarded for the first time in 1974/75, undoubtedly prevented a drop in production.

246. Half of the production was processed by cooperatives; a third was covered by contracts concluded between farmers producing green fodder and dehydration enterprises; the remainder was processed by farmers themselves.

— Consumption, trade and prices

247. In 1974 consumption does not appear to have been lower than in 1973 and the self-supply rate may be estimated at about 90 %. Community imports increased by nearly 30 % and totalled 113 000 m.t., whilst exports were negligible. Intra-Community dropped by 30 %.

248. In keeping with price trends for protein-rich substances, prices rose in November and December 1974 and then dropped as of March 1975.

— Budgetary costs

249. Expenditure by the Guarantee Section of the EAGGF for dehydrated fodder in 1974, the first year of the common organization of this market, amounted to 3.6 million u.a. Expenditure for 1975 is estimated at 13.5 million u.a., or 0.3 % of the Guarantee Section's total expenditure.

15. Flax and hemp

— Production

250. Fibre flax production, which is confined to the Benelux and the north-west of France, increased by 17 % in 1974 following an increase in sowings of 18.5 % due to the high prices of flax fibre and seed in Autumn 1973. Seed flax, which was already cultivated in France and Italy, started up successfully in the United Kingdom and is being extended considerably at Community level. Textile hemp, which is grown on a small scale in Italy, is having difficulty in surviving. Paper hemp, which is grown only in France, is increasing considerably.

— Fibre flax consumption

251. In 1974/75, consumption dropped by 20 % and could have been satisfied by Community production, but the spinning industry drew on its own stocks so that part of the Community production had to be carried over to the 1975/76 marketing year.

— Trade and prices

252. Flax straw, because of its bulk, is not traded with non-member states. Quantitatively extra-Community trade was balanced in 1974 (27 000 m.t. exports and 24 000 m.t. imports). However, the Community exports long fibres which are demanded on the international market and is lacking in short fibres.

253. A downward trend in the prices of flax fibres began in Autumn 1974 but was halted at the end of the 1974/75 marketing year through the introduction of private storage aid for fibre and the poor 1975 yields. Since stocks had increased (one third of the 1974 harvest), the Commission gave holders of fibre the opportunity, until 31 July 1975, to sign 3 or 4 month storage contracts.

254. After a rise at the end of 1974 and a drop in 1975, linseed prices remained at an average level which was double that of 1971/72. The contract price for paper hemp straw increased by 8 % for the 1974 harvest.

— Budgetary costs

255. Expenditure by the EAGGF Guarantee Section, which was incurred entirely on price compensatory measures, amounted to 6.4 million u.a. in 1973, 11.7 million u.a. in 1974 and is estimated at 12.6 million u.a. in 1975, i.e., 0.2, 0.4 and 0.3 % respectively of the Guarantee Section's total expenditure.

16. Seeds

256. The Community produces 1.5 million quintals of fodder crop seeds, or 25 % of world production and 24 % more than in 1973. In 1973/74, the Community was a net importer of 300 000 ql of seed, but it was an exporter of about 60 000 ql of hybrid maize.

257. After the large increase recorded in 1972 and 1973, market prices were anything but satisfactory during 1974. For some species they fell by 70 %. However,

since these are perennial crops, production continues and stocks have increased considerably.

258. Expenditure by the EAGGF Guarantee Section in respect of seed amounted to 14.6 million u.a. in 1973 and 15.2 million in 1974, and the estimate for 1975 is 20.5 million u.a.; these figures represent 0.4 %, 0.5 % and 0.5 % respectively of the Guarantee Section's total expenditure.

17. Silk worms

259. Sericulture or silk-work rearing, which is concentrated in Italy (3 000 producers), increased in 1973 and 1974 as a result of Community aid and the high prices of raw silk on the world market. A reversal of the world market situation caused the production of cocoons in 1975 to be 31 % less than in 1974. The expenditure of the Guarantee Section of the EAGGF on silk worms rose to 0.3 million u.a. in 1973, 0.5 million u.a. in 1974 and is estimated at 2 million u.a. for 1975.

c) Agricultural products not subject to common market organization

1. Potatoes (1)

260. Potatoes, which are grown by 2.5 million farmers, represent 2.9 % of the value of final agricultural production; production increased by 2.1 % in 1974 compared with 1973; however, the area under potatoes in the Community fell by 60 % between '1953' and 1974.

261. Direct human consumption has dropped by more than 20 % in the last 20 years. However, at present and in view of the economic crisis, there is a certain increase. The processing industry (crisps, purée, chips) is growing steadily as also is consumption.

262. The Community was 100 % self-supplying in 1973/74. Intra-Community trade represented 4 % of total production and 10 to 12 % of production of seed potatoes and early potatoes.

(1) Potatoes are not subject to common market organization, but potato starch and dehydrated potatoes are. A Council Directive governs the marketing of seed potatoes.

2. Sheepmeat

263. Sheepmeat production, which represented 1.1 % of the value of final production in 1974, increased slightly in 1974, but within the range of fluctuation noted since 1962. During the last two years consumption has declined because of a fall in United Kingdom consumption which accounts for 60 % of the Community total. On the other hand, consumption is increasing in the majority of Member States and it should increase Community-wide in 1975 in view of a recovery of 5 % accorded for 1975 in the United Kingdom. The degree of Community self-supply in 1974 was 67 %, or a net deficit of 250 000 m.t. (compared with 314 000 m.t. in 1973, consumption in the United Kingdom having declined in 1974).

264. After an increase in wholesale prices in 1973, market prices weakened in 1974, except in France (increase of 14 %) and the United Kingdom (increase of 4.5 %). The increase in the market price in the United Kingdom being less than the rate of inflation, there was a renewal of deficiency payments from July 1974, for the first time since November 1972. In France, the frontier, which had not been closed since November 1972, was closed four times and for twelve weeks in 1974.

265. Retail prices, on the other hand, increased by 16 % in France and 19 % for imported lamb in the United Kingdom, reflecting the firmness of wholesale prices for sheepmeat at a time when prices for beef and veal and pigmeat were falling and by increases in trading margins on imported lamb.

266. The main feature of intra-Community trade is a trade flow from the United Kingdom, the Netherlands and Ireland to France. Imports from non-member states (250 000 m.t. in 1974) are dominated by a trade flow from New Zealand to the United Kingdom (more than 200 000 m.t.).

267. In accord with the Court of Justice, the Commission considers that from 1 January 1978 the French national system can no longer be applied against new Member States. In order, therefore, to prevent disturbance of trade the Commission proposed on 10 September 1975 to introduce, as of 1 January 1976, a transitional common organization designed to facilitate a smooth changeover from the present system to the single market system.

3. Agricultural alcohol

268. In 1974 the production of alcohol increased by 13 % compared with 1973 following the growth in the production of molasses alcohol (+ 14 %) and vinous alcohol (+ 70 %). Obviously the major wine-producing countries are the major

producers of alcohol, although molasses alcohol represents 48 % of agricultural alcohol production. It should be noted that the exceptional distillations of 1974 provided unusual quantities of wine distillates (933 000 hl in 1974) in addition to vinous alcohol.

269. The Member States are self-sufficient in agricultural alcohol, except France the exceptional production in 1974 led to a slight increase in stocks and exports from France. In addition, the prices of molasses alcohol have tended downwards, thereby substantially reducing the difference between the price of synthetic alcohol and that of molasses alcohol.

270. Only a proportion of wine distillation was Community financed. During the 1973/74 financial year Italy and France each distilled around 2 million hl of wine under national provisions. France distilled a further 900 000 hl of wine and Italy a further 1 200 000 hl during the same financial year under Community provisions.

Community expenditure on these distillation operations came to a little above 14 million u.a.

d) Fisheries

271. Landings of fish in 1974 were 5 % higher than in 1973 (4 556 000 m.t.), representing total gross takings of 1.56 milliard u.a. However, a large part of the landings was intended for reduction (fish meal). Fish production decreased in France and the United Kingdom and increased in Denmark, Germany and Italy. As regards species, the production of whiting (+ 14 %) and of mackerel (+ 13 %) increased in 1974, whereas the production of cod (— 8 %), herring, haddock and coal fish fell.

272. In 1974 takings were 10.9 % higher than in the previous year, but the increased value of the catch failed to cover increases in fishing costs. However, there was a marked disparity between Member States in the increase in the mean value of fish per unit weight (Denmark: less than 1 % and Germany: more than 30 %).

273. The number of producer organizations increased rapidly from a total of 7 in 1971 to 35 in 1974. By 1974, over 80 % of the fish produced in four Member States was landed by the members of producer organizations.

274. The measures taken in 1974 comprise the establishment of reference prices for carp and the temporary suspension of customs duties in respect of several species of fish. These measures had a liberating effect on the import system and made for

an increase in trade in fishery products. The regulations fixing the reference prices for certain products had the effect of protecting Community producers and the fixing of withdrawal prices for 'basic' products has helped to guarantee fishermen adequate profitability.

275. Expenditure of the Guarantee Section of the EAGGF amounted to 1.3 million u.a. in 1973, 1.2 million u.a. in 1974, and is estimated at 7.5 million u.a. in 1975, representing 0.03 %, 0.04 % and 0.16 % respectively of total expenditure by the Guarantee Section. The amount of 7.5 million u.a. breaks down as follows: 2.5 million u.a. for export refunds, 3 million u.a. for storage costs and 2 million u.a. for market withdrawal expenditure and similar operations.

C — Obstacles to the common agricultural market

276. Some serious obstacles remain within the common agricultural market which are capable of restricting not only the free movement of agricultural products (where there are no barriers of any sort) but also the regional specialization of agricultural production. As examples may be cited certain inadequate price ratios, e.g., between common wheat and the coarse grains, imbalances in external protection, e.g., between two similar sectors such as animal and vegetable oils and fats, and support prices fixed above the level which ensures the structural balance of the market. In addition, one may note a certain rigidity in production which, in the absence of a genuine Community socio-structural policy, accompanies the structural rigidity in the less-developed regions.

277. Special attention should be paid to three groups of obstacles. 1. Monetary compensatory amounts have the effect of reintroducing widely differing price levels within the Community, thereby impairing the unity of the common agricultural market. 2. The magnitude of State aid and its impact on the common agricultural policy is causing increasing concern, in spite of the assurances of the Member States that they would ensure strict application of the Treaty. 3. Obstacles to trade, in particular the many technical obstacles to trade in the agricultural sector, continue to hamper the single market and the free movement of agricultural products.

1. Monetary compensatory amounts

278. In 1975 the monetary situation continued to have its effects on the management of the common agricultural policy. However, the situation is different from what it

was a year ago. The Community now has only four zones differentiated by monetary compensatory amounts: Germany, Benelux, Ireland and the United Kingdom.

279. Monetary compensatory amounts were reduced when the representative rates were fixed as part of the price-fixing operation for the 1975/76 marketing year. Council Regulation (EEC) No 475/75 introduced, for all currencies except the Danish krone, new representative rates to be applied under the common agricultural policy for the conversion into national currency of amounts fixed in units of account.

280. The effects of this decision, as also of the decisions taken subsequently in relation to the UK and Irish pounds, are shown in the table below:

Incidence of the changes in representative rates in 1975
(situation on 15 November 1975)

Member State	Applicable representative rate		Rate of devaluation or revaluation (1)		Incidence of rate changes on common prices in national currencies (%) (2)	Applicable compensatory amounts	
	u.a. equals ...	national currency unit equals ... u.a.	%	Date 1975		%	Applicable in 1975 since ...
Germany DM	3.57873	0.279429	+ 2.27	3/3	- 2.22	+10	3/3
France FF	5.63317	0.177520	- 1.40	3/3	+ 1.42	-	19/5
Italy Lit.	857.000	0.00116686	- 2.80	3/3	+ 2.88	-	4/8
Netherlands Fl	3.41874	0.292505	+ 0.725	3/3	- 0.72	+ 2	3/3
BLEU Bfrs/Flux ³	49.6400	0.0201450	+ 0.725	3/3	- 0.72	+ 2	3/3
United Kingdom £	0.569606	1.75560	-12.45(*)	3/3 4/8 29/10	+14.22	- 6.4(*)	27/10
Ireland £	0.578322	1.72914	-11.26(*)	3/3 4/8 27/10	+12.69	- 4.8	27/10
Denmark Dkr	7.57828	0.131956	0	-	0	-	-

(1) As compared with the position at the beginning of the year.

(2) - 2.17 % (3/3), - 5 % (4/8) and - 5.8 % (27/10).

(3) - 4.46 % (3/3), - 5 % (4/8) and - 2.22 % (27/10).

(4) For beef and veal and common wheat as from 3 November: - 13.1 % (UK) and - 7.2 % (Ireland).

The economic effects of the new rates on the individual products appeared only gradually; however, in 1975 it became possible to reduce the discrepancies between the rates applied under the common agricultural policy and the normal market rates.

281. Movements in the exchange rates have also contributed to a certain extent towards the reduction in compensatory amounts. The French franc in particular, which left the 'snake' in January 1974 and reached its lowest level in May of the same year, when the rate used to calculate compensatory amounts was 14.6 %, had reduced this gap by half by the beginning of 1975. In the following months this process continued so that monetary compensatory amounts were abolished completely for France as of 19 May 1975. Compensatory amounts for milk and milk products and for beef and veal, for which the 1975/76 marketing year had already begun, were abolished on 5 May 1975. On 10 July 1975 the French franc returned to the 'snake' at its former parity. In consequence, there is a difference of + 1.4 % compared with the 'green' rate, but this difference was not thought to justify the application of a compensatory amount.

282. Compensatory amounts were also eliminated for the Italian lire. The exchange rate for this currency also has improved, with the effect that, allowing for the representative rate in force since 3 March, the compensatory amounts vanished one by one as the marketing year began for each product.

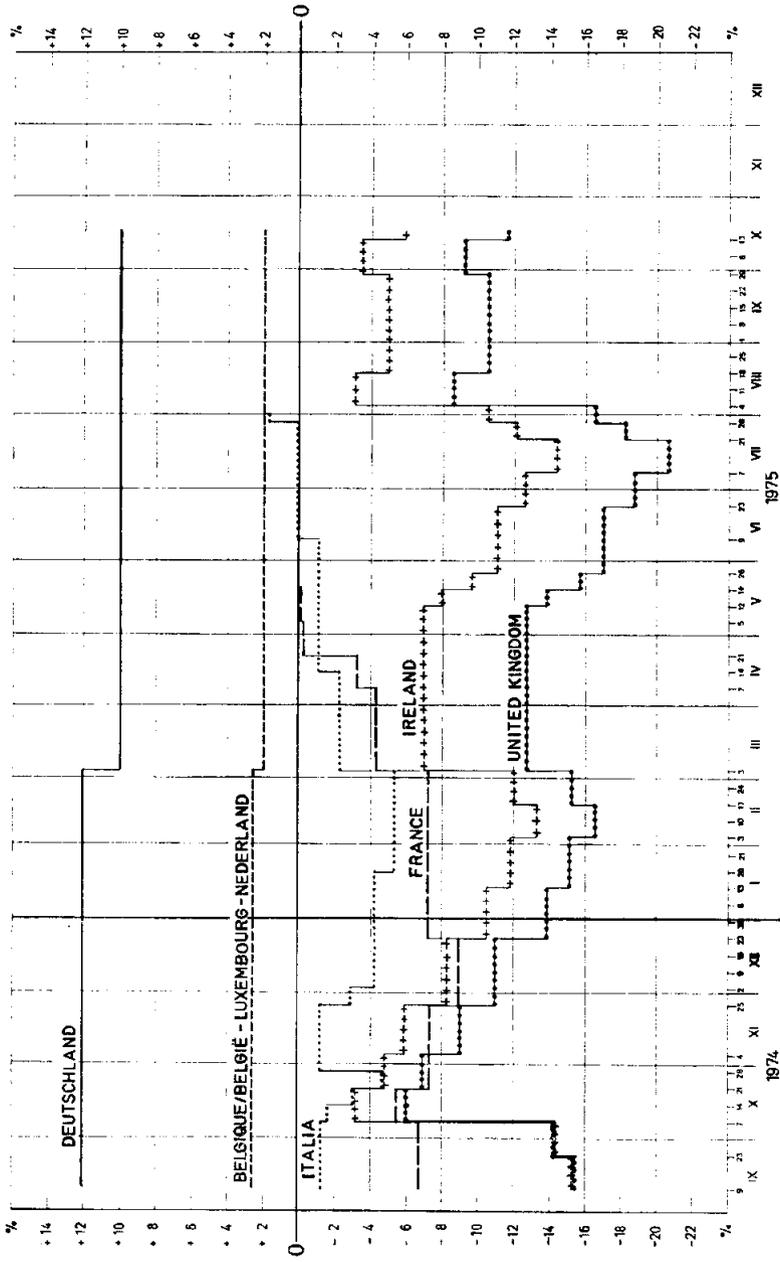
283. The situation of the English and Irish pounds, for which compensatory amounts, although at first reduced by virtue of the new representative rates, have increased continuously since 3 March 1975, is less favourable. On 30 June the percentages applied were 18.6 for the United Kingdom and 12.5 for Ireland. A fall in the compensatory amounts was brought about by two devaluations of the green rates on 4 August and 27 October 1975.

284. The special conditions for the production and marketing of products not included in Annex II of the EEC Treaty, which reduced the effects of differing prices of raw materials (if these remain within certain limits), permitted the abolition of a good many monetary compensatory amounts as of 21 April 1975. At the same time, the monetary situation permitted the abolition of monetary compensatory amounts for wine in all the Member States concerned, except Germany, where the economic situation made it possible to discontinue, as of 29 September 1975 compensatory amounts for wines not of the type produced there.

2. State aid

285. The magnitude of State aid and its impact on the common agricultural policy is causing increasing concern. On 2 October 1974, the Member States agreed to supply, by 19 January 1975, a complete record of all national aid measures in force in 1974, but there was a delay of nearly 10 months before all the Member States fulfilled this commitment.

RATES (IN %) USED FOR THE CALCULATION OF MONETARY COMPENSATORY AMOUNTS IN 1974/1975



GRAPH 11

286. On 2 October 1974 the Member States declared that they would ensure that the provisions of the Treaty on aid (Articles 92 and 93) were strictly adhered to for existing and future aid. This undertaking has not, however, been respected. In 1975 for example, according to the information available to the Commission, 10 new measures of State aid introduced by the Belgian Government were not notified to the Commission or were notified late. The same applies to some 30 French aid measures, and to 10 German, 10 Danish and one Italian measure.

287. It is obvious that the Commission cannot perform its functions under the Treaty of Rome in the field of competition unless it can rely on the loyal cooperation of all Member States, based on respect for Community law and the principles of the common agricultural policy. The Commission here recalls the Council's own opinion as given in the stocktaking of the common agricultural policy of 11 November 1975 (Document R/2821/75): 'The Council considers it essential to take special measures whereby Articles 92 to 94 of the Treaty can be applied more strictly'.

288. The impact of State aid on the common agricultural market can be illustrated by the public expenditure on agriculture entered in the 1975 national budgets. National expenditure on agriculture is almost double the amount of the EAGGF appropriations.

Public expenditure on agriculture ⁽¹⁾

Country	Absolute amounts	% in value of final agricultural production	Labour unit (in u.a.)
Germany	2 120.9	15	1 297
France	4 133.0	24	2 126
Italy	1 386.8	10	722
Netherlands	225.3	5	971
Belgium	177.4	7	1 397
Luxembourg	25.9	29	2 878
United Kingdom	803.0	10	2 788
Ireland	208.7	18	935
Denmark	313.4	10	1 770
EEC 9	9 394.3	14	1 433
EAGGF Guarantee	4 572	7	
EAGGF Guidance	325	0.5	

(¹) Including expenditure relating to social insurance, not excluding tax reliefs, agricultural research, training and advisory services.

3. Obstacles to trade

289. At present there are 28 proposals before the Council for directives on the harmonization of laws. In 1975, it adopted a vertical Directive dealing with the whole fruit juices sector, based in the main on the principle of partial harmonization. With regard to feedingstuffs, the Council amended the Directive on additives in order to make the existing procedures on the authorization of additives more workable. As regards agricultural, horticultural and forestry seeds and seedlings, the basic directives have been amended to improve the free trading arrangements within the Community. In this context the first full edition of the common catalogue of varieties of agricultural plant species has been published. Free circulation now exists throughout the original Community for all seeds.

290. In the veterinary field the Council has extended by five years the rules of procedure of the Standing Veterinary Committee. The discussion on proposals for setting up an emergency veterinary fund and establishing a list of non-member countries from which animals can be imported into the Community has hardly progressed. However, the Council has adopted an important amendment to Directive 71/118/EEC on fresh poultrymeat, which has resolved several difficult questions that had arisen, including methods for refrigerating and gutting poultry.

IV — The consumer and the producer

291. The objectives of Article 39 of the EEC Treaty, and the instruments of the common agricultural policy employed to attain them, concern 9 million farmers and 258 million consumers throughout the Community. The impact on the latter of the general economic situation, trends in agriculture and the agricultural markets, the implementation of the common agricultural policy, and the establishment and operation of the common agricultural market should therefore be examined. In many areas, however, the position of farmers and consumers does not result solely from measures inherent in the common agricultural policy but also from measures relating to other common (e.g., regional) or national (e.g., fiscal) policies.

A — The consumer

292. (1) In 1975, consumers were affected by the general economic situation (general recession, inflation); (2) per capita consumption of food products was influenced by harvest results, price trends and the slow but steady structural changes in consumer habits; (3) the Community continued to ensure the security of supply of most vital products intended for human consumption; (4) while the world market eased somewhat as regards products which earlier had risen sharply, prices within the Community were relatively stable; (5) a certain number of specific measures in favour of consumers or certain groups of consumers were taken under the common agricultural policy.

1. Influence of the general economic environment on the consumer

293. Despite the worst economic recession since the war and a very high rate of unemployment, disposable incomes continued to rise. There was a very appreciable increase in per earnings, although this trend is levelling off slightly. In 1974 per capita earnings were 16.2 % higher than in 1973, while in 1975 the rate of increase was 15.5 %. The trends vary considerably from one Member State to another, ranging (excepting Germany) in 1975 between 14-15 % (Netherlands, Denmark, Luxembourg and France) and 27-28 % (United Kingdom and Ireland). In Germany, however, the rate of increase was only 6.5 %.

294. The sharp rise in the general level of prices remains a disquieting problem in all the countries of the Community. The implicit price increase for the gross domestic product of the Community was of the order of 10.5 % in 1974 and will exceed 14 % in 1975. Moreover, these averages hide marked differences in inflationary trends among the Member States. In 1975, the annual rates of increase in the general level of prices (calculated on the basis of gross domestic product) are likely to range from about 7.4 % (Germany) to 26.2 % (United Kingdom) and 26 % (Ireland).

The upward movement of internal prices is also illustrated by the high rate of increase of consumer prices, although this trend was less pronounced in certain Member States. Examining the development country by country, one sees in general a relative stability in those countries whose currencies have retained their value or appreciated, but a higher rate of inflation in countries with depreciated currencies.

295. In 1973 the proportion of consumer expenditure going on food products and beverages represented 25.7 % of private consumers' expenditure (beverages accounted for about 4.5 %). This proportion, which is falling annually, was highest in Ireland (38.7 %) and Italy (35.2 %), and lowest in Denmark (19.4 %) and Germany (21.1 %).

The economic climate generally prevailing in 1975 undoubtedly influenced consumer behaviour; a more marked tendency to save was accompanied by a slowdown in consumption.

2. Trends in consumption and consumer habits

296. Overall and per capita consumption of agricultural products have not followed the same trend in recent years. In the Community there has been an increase for certain products and a decrease for others. Among the products of which per capita consumption has declined are potatoes, cereals of bread-making quality, rice, most fresh milk products and butter. Conversely, there has been an increase in the per capita consumption of fruit, vegetables, sugar, vegetable fats, all categories of meat, eggs, cheese and fresh cream.

297. These trends generally continued in 1975; however the decline in consumption of wheat-based products was halted — no doubt temporarily — perhaps by the combined effects of the economic recession and the increase in the prices of other foodstuffs. The fall in the consumption of durum wheat, which runs counter to past trends, can be explained by the considerable increase in the prices of pasta products. Sugar consumption dropped in 1975 owing to the rise in prices, withdrawals from stocks following the large-scale purchases since 1973 and some degree

of substitution by other sweeteners. From August 1975, there seems to have been some recovery in olive oil consumption, particularly in Italy.

298. In market sectors with serious structural problems (milk, wine), the established trends continued in 1975. Per capita consumption of fresh milk and butter is falling whilst that of cheese is increasing slightly. Wine consumption per capita may at the best be regarded as stable.

Consumer habits within the Community differ widely. It is not surprising to learn, therefore, that the average French consumer drinks per year fifty times more wine but three times less milk than his Irish counterpart, or that the Italian housewife uses twice the quantity of vegetable oils and fats, but four times less butter than the Irish housewife.

Per capita consumption of the main food products
(average in kg per inhabitant and per year in 1970-74)

Product	EEC 9	National bracket	
		Maximum	Minimum
Cereals	84	Italy : 131	Netherlands : 63
Sugar	38	Ireland Denmark } : 49	Italy : 30
Potatoes	84	Ireland : 122	Italy : 39
Vegetables	96	Italy : 158	Denmark : 50
Wine (litres)	49	France : 106	Ireland : 2
Milk (fresh products, other than cream)	102	Ireland : 227	Italy : 72
Meat	75	France : 87	Denmark : 57
of which beef and veal	25	France : 29	Denmark : 16
pigmeat	32	Germany : 49	Italy : 16
poultrymeat	12	France : 15	Denmark : 6
Vegetable oils and fats (EEC 6)	17	Italy : 22	France : 14
Butter (fat)	6	Ireland : 10	Italy Netherlands } : 2

299. The changes in consumer habits are due not only to the increase in incomes but also to new supply possibilities opened up by the integration of the agricultural and food markets within the Community. The volume of intra-Community trade in agricultural and food products is six times what it was in 1963; the range of products offered to consumers has been greatly increased and diversified, largely as a result of the new economic dimensions in which the food industry now operates.

300. However, the integration of agricultural markets is not always fully reflected in consumption trends and consumer habits, because of the persistence of factors external to the common agricultural policy.

These factors include, for example, fiscal systems (VAT rates — excise duties), health legislation and price control, which differ considerably from one Member State to another, affecting consumers' access to the single market.

3. Security of supply

301. Since 1959/60, self-sufficiency rates have increased for most agricultural products subject to the common organization of markets, in particular for sugar, butter and cereals. This represents some progress in the security of supply. On the other hand, the dependence of the EEC upon other countries for its supply of oilcake, in particular soya and fish-meal, has greatly increased. This problem is all the more serious in that it has not been possible to achieve diversification in the sources of supply, another factor making for security. Although it has been possible to achieve some degree of diversification for soya, this has been offset by an increase in imports of starch (maize) residues, with the result that the EEC continues to depend on a single supplier for 62 % of its supplies of oil seeds and fruits, oilcake and starch residues.

302. In the present situation, the security of supply is fairly well assured for vital products required for human consumption. The dependence of the EEC upon other countries for products required for animal feeding, other than cereals, is, however, about 80 % for protein-rich concentrates, and almost 50 % for maize.

303. The Community is about 100 % self-supplying in several vital products for human consumption: milk products, pigmeat, eggs and poultrymeat, common wheat, rye, barley, apples, pears, peaches and wine. There were no major changes in the Community's degree of self-supply in 1973/74, except in respect of rice, wine, beef and veal (see table on page 93).

304. Already in 1973, and more so in 1974, Community consumers had protection from the ups and downs of the world market. By introducing export levies for certain vital basic products (cereals, rice, sugar), the Community not only ensured security of supply but also a certain degree of stability in consumer prices. In a period of galloping inflation and temporary hold-ups in energy supplies, these and other measures to help the consumer (subsidies for butter, subsidized purchase of sugar on the world market) assume particular importance.

Classification of the main agricultural products in the Community according to degree of self-supply in 1973/74

Exceeding 100 %	Around 100 %	Below 100 %
Barley (103 %)	Common wheat (100 %)	Butter (93 %)
All wheat (durum + common) (103 %)	Rye (95 %)	Durum wheat (72 %)
Wine (115 %)	Oats (96 %)	Maize (59 %)
Cheese (107 %)	Potatoes (100 %)	Rice (90 %)
Poultrymeat (103 %)	Eggs (100 %)	Sugar (91 %)
Common wheat (106 %)	Pigmeat (100 %)	Fresh vegetables (93 %)
	Beef and veal (100 %)	Fresh fruit (80 %)
		Citrus fruit (42 %)
		Sheepmeat (67 %)
		Oilcake (4 %)
		(4)

(4) To this list should be added products for which figures are not available but for which there is a considerable need in the Community, particularly tropical products (fats, oils and exotic fruits).

305. The export levies introduced earlier were retained during 1975 where necessary. They were abolished in January for common wheat, barley and maize, in May for rice and sugar and in June for olive oil. Their existence had the effect of ensuring the efficient implementation of the principle of Community preference for consumers. The stock levels of certain vital products (15 million m.t. of cereals, 0.33 million m.t. of rice) in the Community at the end of 1975 illustrate this will on the part of the Community to give priority to the security of consumer supplies.

306. In the sugar sector the Community took additional measures to ensure the security of supply. Because of the 1974/75 shortages, exports to non-member countries were confined to the traditional exports of sugar in processed forms (about 250 000 m.t.), and to a small quantity of C sugar. Among the imports from non-member countries (around 1.8 million m.t.) should be mentioned the imports from Commonwealth countries, which became ACP countries from March 1975, and imports qualifying for Community subsidies (0.52 million m.t.).

When, in autumn 1974, it became evident that the Community could not be supplied in full from its own harvests and by prospective deliveries from the Commonwealth countries, the Council approved, in a number of stages, import subsidies on sugar

from non-member countries. These imports were effected between December 1974 and April 1975 by the award of import contracts whereby the tenderers obtained the right to export, from 15 October 1975, an equal quantity exempt from levy. Since quotations were high at that time on sugar futures markets, this coupling with a later export transaction gave the importer the chance to offset a part of the book losses suffered on importation by resale operations on the futures market. This enabled the amount of the subsidies to be substantially reduced; they totalled 170 million u.a. under the 1975 Budget (import subsidies; payments for the retention of C sugar in the Community, and subsidies for the extraction of sugar from molasses).

4. Price stability

307. Instability of prices has continued to affect world markets in agricultural products. The strains in 1972 and 1973, caused by shortages, which brought about sharp rises in prices and reductions in stocks (sugar, cereals, soya, fish-meal and rice), were succeeded towards the end of 1974, by a downturn in prices which became more marked during the first six months of 1975.

308. While in the 1973/74 marketing year, prices at Community frontiers were near or below world prices, the position has again been reversed in 1974/75 in respect of certain products.

Prices at the Community frontier as a percentage of world market prices

Product	1973/74 Average	1974/75 Average
Common wheat	79	107
Durum wheat	116	125
Husked rice	60	81
Barley	96	107
Maize	98	106
White sugar	66	41
Beef and veal	111	168
Pigmeat	131	109
Eggs	111	164
Olive oil	96	95
Oilseeds	77	75
Butter	320	320
Milk powder	156	140

309. Within the Community, the average level of common agricultural prices in u.a. rose by 9.6 % ⁽¹⁾ for the 1975/76 marketing year (14.5 % for 1974/75 and 5.1 % for 1973/74). However, changes in the representative rates of currencies for the purposes of the common agricultural policy and the approximations to Community prices made by the new Member States have helped to make for different farm price trends in the Member States. Thus, over 1974/75 and 1975/76 combined, common agricultural prices expressed in national currency increased by 18 % in the Netherlands, 21 % in Germany, 24 % in Belgium, Luxembourg and Denmark, 27 % in France, 54 to 57 % in the United Kingdom and Ireland and 75 % in Italy.

310. An increase in the average level of agricultural prices in u.a. or national currencies does not automatically result in an equivalent increase in consumer prices for foodstuffs. Numerous factors, resulting from market price trends and the processing and distribution structure, intervene here. It was estimated that the 9.6 % increase in common agricultural prices in u.a. for 1975/76 would lead to an increase of about 0.6 % in total consumer expenditure, taking into account the monetary compensatory amounts.

311. The monetary compensatory amounts have the effect of subsidizing imports of agricultural products in countries with depreciated currencies. In 1975 the EAGGF spent a total of about 500 million u.a. on these amounts; the 'accession' compensatory amounts have the same effect (400 million u.a. in 1975).

312. An analysis of the development of producer and consumer prices for certain agricultural products which have an important place in total agricultural production (e.g., milk, beef and veal, pigmeat, common wheat, sugar beet and eggs) shows that consumer prices for these products, whether processed or unprocessed, generally increased by a far greater amount than agricultural producer prices over the period 1968-74. Exceptions to this rule have occurred in the case of pigmeat in France, Italy and Belgium, drinking milk in the three new Member States, sugar in the Netherlands and potatoes in Italy, the United Kingdom and Denmark.

In 1974 the strong upward trend in consumer prices for foodstuffs and beverages continued in the Community, while the general index for agricultural producer prices fell considerably. Since the third quarter of 1975, however, farm prices have shown an upward trend, so that from March/June 1975 onwards, calculated on a twelve-month basis, producer prices for agricultural products have tended to increase more rapidly than prices for foodstuffs and beverages.

⁽¹⁾ For the original Community.

313. Comparing 1975 with 1974, consumer prices for foodstuffs have increased to a lesser extent than the consumer price index in certain countries of the Community (Germany, Netherlands). Elsewhere (France, Belgium, Luxembourg, Ireland, United Kingdom and Denmark), consumer prices for foodstuffs have increased slightly more than the general index. Only in Italy has there been a considerable difference between the rise in food prices (17.2 %) and that of the general consumer price index (13 %), mainly as a result of successive reductions in the representative rate for the lira (the 'green' rate) used to convert into national currency the amounts fixed in units of account for the purposes of the common agricultural policy.

Consumer prices
September 1975 : % increase over September 1974

Country	General index	Foodstuffs and beverages
Germany	6.1	5.9
France	10.7	11.3
Italy	13.0	17.2 ⁽¹⁾
Netherlands	10.2	8.5
Belgium	10.9	11.8
Luxembourg	10.8	12.3
United Kingdom	26.6	28.2
Ireland	18.9	19.1 ⁽¹⁾
Denmark	8.7	10.3

⁽¹⁾ August 1975 — August 1974.

314. Generally speaking, market prices in the Community were relatively stable compared with the movements on world markets. In the cereal sector in 1974/75, Community market prices followed the pattern of world market prices, though the variation was much less marked than on the world market. Prices were generally very high until December 1974 and then fell rapidly to the intervention price levels or below, especially in the case of wheat.

The prices of all cereals in the United Kingdom and the price of maize throughout the Community continued to be directly influenced by high world market prices, giving rise to a greater than normal disparity between the market prices and intervention prices, particularly during the first half of the marketing year.

315. In 1973, according to the indices, the consumer prices of sugar rose by 12-22 % compared with 1972 levels. This increase was considerably greater than that occur-

ing between 1971 and 1972, which only amounted to 3.8 %. For 1974, very small increases were noted in Germany (2.4 %), Luxembourg (2.8 %) and Ireland (3.8 %); Italy and the United Kingdom recorded the largest increases with 20.4 and 20.0 % respectively, whilst in the other Member States increases ranged from 7.8 to 12.3 %.

316. Lastly, prices in 1975 were close to intervention levels for milk and milk products and beef and veal, whereas the 'pig cycle' is in its upward phase, and signs of increases in pig carcase prices are beginning to appear.

5. Special measures to benefit consumers

317. The Community has taken special measures for consumers, or certain categories of consumers, in several sectors — mainly sugar, milk, and beef and veal. In view of the shortages on the sugar market, under the 1975 Budget, the Community allocated a sum of 170 million u.a. for import subsidies relating to 520 000 m.t., payments for the retention of 24 000 m.t. of C sugar (sugar produced in excess of maximum quotas) within the Community and subsidies for the extraction of 35 000 m.t. of sugar from molasses.

In the milk and milk products sector, the Community helped, through the EAGGF, to finance consumer subsidies for butter, particularly in the United Kingdom and Ireland. It also continued sales of cut-price butter to certain social institutions and lower-income categories. The financing of direct actions in this sector involved a total which may be estimated at 56.5 million u.a. in 1975. Lastly, in the beef and veal sector, sales at reduced prices were made to welfare organizations and recipients of social assistance. EAGGF intervention in this sector amounted to 37 million u.a. in 1975.

318. The United Kingdom is a special case since the British market, which represents almost 22 % of the Community's consumption potential, is the most dependent on non-member countries, but it is also the market which has received the most Community help for consumers (a consumer subsidy of 200 million u.a. for butter sold at a price 47 % less than the common price, measures in support of beef and veal and pigmeat, measures to ensure security of sugar supplies).

As a result of the special measures, the monetary compensatory amounts and the measures taken by the Community to ensure security of supply and the stability of consumer prices, the increase in these prices in the United Kingdom was less than it would have been if the full impact of world prices had been borne by the consumer goods markets.

B — The producer

319. In 1975 the situation of agricultural producers in the Community was affected by several factors, i.e., the trend of agricultural markets, and measures adopted in connection with the common agricultural policy and other common or national policies: 1. as a result of a good harvest and support by measures adopted in connection with the common organization of agricultural markets, final production in the agricultural sector is estimated to have risen by 7-8 % in 1975. 2. generally speaking, internal prices were relatively stable despite continuing instability on world markets and new trade policy commitments. 3. the situation as regards agricultural incomes seems to have improved decisively after the poor results in 1974. 4. however, there are still wide disparities in income within the agricultural sector. 5. the general situation of agricultural producers was improved by various agricultural and other common policy measures, and measures taken at national level.

1. Agricultural production

320. For a long time now, agriculture in the Community has been based mainly on animal production. The beef-mutton-dairy sector, which accounts for about 42 million ha of meadow and pasture land (45 % of the UAA), represents one-third of total agricultural production. When pig and poultry production, which are based on the processing of cereals, are also included, the value of animal production accounts for 57 % of the final agricultural production.

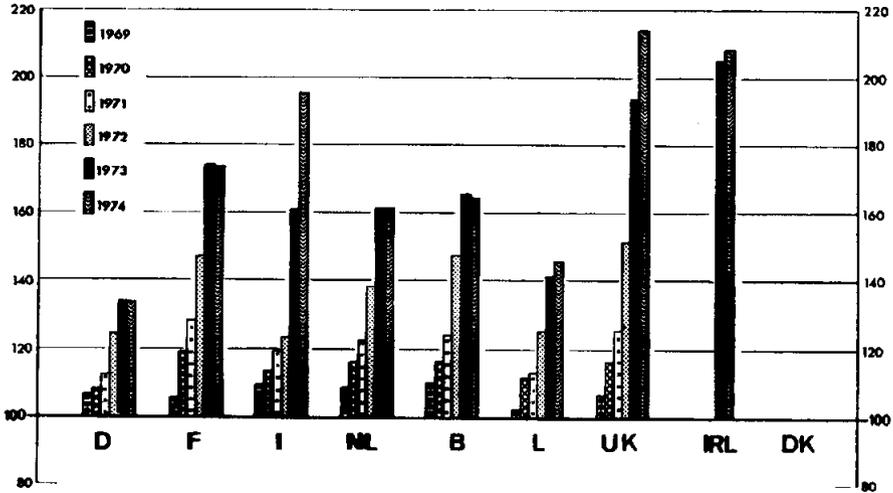
The crop sector is based mainly on cereals, which occupy 28 % of total UAA but represent only 12.1 % by value of final agricultural production. This is due to the fact that a large part of the crop production is forage; consequently, 75 % of total UAA is in fact given over to animal production.

Although vegetables and fruit are produced in almost every part of the Community, certain specialized products in this sector (for example, citrus fruit) and wine and oil production are localized mainly in the south. These products together account for 17.9 % of total agricultural production.

321. According to preliminary estimates, the 1975 cereal harvest (excluding rice) in the Community will amount to 100 million m.t. (1974: 108.2 million m.t.). This drop is mainly due to exceptionally poor yields (—6.2 %), which had otherwise been increasing by 3.2 % per year on average since '1968'.

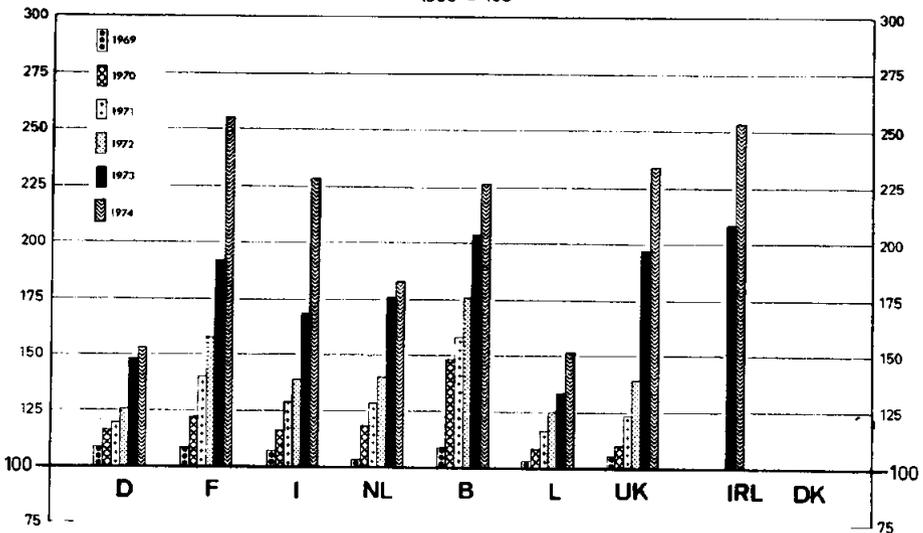
For certain other agricultural products the variations in the volume of production in 1975 as compared with 1974 are expected to be +2 % for beef and veal and —2.0 % for pigmeat. Provisional estimates point to a wine harvest of 142 million

DEVELOPMENT OF FINAL AGRICULTURAL PRODUCTION
AT CURRENT PRICES
1968 = 100



GRAPH 12

DEVELOPMENT OF INTERMEDIATE AGRICULTURAL CONSUMPTION
AT CURRENT PRICES
1968 = 100



GRAPH 13

hl, less than the exceptional harvest of 1973/74 (171 million hl) but more than the 1972/73 harvest (127 million hl). Production of cow's milk will be stable at 91.3 million m.t., but deliveries to dairies will probably increase by 3 %, compared with 1 % in 1974.

322. Given the trend of farm prices and quantities produced, it may be forecast that at constant exchange rates final production by value in 1975 will be 7-8 % higher than in 1974. But taking account of the rate of inflation in 1975 it is likely that there will be a slight decline in final production in real terms.

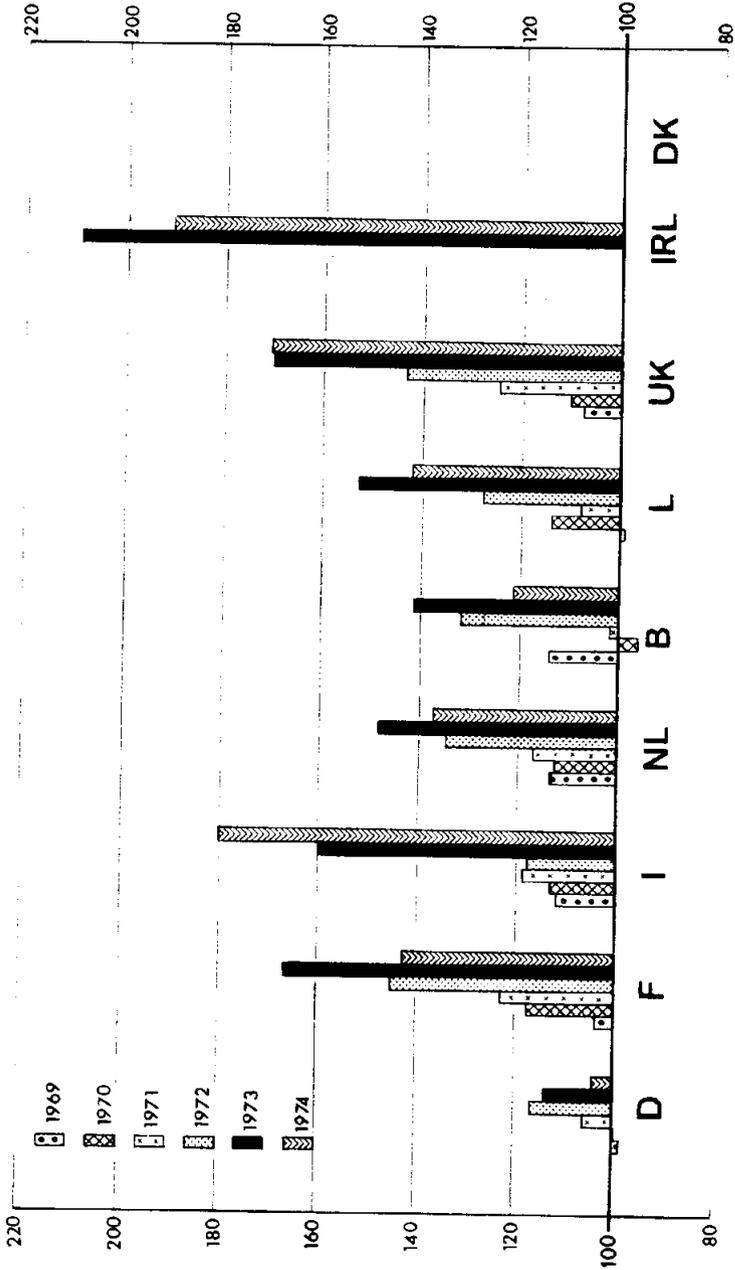
2. The stability of internal markets

323. Generally speaking, Community internal markets were relatively stable in 1975, particularly when compared with world markets.

In the meat sector, beef and veal production continued to rise, though to a lesser extent than in 1974. The Community once again showed a very slight deficit, whilst prices — although higher than last year — still remained below the guide price. Pigmeat prices, which at the beginning of the period under review were substantially below the present basic price, have for several months been higher than this price. Both production and consumption of poultrymeat dropped, so that prices did not pick up until the second half of 1975. 1975 was a critical year for eggs, production being up and consumption down. There were problems in the milk products sector, which showed increased imbalance, especially as regards skimmed milk powder. Too much wine was produced and large quantities had to be distilled. In the sugar sector, on the other hand, problems were caused for the first time by shortages, which were covered by subsidized imports from the world market. With regard to hops and seeds, very large stocks were built up in 1975; conversely, the situation on the tobacco market improved. Vegetable oil prices followed a different trend, however; the high levels early in the year had a negative impact on demand, whilst the subsequent fall created marketing difficulties for olive oil. Protein supplies were better than in recent years, while the cereal market was influenced by the good harvest in the United States, the poor results in the Soviet Union and the relatively large stocks of wheat and barley in the Community. The large quantities of frozen fish in store led to a drop in prices.

324. Shortages of many agricultural products, which had put a strain on world markets in 1972 and 1973, continued in 1974; prices were pushed up sharply and stocks declined (sugar, cereals, soya, fish-meal and rice). Towards the end of 1974 however, prices turned downwards and this trend continued during the first six months of 1975. All markets suffered from the consequences of the continuing

DEVELOPMENT OF NET VALUE IN AGRICULTURE AND
 FACTOR COSTS AT CURRENT PRICES
 1968 = 100



GRAPH 14

economic recession, the high level of unemployment and increased production. It would seem unlikely that stocks of cereals can be replenished to any great extent during the 1975/76 marketing year. On the other hand, outlets may well be more difficult to find for the soya harvest, while the world market in milk products is suffering from a glut of milk powder, because of the large stocks held by all the exporting countries. Thus, instability remains a feature of world market prices.

325. The introduction of export levies whilst world prices were rising sharply, followed by their subsequent gradual elimination and the reintroduction of import levies, helped to stabilize the prices of major products within the Community throughout this period. Likewise, the intervention machinery made it possible to prevent the collapse of internal prices, particularly for milk, wine, beef and veal, and certain fruits and vegetables.

3. The position of agricultural incomes

326. After the outstanding increase in incomes in 1973 and the fall-off in 1974, 1975 looked relatively promising. Since no precise statistics are available in respect of the trend of agricultural incomes in 1975, data for 1973 and 1974 will be given below together with estimates for 1975.

327. Gross domestic product per worker and average remuneration per worker for all economic sectors in the Community of Six grew in real terms by 25 % and 33 % respectively from 1968 to 1973. In the same period the value added per ALU ⁽¹⁾ in agriculture rose by 38 %.

In 1973 incomes in the agricultural sector thus improved appreciably in relation to incomes in other sectors, significantly reducing the gap existing in 1968.

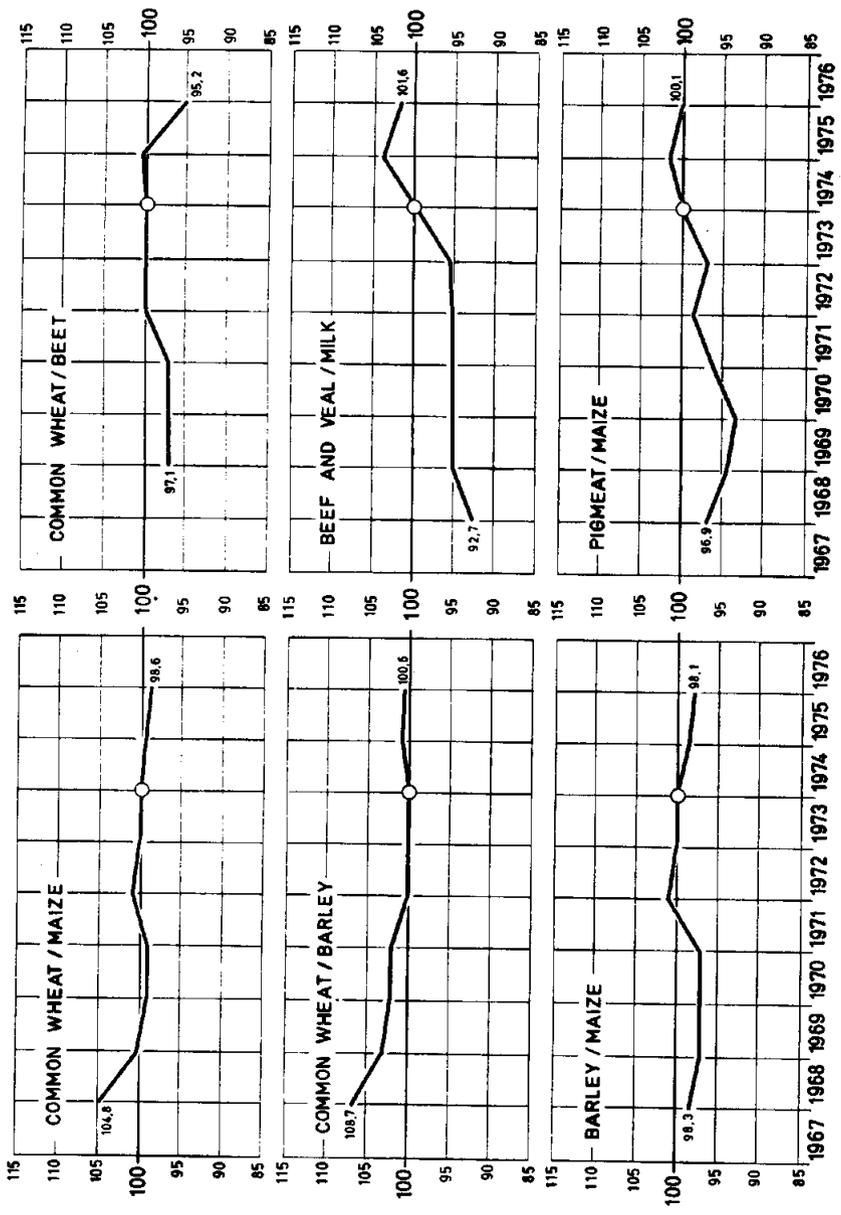
This favourable situation should, however, be assessed in the light of the exceptionally good results in 1973, which marked a highpoint in the medium-term trend emerging from the data for the whole period under review.

It should also be borne in mind that the production factor 'capital' became much more costly at the end of 1973 with the result that part of the income growth recorded did not benefit farm workers.

328. 1974 has seen a break in the trend towards general growth in agricultural incomes recorded in previous years. Whereas 1973 was a record year in many

⁽¹⁾ Annual Labour Unit.

COMMON PRICE RELATIONSHIP¹⁾ BETWEEN CERTAIN AGRICULTURAL PRODUCTS
INDEX 1973/74 = 100



1) Target prices (Cereals), Guide price (Beef and veal) Basic price (Pigmeat), Minimum price (Beet)

GRAPH 15

respects, 1974 was a bad year for agricultural incomes which in general deteriorated sharply.

The value of agricultural final production in money terms fell considerably in the Netherlands and to a lesser degree in France, Germany and Belgium, while there was a slight increase in Luxembourg and a considerable increase in Italy and the United Kingdom. These varying trends were accompanied by an increase in the value of intermediate consumption in all Member States, particularly France, Italy and the United Kingdom. This increase was principally brought about by the higher cost of energy, chemical fertilizers, feedingstuffs and other means of production used in agriculture.

For most countries, except Italy and the United Kingdom, and for the agricultural sector as a whole, these trends brought about a decline in the net or gross value added at market prices and at factor cost.

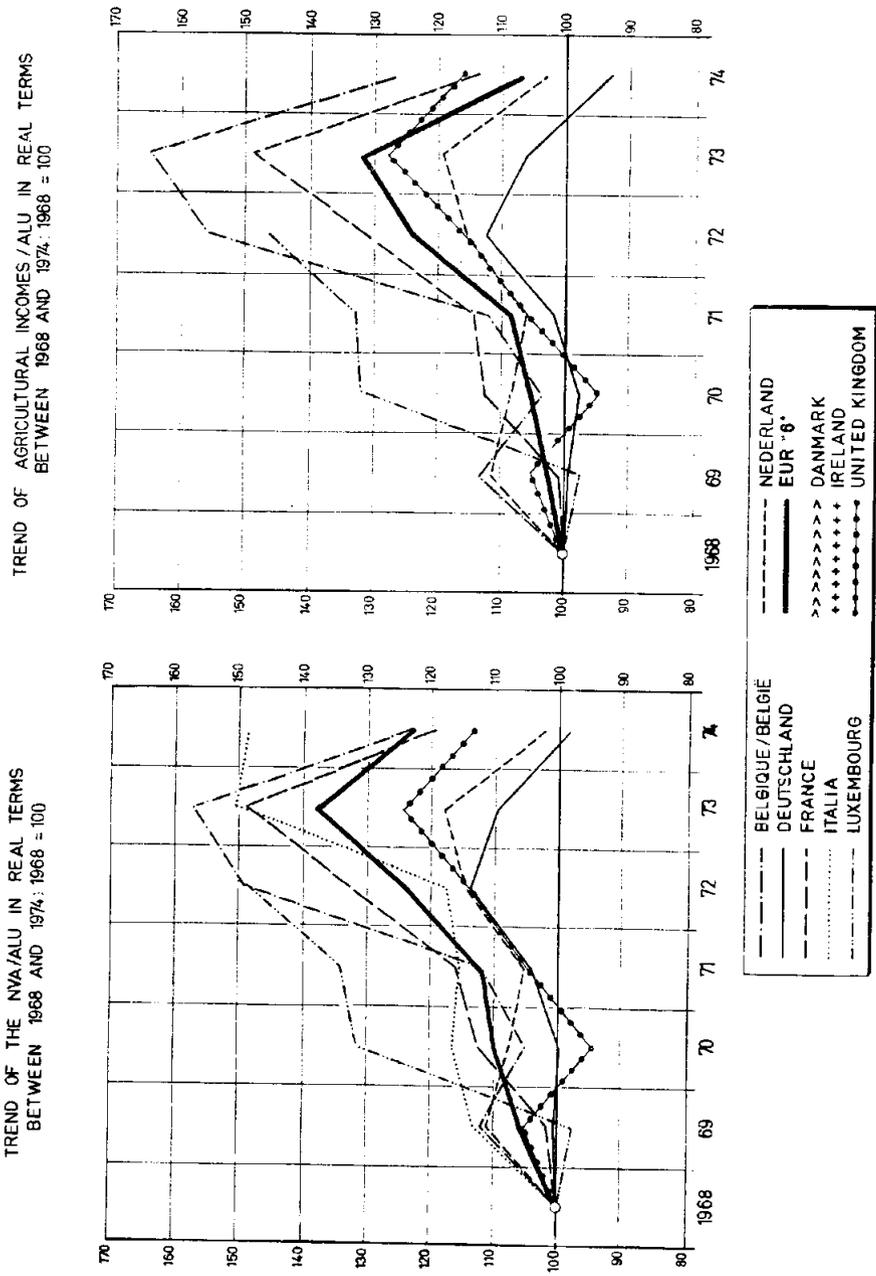
Change in the value added at factor cost and in agricultural income in 1974 as a percentage of 1973

Member State	Net value added at factor cost per ALU		Agricultural income per annual labour unit (ALU)	
	in money terms	in real terms	in money terms	in real terms
Germany	- 4.5	-10.5	- 7.2	-13.0
France	-10.9	- 9.8	-15.3	-23.7
Italy	+15.5	- 0.9	.	.
Netherlands	- 5.6	-13.4	- 6.0	-13.7
Belgium	-11.5	-21.5	-13.8	-23.6
Luxembourg	- 7.2	-16.8	- 9.4	-18.8
EEC 6	- 1.6	-10.9	-14.6 ⁽¹⁾	-18.8 ⁽¹⁾
United Kingdom	+ 2.7	- 8.9	+ 2.1	- 9.4

⁽¹⁾ Excluding Italy.

329. The table shows that both net value added and agricultural income per ALU fell steeply in 1974 in both money and in real terms in at least five Member States in the Community.

Some information with regard to trends in farm income in the 1974/75 marketing year (or the 1975 calendar year) is available for the different Member States.



GRAPH 16

Germany

330. According to the latest estimates, the 1975/76 marketing year will bring a net rise in income per family ALU of about 8.8 % over 1974/75. For 1975/76, growth is estimated at between 5 and 13 % compared with 1974/75.

France

331. Preliminary estimates for agriculture in France suggest a fall in gross farm income in 1975 of nearly 1 % despite the 2.7 % drop in the number of farmers. Agricultural incomes are expected to fall in real terms by about 3.6 %.

Italy

332. In Italy, a quantitative increase in marketable agricultural production of 2-3 % is expected for 1975 in relation to 1974.

For 1975, an increase of 15 % over 1974 in gross agricultural income in money terms is expected, corresponding to a rise of + 2 % in real terms. Farm workers' wages are likely to rise by 38-40 %.

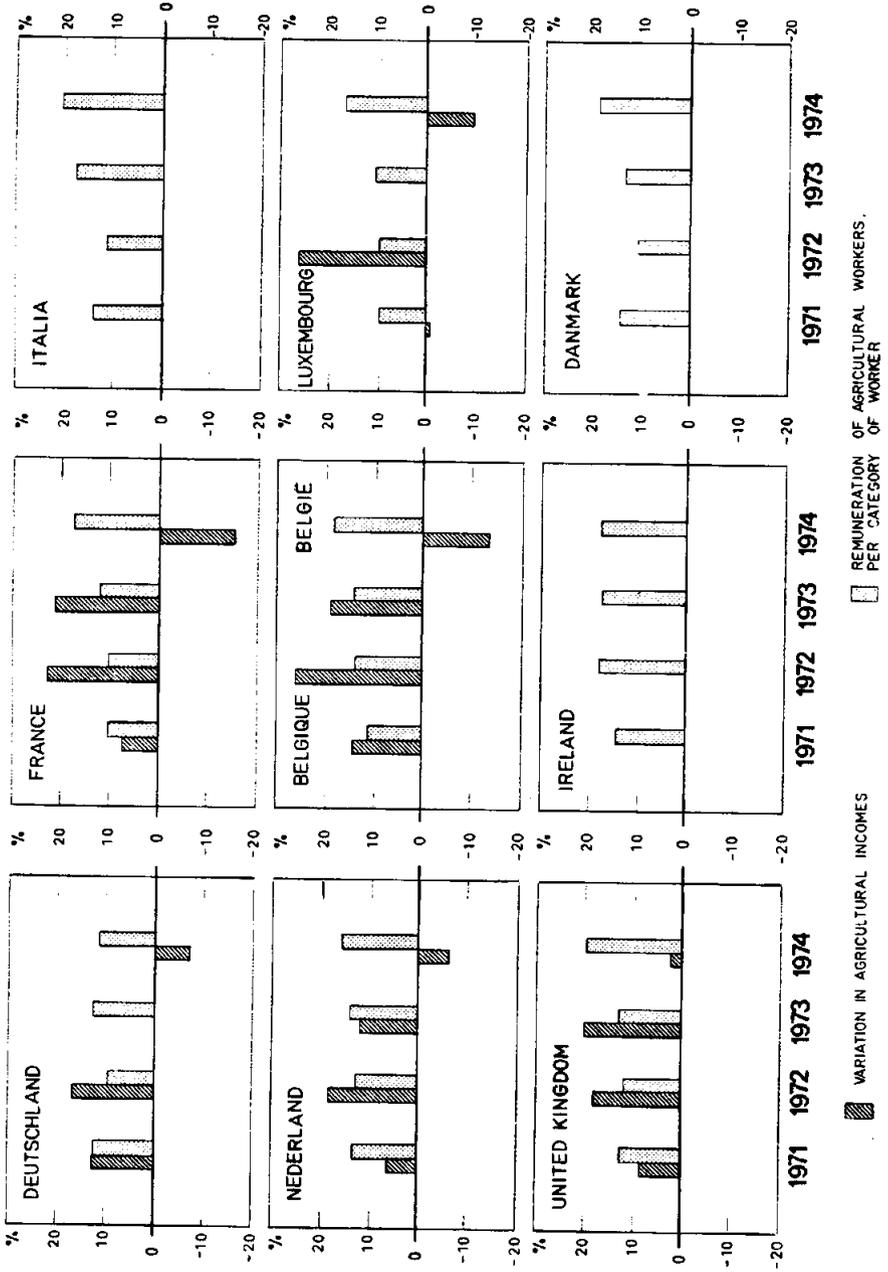
Netherlands

333. In the Netherlands the 6.5 % decline in producer prices and the rise of about 3.1 % in the cost of the means of production will have a very unfavourable impact on agricultural income in 1974/75 compared with the previous year. Estimates for 1975/76 suggest very divergent tendencies as regards the trend of agricultural incomes by type of farming. Cattle farms and mixed farms (mixed farming - cattle) are expected to show an increase in farming income in 1975/76 in relation to 1974/75 ranging from about 30 % for the grassland farms in the north to about 146 % for mixed farms on sandy soil. Farming incomes are also expected to rise on small grassland and mixed farms.

Belgium

334. Currently available statistics for Belgium suggest that in 1975 agricultural income will rise by 6-7 % in money terms in relation to 1974. This points to a fairly strong downward trend in agricultural incomes in real terms and a marked widening of the gap between agricultural and non-agricultural incomes, given the likely increase of about 15-17 % in the latter.

VARIATION IN AGRICULTURAL INCOMES AND IN THE REMUNERATION OF AGRICULTURAL WORKERS, PER CATEGORY OF WORKER, COMPARED WITH THE PREVIOUS YEAR



GRAPH 17

Luxembourg

335. Agricultural income in Luxembourg, which was adversely affected in 1974, should increase by 3.4 % in 1975. In relation to the number of remaining farms, this rise represents a growth rate of + 8.1 %. It is also expected, however, that the cost of living index will rise by 10.12 % during 1975 and that gross annual earnings will rise by 9.6 %. This means that agricultural incomes should fall by about 1 % in 1975 in real terms. The gap between agriculture and the other sectors will continue to widen (1.5 %).

Denmark

336. The figures available for 1974/75 show a slight increase in income (+ 3 %) compared with the previous year. A slight improvement in incomes from pigmeat production is expected in 1975, while the status quo will be maintained in regard to cattle farming. Given the 10 % decline in cereal yields, an increase in income cannot be expected in this sector.

Ireland

337. In money terms, the increase in agricultural income in 1974/75 has been estimated at 30 % as against the previous year.

United Kingdom

338. It is to be expected that agricultural incomes will vary considerably in 1975, both between different types of farming and between farms of the same type.

Crop farmers should obtain higher incomes than in 1974.

It is difficult to estimate dairy farming incomes. Higher prices for milk should partly offset higher costs.

Farmers specializing in the fattening of bovine animals will make a profit on lean cattle bought cheaply in 1974.

4. Income disparities

339. Agriculture suffers from significant disparities in incomes between the different regions of the Community.

An examination of the range of farm incomes in the four largest Community countries shows that these differences lie between the following extremes (national average = 100):

- 89 to 112 in Germany as between Länder (1973-74)
 - 47 to 338 in France as between planning regions (provisional figures for 1974)
 - 54 to 165 in Italy as between Regioni (1971)
 - 73 to 112 in England and Wales as between major statistical regions (1972-73).
- (Figures are not available for Scotland and Northern Ireland).

Regional differences in agricultural income thus vary in the ratio of 1:6 in France and 1:3 in Italy, disparities being smaller in the other two countries. They are considerably greater than the differences between non-agricultural incomes.

340. Three main factors are at the root of these disparities (although available statistics do not allow us to determine the exact part played by each): the natural production conditions; the structure of holdings, and the type of farming.

341. Firstly, the natural production conditions, i.e., soil, climate, gradient, etc. The wheat yield per hectare, for example, varies from 34 to 45 quintals in Germany, and from 23.9 to 45.8 quintals in France.

Studies made in Germany have shown that a slope of 20 % will increase the production costs of a hill pasture farm by over DM 100 per hectare.

342. Secondly, structural factors, of which the most important is the size of the farm. In mixed farming, the income per ALU is at index 35 for farms of between 5 and 10 ha, and at index 170 for farms of 50 ha and over. In beef production, the figure is 70 for farms of 5-10 ha and 115 for farms of 50 ha and over. The great majority of poorly structured farms are to be found in the less-favoured areas of the Community, where job vacancies in other sectors are rare.

343. Another factor relates to the type of crop grown in each region. The average income per ALU is close to 4 000 u.a. for mixed farms (cereals, sugar beet, oilseeds, etc.) and about 1 700 u.a. for stock farms. Farms engaged in more specialized forms of production (horticulture, fruit, wine-growing, pigs and poultry) lie between these extremes.

These differences, accountable to the type of farming, are also explicable in terms of the other factors mentioned, i.e., natural conditions and structural problems. But the market support mechanisms for each product, the common price structure and in some cases the system of compensatory amounts also play an important part.

344. The directive on mountain and hill farming and farming in certain less-favoured regions, which has now come into operation, aims to reduce these disparities.

It concerns regions which represent a quarter of the UAA in the Community but only 10 % of Community agricultural production. Community regional policy, recently put into effect, should also help to reduce disparities in income.

5. Special measures to assist producers

345. During 1975, the Community continued to apply various special measures to assist agricultural producers in the Community. These measures are mentioned here as special aspects of the body of instruments governing the common agricultural policy (price and market policy — socio-structural policy), the application of which has improved the situation of agricultural producers.

346. In connection with the price and market policy, mention should be made of the premium systems introduced in the beef and veal sector (premiums for orderly marketing of beef animals and for the retention of herds, applicable from August 1974 to 30 April 1975; premiums for producers of bovine animals, applicable from May 1975 to 29 February 1976) and the EAGGF contributions towards advertising campaigns to promote the consumption of beef and veal, pigmeat and poultrymeat.

347. In sectors with structural imbalances, the Community made special efforts to assist dairy farmers (stocks of skimmed milk powder were built up to over 1 million m.t. in 1975), wine growers (exceptional distillation measures; 14.3 million hl in 1974/75) and certain fruit growers.

348. In respect of the socio-structural policy, the directive on mountain and hill-farming and farming in certain less-favoured areas became applicable in 1975. The impact of this directive was reinforced by the launching of the European Regional Development Fund.

349. A reliable indication of the total scale of Community action on behalf of farmers is the level of EAGGF expenditure. Estimated expenditure for 1975 amounts to 4 572 million u.a. for the Guarantee Section and 325 million u.a. for the Guidance Section. In 1975, expenditure amounted to 2 milliard u.a. for price compensatory measures, over 900 million u.a. for storage and market withdrawals and a similar amount for export refunds.

350. It should be borne in mind that some of this expenditure did not directly concern agricultural producers. This also applies to total expenditure for the implementation of national and Community agricultural policy, which amounted to about 14.3 milliard u.a. in 1975.

V — The financial aspects

351. Agricultural policies, however implemented, involve some expenditure of public funds. The steady development of the common agricultural policy has caused an increased proportion of this expenditure to be transferred from national budgets to the Community budget.

The bulk of the expenditure on agricultural markets has for the past several years been charged to the Community budget through the EAGGF Guarantee Section. On the other hand, structural expenditure in the broad sense of the term continued to be borne mainly by national budgets, as the role of the EAGGF Guidance Section is still a limited one. Thus, it is still of value to examine the expenditures borne by the budgets of the Member States.

352. At Community level, under Article 10 of Regulation (EEC) No 729/70 on the financing of the common agricultural policy, the Commission is required to submit to the Council and to the European Parliament, before 1 July of each year, a financial report on the administration of the Fund during the preceding financial year and, in particular, on the state of its resources, the nature of its expenditure and the conditions under which Community financing has been effected. Up to the present, the Commission has submitted four reports, covering the years 1971 to 1974, the fourth and most recent of these (1974) (COM(75)396 final of 24 July 1975) was adopted by the Commission on 24 July 1975. These reports provide more detailed information about the financing of the common agricultural policy than are given here.

A — Overall view

353. Total public expenditure, national and Community, in support of the agricultural sector is estimated at about 14.3 milliard u.a. in 1975 against 11.6 milliard in 1974. These amounts correspond to about 5 % of total State expenditure by the nine Member States and represent about 22 % of agricultural final production by value.

354. In 1975, about 66 % of total expenditure on agriculture still came from national sources. Grants from Member States for structural measures amounted to 3.5 milliard u.a. whilst those for social measures amounted to 4.1 milliard.

In 1975, the EAGGF provided about 34 % of total expenditure on agriculture, as against 29 % in 1974.

EAGGF expenditure (million u.a.)

Year	Guarantee Section		Guidance Section
	EUR 6	EUR 9	
1970	2 602.9		201.5
1971	1 571.3		242.4
1972	2 258.2		167.2
1973		3 814.6	189.4
1974		3 107.3	258.8
1975 (forecasts)		4 572.0	325.0
1976 (budget)		5 160.3	325.0

355. Gross expenditure by the EAGGF Guarantee Section amounted in 1974 to about 3.1 milliard u.a. Expenditure in 1975 is forecast at 4.6 milliard u.a. whilst in 1976 it is expected to exceed 5 milliard u.a. In 1975, this expenditure will represent about 0.4 % of the gross domestic product, 2.5 % of the expenditure on food and 5.6 % of the final production of Community agriculture.

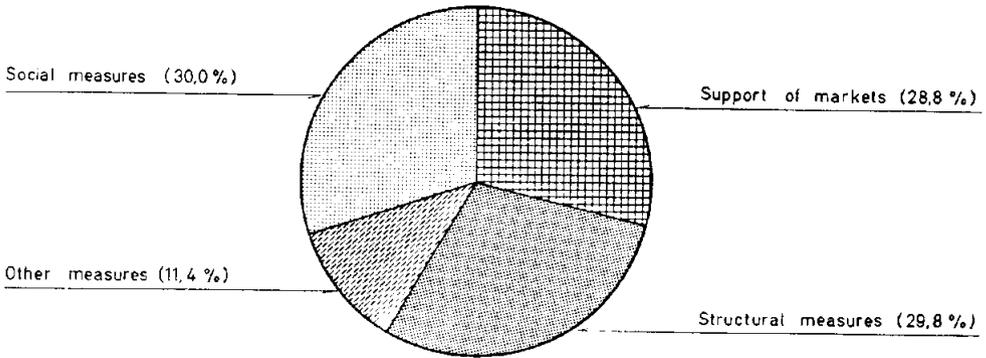
356. In 1975, three sectors will share about 60 % of expenditure; the milk products sector (almost 1.2 milliard u.a.) with 26 %, the beef and veal sector with nearly 20 % and the cereals sector with almost 14 %. The accession compensatory amounts (349 million u.a.) and monetary compensatory amounts (335 million u.a.) account for nearly 15 % of the total. A breakdown of the expenditure by economic purpose shows the particular importance in 1975 of price compensatory measures (59 %) and export refunds (21 %).

357. Price movements on the world market brought about an increase in refunds in 1975 over the previous year. Intervention expenditure increased again in the beef and veal sector (278 million u.a. in 1975 against 247 million in 1974) as a result of the special situation in this sector. The changing situation on world and Community markets is one main reason for the changes in expenditure. The development of production, particularly of heavily subsidized products, is another.

PUBLIC, NATIONAL AND COMMUNITY EXPENDITURE
IN SUPPORT OF AGRICULTURE IN 1974

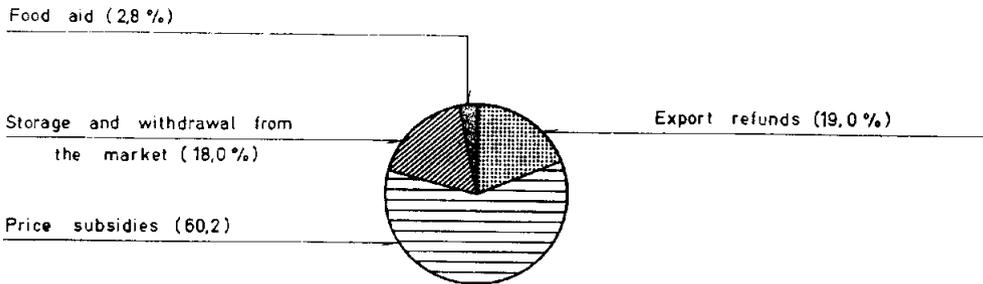
I. TOTAL

(11,6 milliards u.a)



II. EAGGF GUARANTEE SECTION

(3,1 milliards u.a)



GRAPH 18

358. Loans from the Guidance Section of the EAGGF in 1974 amounted to 325 million u.a., of which 235 million went to finance projects for the improvement of agricultural structures. From 1964 to 1974 almost 4 800 projects received aid from the Fund to a total amount of almost 113 milliard u.a.

In 1975 the Fund will finance common measures decided by the Council under the socio-cultural policy to the extent of about 4 million u.a. by way of reimbursement of expenditure incurred in 1974. This form of expenditure may be expected to grow rapidly in the years to come.

359. While the common agricultural policy generates expenditure it is also a source of budgetary revenue. For 1975, agricultural levies and contributions are estimated at 477 million u.a. against 330 million u.a. in the previous year; this figure is expected to rise to 740 million u.a. in 1976. The increase in levies is primarily due to the lower level of cereals prices.

B — The Guarantee Section of the EAGGF

1. Principal features

360. Article 1(2) of Regulation (EEC) No 729/70 provides that the Guarantee Section shall finance:

- refunds on exports to non-member countries;
- intervention to stabilize agricultural markets.

In theory this expenditure has been financed in its entirety by the Community since 1 July 1967, through the EAGGF Guarantee Section. However, there is still one exception, namely intervention spending for buying in, storage and disposal, the financial rules for which are such that the amounts involved in storage operations (delivery to, and withdrawal from the silo, storage and processing) are for the time being calculated on a flat-rate basis. Further, the immobilization of capital involved in the purchase of these goods continues to be the responsibility of the Member States themselves, since EAGGF intervenes only if net losses are incurred (balance of expenditure and receipts arising from the overall operation — including a flat-rate interest payment to compensate for the cost of the capital immobilization arising from this type of intervention).

361. With regard to financial operations, since the coming into effect on 1 January 1971 of the definitive arrangements, the cash needs of the paying agencies in Member States responsible for payments to operators under the common agricultural policy are covered by monthly advances from the Commission.

362. A change has recently been made with regard to the common financing of expenditure arising from the supply of agricultural produce under foodaid arrangements. Under Regulation (EEC) No 2681/74, ⁽¹⁾ a uniform system of financing for all products was established with effect from 1 January 1975. Expenditure corresponding to refunds is charged to the EAGGF Guarantee Section, whilst expenditure in respect of the value of the merchandise and any other expenses are entered under the chapter on food aid.

2. Changes in the market machinery which have significant financial consequences

363. Two new common organizations were set up in 1974, in respect of dehydrated fodder and soya beans produced in the Community, resulting in additional expenditure of about 14 million u.a.

364. In the beef and veal sector, the Community introduced a system of orderly marketing premiums for certain beef cattle and premiums for the retention of herds; these were applied from August 1974 to 30 April 1975. A system of premiums for producers of bovine animals is in force from 1 May 1975 to 29 February 1976.

From the financial standpoint the orderly marketing premiums were unusual in that Member States were free to apply them or not and to fix their level up to a certain maximum. Consequently, the Council provided for partial financing so that participation by the EAGGF was limited to a given unit amount.

For the premiums applied from 1 May 1975 — especially the slaughter premiums and those for the retention of cows on the holding — a different financing system was used. They consist of a Community premium wholly financed by the EAGGF and an additional optional premium financed from national budgets.

Aid for the sale of beef and veal at reduced prices to certain categories of consumers was provided from July 1974 to April 1975. In line with similar measures taken in the butter sector, it was decided that the EAGGF would finance half the aid granted.

Participation by the EAGGF in publicity campaigns aimed at stimulating meat consumption was first confined to beef and veal and later extended to pigmeat and poultrymeat. It ran from July 1974 to July 1975.

All these measures, together with those already in force, brought about a sharp increase in expenditure in the beef and veal sector by the EAGGF Guarantee Section, which rose from 16 million u.a. in 1973 to 321 million u.a. in 1974, and is expected

⁽¹⁾ OJ L 288 of 25.10.1974.

to amount to about 848 million u.a. in 1975. The amount provided in the draft 1976 budget for this sector is 679 million u.a.

365. Since the supply of sugar at normal prices was in danger, the 'IM-EX' system, providing for an import subsidy for given quantities of sugar, was introduced by the Council with effect from December 1974 to April 1975. This subsidy, considered as intervention under the terms of Article 3 of Regulation (EEC) No 729/70, was charged to the EAGGF Guarantee Section and involved an amount of 165 million u.a.

366. In the wine sector distillation operations in respect of wines not meeting table wine standards produced in certain distressed regions were introduced towards the end of 1974. In addition, following exceptionally abundant harvests in two consecutive years, it was necessary to resort to the distillation of substantial quantities of wine, with the result that expenditure in this sector rose from about 25-50 million u.a. in the preceding years to 220 million u.a. in 1975.

3. Expenditure trends and forecasts

367. On 3 December 1975 the Council adopted a supplementary and amending budget for 1975 releasing 260 million u.a. of appropriations, comprising 200 million under the heading of price adjustments, and a transfer of 60 million to the Guarantee Section.

368. The increased expenditure in 1975 concerns principally the sugar, beef and veal, and wine sectors, and the monetary compensatory amounts applied to intra-Community trade as a result of developments in the latter, particularly as affected by the movement of the pound sterling. Reduced expenditure in the milk products, fats and pigmeat sectors did not entirely offset these increases.

369. On 29 September 1975 the Council adopted the draft 1976 budget, which amounts, for the Guarantee Section, to 5 160.3 million u.a. This corresponds to an increase of about 10 % on the 1975 level. A substantial part (527 million u.a.) of the estimated expenditure is the consequence of the monetary situation. This total is made up as follows:

- 260 million u.a. for monetary compensatory amounts applied to intra- and extra-Community trade;
- 267 million u.a. to cover the shortfall resulting from the conversion into budgetary units of account — at the rates declared to the International Monetary Fund — of sums disbursed by Member States in their national currencies, at the representative rates used by agricultural operators.

4. Economic nature of the measures financed

370. Expenditure on refunds, still high in 1973 (1 542 million u.a.), declined sharply in 1974 (to 591 million u.a.) as a result of the favourable world situation for certain products, especially cereals, sugar and oilseeds. In 1975 the figures for payments in the first six months showed a renewed rise in refunds, mainly due to the decline in cereals and sugar prices on world markets. This trend was accentuated by the fact that the monetary compensatory amounts applying to trade with non-member countries are treated for accountancy purposes as refunds to the extent of any portion exceeding the amount of the levy. The decline in beef and veal prices on world markets led to an increase in refund expenditure in this sector (55.5 million u.a. in 1974 against 160 million u.a. in 1975).

371. As regards intervention in the strict sense, namely, market support measures, expenditure concerned mainly the payment of price compensatory measures (1.5 milliard u.a. in 1973 against 1.4 in 1974 and 2 in 1975; i.e., respectively 40 %, 45 % and 44 % of total expenditure), storage operations proper and market withdrawals. The financial effects of the latter had always been slight until 1973. Since 1974, however, expenditure under this heading has become substantial in the fruit and vegetable and wine sectors. In 1975, expenditure in the wine sector was five times of 1974 as a result of marketing difficulties (9.2 million u.a. in 1973; 41.3 million u.a. in 1974 and 204.9 million u.a. in 1975).

5. Agricultural revenue

372. It should be noted that although the common agricultural policy gives rise to expenditure, it is also a source of receipts. These receipts are not deducted from the expenditure of the Guarantee Section but form part of the 'own resources' which feed the budget of the European Communities.

Revenue from levies declined in 1973 and 1974, but rose once more in 1975. Levies in the cereals sector continue to account for the greater part of the total; however, an appreciable rise in the milk products and beef and veal sectors is expected before the end of 1975.

C — The Guidance Section of the EAGGF

1. Financing

373. The role of the Guidance Section is to participate in the financing of the Community policy for the improvement of agricultural structures. Under this heading, the Guidance Section finances three categories of measures:

- capital subsidies, pursuant to Regulation No 17/64/EEC, for projects designed to improve agricultural structures;
- special measures designed to improve the functioning of certain common market organizations;
- common measures decided by the Council under Article 6 of Regulation (EEC) No 729/70.

In allocating the available appropriations, i.e., 325 million u.a. per year, priority is given to the financing of common measures. Any remaining balance is used to finance projects falling within the scope of Regulation No 17/64/EEC.

2. Financing of projects to improve agricultural structures pursuant to Regulation No 17/64/EEC

374. At the end of December 1974 the Commission decided to grant aid through the EAGGF Guidance Section for 297 projects in the first instalment for 1974; this aid totalled 95.8 million u.a. and the total investment involved is 439 million u.a. On 15 July 1975 the Commission decided to grant aid through the EAGGF Guidance Section for projects falling under the second 1974 instalment. Since the Council had decided to increase the sum granted for individual projects from 170 million u.a. to million u.a., 139.2 million u.a. was therefore available for 469 projects.

In the 1974 budget year a total of 235 million u.a. was granted for 766 projects.

The Commission's decision in respect of aid for projects put forward under the first 1975 instalment will probably be taken before the end of 1975.

375. Since 1964, the first year of operation of the Guidance Section, 4 764 projects have received aid from the Fund, the total amount granted being 1 263.7 million u.a.

The sector receiving most aid from the Fund was that relating to land and water improvement works with 32 %, followed by the milk, wine and meat sectors, with 15.6, 12.8 and 9.8 % respectively. The breakdown by investment categories shows that projects for the improvement of production structures received the most aid, with 53.6 %; projects to improve marketing structures received 40.3 % while the mixed production/marketing structures category received 6.1 %.

3. Financing of special measures

376. This category of measures has been in existence since 1966 and is concerned with expenditure aimed at improving the operation of the common agricultural policy in general, or of particular common market organizations. Some expenditure

under this heading has been used for general economic purposes (surveys, campaigns to combat animal diseases); in recent years, however, the emphasis has been on measures more directly aimed at regulating certain markets.

The following such measures were aided by the Community in 1974:

- aid to fruit and vegetable producers' organizations (R 1035/72);
- slaughtering of cows and withholding of milk and milk products from the market (R 1975/69);
- grubbing of certain species of fruit trees (R 2517/69);
- aid to producers' organizations in the fishery sector (R 2142/70).

4. Financing of common measures

377. Most common measures decided by the Council hitherto concern the repayment to Member States of part of the latter's expenditure.

Expenditure reimbursed by the Fund in 1974 for common measures operating on this principle mainly involved the following:

- statistical surveys on the production potential of certain species of fruit trees (Directive 71/286/EEC);
- the premium system for the conversion of dairy herds to meat production and the development premium for the production of beef cattle (Regulation (EEC) No 1353/73).

378. In 1975 the first items of expenditure by the Guidance Section in connection with the directives on the reform of agricultural structures (72/159/EEC, 72/160/EEC and 72/161/EEC) should amount to about 4 million u.a., compared with 1975 budget estimates of 66.5 million u.a.

379. In 1974 the Council continued its practice — since 1969 — of holding certain appropriations in reserve against expenditure on common measures already adopted or to be proposed. Under this heading, 11.5 million u.a. were held in reserve for 1974, thus raising to 525.9 million u.a. the appropriations held in reserve for common measures in the years 1969 to 1974.

380. Pursuant to Regulation (EEC) No 2722/72 on the financing by the EAGGF Guidance Section of conversion projects in the salt cod-fishing industry, three German and four French projects were in 1974 approved by the Commission for aid totalling 5.1 million u.a.

5. Problems associated with the execution of the budget for 1975

381. On the basis of the applications for the reimbursement by the Member States for both common and special measures it appears that part of the related budget appropriations for 1975 will remain unused.

On the other hand, applications under Regulation No 17/64/EEC for aid for individual projects are steadily increasing in number. In 1975, 1 067 applications were received, involving a sum of 454 million u.a.

Since the accumulated reserves are such as to enable foreseeable expenditure to be met in the coming years in view of the sums made available annually, and since only 195 million u.a. from the 325 million u.a. provided for in the 1975 budget will in fact be used, the Commission has proposed to the Council:

- that 62.5 million u.a. should be used to finance a common measure concerning the granting of premiums for producers of bovine animals under Regulation (EEC) No 474/75 of the Council;
- that 67.5 million u.a. should be allocated to individual projects, thus raising the appropriations under this heading for 1975 to a total of 212.6 million u.a.

D — Total expenditure for the implementation of national and Community agricultural policies

382. In 1975 estimated expenditure by the nine Member States and the EAGGF Guarantee and Guidance Sections for the implementation of national and Community agricultural policies totals about 14.3 milliard u.a.

This amount corresponds to approximately 5 % of all national expenditure by the nine Member States and 22 % of final agricultural production by value in 1974.

383. In 1974, 71 % of total expenditure for agriculture was financed from national sources. This percentage was made up as follows: 2.1 % for market support operations not qualifying for EAGGF finance; 27.5 % for structural measures (including external infrastructure); 30 % for social measures and 11.4 % for miscellaneous measures.

In 1975 about 66 % of expenditure for agriculture is being financed from national sources. The decline in this percentage is due to the fact that expenditure by EAGGF has risen more rapidly (+ 47 %) than national expenditure (+ 14 %).

Of the 66 % representing national expenditure, 2.1 % corresponded to market support measures not qualifying for EAGGF finance, 24.4 % to structural measures, 28.4 % to social expenditure and 10.8 % to miscellaneous measures.

384. The successive monetary crisis, together with the energy crisis, compelled some Member States, in the absence of stabilization policies in the monetary field and coordinated policies at the European level with regard to raw materials supplies, to meet imbalances by introducing exceptional aid measures. In 1974 the special expenditure by Member States most affected by this situation can be estimated at about 12 % of their budgetary appropriations for the agricultural sector.

385. The form and content of the measures implemented by Member States to meet the crisis naturally vary from one country to another as a result of the differing impact of inflationary factors and the vulnerability of particular sectors in this or that country. The most significant of these measures are listed below.

386. In 1974 and 1975 Germany continued to grant direct compensation for losses suffered by farmers as a result of the revaluation of the DM; compensation is made by an adjustment of the VAT (3 % on consignments of agricultural produce); the total amount involved is about DM 1 milliard per year. This measure was taken despite the stabilizing effects of the revaluation on the rise in production costs.

387. The Netherlands Government also granted a special form of direct aid to certain categories of farmers to compensate for losses resulting from the revaluation of the guilder. The total amount involved was Fl 135 million; the measure was suspended in April 1975.

388. In 1974 France granted extraordinary aid to stock farmers (premiums for adult bovine animals and sows) totalling FF 1.7 milliard. At the beginning of 1975 France introduced a special measure in the form of a grant of FF 1 200 per farmer to cover part of the production cost increase in France, which had not been taken into account in the Council Decision on the fixing of agricultural prices for the 1975/76 marketing year.

389. From 1 September 1974 Belgium granted a premium to farmers for the retention of adult bovine animals. The amount appropriated for this operation was Bfrs 235 million in 1974 and Bfrs 144 million in 1975. Special aid was also granted in the form of an income supplement to farmers in less-favoured areas. This measure, which cost Bfrs 130 million in 1974, is intended to alleviate the economic difficulties of farms in less-favoured areas.

390. Luxembourg granted aid in the form of partial compensation for loss of income by farmers resulting from the appreciable decline in beef and veal producer prices and the rise in production costs. This aid, which was applied only in 1974, involved a sum of Lfrs 100 million.

391. Certain Member States also introduced aid measures for horticulturists in 1974 and 1975 to compensate for the rise in energy costs in accordance with Commission guidelines.

Conclusion : The outlook

1. General outlook

392. The general economic outlook for 1976 is still uncertain. For 1976 it is expected that the expansion of production will gather way in countries where recovery began in late 1975, and that recovery will spread to other Member States depending on their degree of participation. For the Community as a whole gross domestic product will grow at an average annual rate of a little over 3 %, which means that towards mid-1976 at the latest, all the Member countries — the United Kingdom excepted — will resume their average growth rate of before the oil crisis. With the exception of France and the United Kingdom, the difference in national annual growth rates will be slight. France is the only country where the average growth rate may be appreciably above average, thanks to favourable initial circumstances. In the United Kingdom on the other hand growth will be very weak, any improvement depending on a recovery in external demand.

393. Consumers and producers in the Community will of course not be unaffected by this general economic environment. It is very difficult to forecast the impact of the situation on the demand for various foodstuffs in 1976. The information at present available in this connection is given below for each of the agricultural markets and for the supply of the various agricultural products.

394. The movement of farm prices will be partly determined by common agricultural price decisions to be made by the Council early in 1976. The Commission has proposed ⁽¹⁾ a 7.5 % increase in the general level of prices for the 1976/77 marketing year. The price proposals are accompanied by a group of related measures which constitute a third series of measures in the context of the 1973-78 programme for the improvement of the common agricultural policy. Firstly, they are agri-monetary measures designed to restore a single market between six Member States, reduced compensatory amounts continuing to be applied only in Germany, the United Kingdom and Ireland. Secondly, sectoral measures are proposed for several products with a view mainly to achieving a long-term balance on the markets in question and at the same time to improving the common organization of the markets, in particular milk/beef and veal, wine, cereals.

(1) Document COM(75)600 of 10 December 1975.

395. In this connection, mention should be made of the proposals by the Commission in respect of the sheepmeat sector and those planned for several other sectors, such as alcohol, olive oil. The Council has adopted a draft budget for 1976 of 5 160.3 million u.a. for the EAGGF Guarantee Section and of 325 million u.a. for the Guidance Section.

2. The main agricultural markets

396. Annual fluctuations in harvest results have — and always will have — a dominating influence on the outlook for agricultural markets. No attempt will be made, therefore, to predict production or price levels in the various sectors in the coming years. Instead, an attempt is made to give some idea of the likely trends in agricultural markets in the forthcoming marketing years. For the livestock sector, pointers have been drawn from certain production cycles and the probable future development of consumption, which in turn depends — especially for certain sectors — on overall economic trends. On this basis, forecasts were drawn up for cereal and vegetable protein production. Finally, tendencies were outlined for several branches more or less independent of each other. In broad outline, the prospects can be summed up as follows.

397. In the pigmeat sector, increased supply — and consequently lower prices may be expected in the second half of 1976 and the beginning of 1977. For eggs, market equilibrium may be restored in 1976, whilst for poultrymeat it may be necessary to increase quantities in storage to prevent prices from falling. Beef and veal production will probably decline in the coming years; in conjunction with an increase in consumption this could lead to a return to a Community self-supply rate of below 100.

398. Community production of low-grade wheat will expand and there should be no difficulty in respect of protein supplies (soya) at least until 1977. For milk products, increased production and deliveries to dairies together with lower consumption of fresh produce and butter will lead to sharper imbalances in this sector, especially as regards butter and skimmed milk powder. There will also be marketing or over-production problems for other products such as wine and sugar, whilst the area under potatoes will continue to rise. A better long-term balance may be expected for hop and seeds. Finally, little change — except, here and there, tendencies for production to decline — is to be expected in the horticulture and fishery sectors.

399. The reduction in cattle numbers in the Community — especially breeding animals — since the end of 1974 suggests that in the coming months the upward trend in *beef and veal* production will slow down, to be followed by a decline. In

the first half of 1975 slaughterings of adult bovines and calves were up by no more than 10 % compared with the first half of 1974. In 1975, allowing for a decline in average weight at slaughter, especially for adult bovines, it may be expected that internal production of beef and veal will rise by about 1 %; consumption will decline slightly compared with 1974. Beef and veal production is expected to decline by about 4 % in 1976, a trend likely to continue in 1977. Consumption, on the other hand, will grow again in 1976 and 1977; but it is liable to be affected in the second half of 1976 by the recovery in pig production, and in 1977 by the probable increase in beef and veal prices. The Community self-supply rate, at present slightly above 100 %, will consequently decline to 98 % in 1976 and 94 % in 1977. As in 1974, beef and veal production in 1975 in the principal non-member producer and consumer countries is expected to rise. Since this expansion of production has brought about a significant decline in world market prices, it may be expected that in countries directly affected by this decline some falling off in production will occur in the medium term; conversely, it appears that in some countries of eastern Europe production will continue to rise in the next two years.

400. In the first half of 1976 *pigmeat* production will continue at about the same level as in the first half of 1975. No increase in internal supply is likely to occur until the second half of 1976. On the basis of data derived from an analysis of past cyclical trends, a more marked increase in production may occur from the beginning of 1977. Market prices of pig carcasses will move accordingly; throughout 1976 prices should be well maintained at levels higher than the cyclical average. Prices may level out towards the end of 1976, whilst it is likely that a downward phase will begin in 1977. On world markets in 1976 production will probably stagnate or even decline slightly, especially in the non-Community countries of western Europe (by about 1 %) and in the United States by about 10 %). As regards the countries of eastern Europe, pigmeat supplies in 1976 are unlikely to be substantial.

401. In European countries outside the Community and in the principal non-member *egg-producing* countries, rearing of chicks of laying breeds was on a much smaller scale in 1975 than in the previous year. As a result, the supply of eggs in shell will decline in 1976, a trend which will continue until the beginning of 1977. Since international trade in eggs is on a fairly limited scale, little increase in the supply of eggs on world markets should be expected in 1976. The number of laying hens in the Community in 1976 will be lower than in 1975; assuming that the decline in consumption will be halted, some difficulties may be experienced in the opening months, but prices will reach fairly high levels towards the middle of the year. Since this will lead to a gradual recovery in activity in this sector, it must be expected that price levels will be lower in 1977 than in 1976.

402. The sparse data available concerning parent flocks for table *poultry* in non-member countries seem to suggest a strong trend towards expansion. It can be

concluded that the supply of poultry for slaughter in certain non-member exporting countries could rise by over 10 % in 1976, a volume which cannot be absorbed by international trade. The traditional exporting countries can therefore be expected to adopt an aggressive marketing policy in 1976, likely to bring about a fall in prices — while dumping practices are also to be feared. There is at present nothing to indicate that Community production will rise at the beginning of 1976; if the volume on offer later increases, stocks of deep-frozen produce could be built up in trade to slow the fall in prices.

403. Contrary to previous trends in this sector, the overall stabilization of *milk* production and delivery volume in 1974 will probably hold good in 1975. However, the number of cows has declined more than expected, mainly because of premature slaughterings (situation in the feedingstuffs sector in spring and summer, problems on the beef and veal market, conversion from milk production to meat production), whilst the yield per cow has risen, with the effect that overall production has continued unchanged and deliveries to dairies are up by 0.7 % on the 1974 level. In 1976 the number of cows may be expected to decline less sharply, whilst yields will increase to a greater extent than in 1975 as a result of the abundance of feedingstuffs and the competitive prices of feed concentrates. Consequently milk production may increase by 0.5-1.5 % and deliveries by from 1 to 3 %. If the number of cows levels out in 1977 and supply and weather conditions are favourable, the upward trend in production and delivery will continue. Consumption of milk in the form of liquid milk and fresh products is tending to stabilize in 1975 and will probably decline in 1976 and 1977, thus freeing a greater quantity of milk for processed products, i.e., mainly butter and skimmed milk powder — whose annual rates of increase will be respectively 2-4 % and 3-6 %. For these two products the gap between production and consumption will widen as a result of price increases and structural changes (UK market for butter; feedingstuffs market for skimmed milk powder). Cheese production will continue to reflect marketing opportunities. Exports, which declined substantially in 1975, will probably continue at the same level or rise slightly in 1976-77. The rate of increase in cheese consumption in the Community declined in 1974 and 1975; nevertheless, it may recover in 1976/77, depending on general income levels and the economic climate. Production of other milk products, including casein, will mainly depend on the world market situation. Access to the market will continue to be difficult for exporters owing to the rise in milk production, mainly in New Zealand, and the increased supply of skimmed milk powder, and probably of butter, likely to result. Consequently, intervention stocks of butter and skimmed milk powder will tend to rise in the Community in the next two years in line with trends in production, consumption and the world market situation.

404. Supply and demand will continue in relative equilibrium on world *cereals* markets in the 1975/76 marketing years. Stocks will therefore continue at very low levels in 1976, with the result that prices will be liable to fluctuate widely with

changes in supply and demand, whether real or anticipated. This prospect has already prompted discussions on a policy for world cereals stocks with a view to concluding an agreement on reserves; however, in the absence of a production surplus such reserves cannot be built up and will therefore have no effect on price stability in the immediate future. At the same time, a tendency may be noted on the part of both importing and exporting countries, including the Community and the United States, to seek long-term contracts for cereals supplies.

405. The demand for wheat is likely to be fairly stable, although as regards feed grains, it will depend on economic recovery in the developed countries. In the short and medium term some recovery may be expected in demand for feed grains, both in Europe and the United States, as a result of the substantial expansion in pig production. In 1976 cereals production in the principal exporting countries will probably continue at a high level in view of the high prices, but weather conditions in these countries will be a determining factor. In the Community little change should be expected in the area under cereals and, if weather conditions are normal, production may exceed 1975 levels by 10 %. Certain signs suggest that wheat varieties suitable only for animal feed will account for a larger share of the total area under common wheat — especially in France — and that a similar quality problem may appear in relation to durum wheat, of which production will probably continue to rise.

406. In view of the good prices obtained by Community growers for paddy rice in 1975, the area sown with this crop in the spring of 1976 is unlikely to change. Given favourable weather conditions, the 1976 harvest will be comparable with that in 1975, implying that a structural surplus of 250 000-300 000 m.t. (in terms of husked rice) will have to be placed on the world market — itself liable to be in surplus.

407. As a result of the generalized increase in the areas under rice and the steady year-by-year increase in yields per hectare, the world harvest is likely to be very large. At the same time, the volume of trade in rice is unlikely to rise, since the Asian countries will import smaller quantities. Even in the event of increased imports by the Middle East, demand will not match supply and prices will fall.

408. The Community's supply of *proteins* for use in feedingstuffs will continue to be provided from world markets and will, for the next two years, be dependent on availabilities on those markets, as in the past. On the supply side, it is certain that in 1975/76 availabilities of proteins will be much greater than in the previous year, partly as a result of increased soya bean availabilities in the United States (45.2 million m.t. against 38.2 in 1974/75), the probably rise in soya production in Brazil and — to a lesser extent — the continuing recovery in fish-meal production in Peru. Even if world demand for proteins, after stagnating since 1973/74, recovers in

1975/76, it will probably still fail to match availabilities. In these circumstances it is likely that the principal producer countries will rebuild their stocks, which are therefore likely to be relatively high at the end of 1975/76. However, this surplus situation in proteins is likely to be self-correcting for two reasons: firstly, in the major cereal and protein (soya) producing countries, the price ratio between these two products will probably lead growers to concentrate on cereal production; secondly, also as a result of the price ratio, use of proteins in feed will for some time continue to increase over the 1973 level. Finally, the increase in livestock numbers expected in 1976, especially pigs in the Community and the rest of the world, table poultry in certain non-member countries and 'feedlots' in the United States, will lead to an increased demand for proteins.

409. In 1975/76, supplies of *vegetable oils* — especially copra and palm oils — will continue to be abundant, with prices at very favourable levels in relation to other oils. The excellent results forecast for the soya harvest in the United States and for colza in Canada lead to the same conclusion as regards the oils derived from these seeds. However, the volume of hardened oils on offer is likely to be the most depressing influence on the market. This will be particularly true in those countries in which margarine consumption is most widespread. During the last marketing year, the demand for vegetable oils reacted to price fluctuations with greater elasticity than in previous years. It may be expected that the downward trend in prices will give rise to an inverse reaction and lead to a rise in the consumption of these oils. However, given foreseeable availabilities, this recovery in demand is unlikely to bring about a new upswing in prices.

410. In view of the expected trend in seed-oil prices and the fact that on Community markets *olive oil* prices can only decline within narrow limits, the ratio between the two price levels may change to the disadvantage of olive oil. It is possible that this may hinder the recovery in olive-oil consumption in the Community. In addition, Community production is expected to exceed the normal level, whilst carry-over stocks are also relatively high. It can therefore be assumed that the Community's import requirements will be less in 1975/76 than in preceding years. At the same time, substantial harvests are expected in the producer-exporter countries, increasing the quantities available for export and explaining a certain anxiety in those countries as to the disposal of their produce.

411. According to the preliminary estimates for 1975/76, world *sugar* production should be up by 4 % on the previous year (made up of an increase of 11 % for beet sugar and 2 % for cane sugar). The rise in beet sugar production is mainly due to a substantial increase in sown area (+ 16 %). World sugar consumption fell sharply in 1975 as a result of exceptionally high prices and limited supplies. If the world economic situation remains unfavourable, it can be foreseen that in the next two

years consumption will grow very slowly. The rise in production in 1975/76, which will probably exceed the increase in consumption, will permit some rebuilding of world stocks, which are now at very low levels. It may therefore be assumed that in 1975/76 world sugar prices will continue to fluctuate around Community price levels. In the same year in the Community sugar production — together with preferential imports from the ACP countries — will exceed internal consumption, permitting the export of the quantities committed in 1974/75 under subsidized import agreements. The existing area under beet (1.8 million ha) will probably be maintained at its present level in subsequent years provided prices on world markets do not decline too far below Community levels. Assuming that areas will be unchanged, that sugar yields per hectare will be normal and that the ACP countries deliver the agreed quantities, the Community will have about 2 million m.t. available for export.

412. At the beginning of 1975/76, potato prices were high. This upward trend seems likely to persist in view of the quantities to be exported to non-member countries this winter. At the beginning of 1976 stocks will be low and prices will tend to rise; prices on the Rotterdam forward market confirm this assumption. During the 1975/76 marketing year, however, the situation may well change: in the spring of 1976 the area under potatoes, both early and main crop, is likely to increase. In view of the overall economic situation, the consumption of fresh potatoes may level out whereas the demand for processed products may continue to rise. To sum up, the probable expansion of the area under this crop in 1976/77 is likely to have only a limited effect on the price level.

413. In the wine sector the market will continue to be in surplus, since production is increasing more than consumption. In the Community, the long-term surplus tendency is unlikely to change in view of yield increases and the stagnation of consumption (changing tastes on the part of the consumer, higher taxes applying to wines). Owing to fluctuations in harvest volume, sometimes appreciable in the wine sector, it may be expected that periods of substantial surplus may alternate with periods in which production barely covers consumption. Since the harvest was of average quantity this year, it is unlikely that large-scale intervention measures will be needed during the current marketing year.

414. In the tobacco sector, the world market situation will be influenced by the continuing increase in production, the tendency for production to migrate towards the developing countries and planned economy countries and by an increase in consumption limited in extent in the industrialized countries but well-maintained in the developing countries. World production in 1975 was about 5.2 million m.t., including about 155 000 m.t. in the Community. In the light of present trends an annual increase in production of about 4 % at world level and not more than 1 %

at Community level may be expected during the next two years. This rise in production, taken together with substantial investment programmes in certain countries, suggests that the quantities on offer will be substantially higher (especially Virginia flue-cured varieties) resulting possibly in lower prices and consequently creating marketing problems for comparable Community varieties.

415. In the *hops* sector, in view of the reduction in stocks brought about by the poor 1975 harvest and the modest increase in demand (resulting from an increase in world beer consumption and a decline in the utilization rate of hops by breweries), together with the stabilization — or even slight reduction — in world and Community areas under hops, the existing imbalance between supply and demand may be lessened. In 1977, areas will be little changed, perhaps increasing by not more than 1-2 % and given a normal harvest, therefore, the market may be expected to stabilize.

416. The increase in *seed* production in 1974, and in the areas under these crops in 1975, have together resulted in very high stock levels, at present amounting to about 50 % of total annual production. Consequently, in 1976 stocks will continue to be substantial and prices low, especially for certain species (*Lolium perenne*, *Trifolium repens*, *Medicago sativa*). For the other species (*Poa pratensis*, *Phleum pratense*, *Festuca rubra*) stock levels are likely to be normal and prices will tend to stabilize. In 1977 a significant factor will be the probable decline in sown areas especially in Denmark (20 %) which alone accounts for a quarter of the total Community area under this crop.

417. In the short-to-medium term, no appreciable change is to be expected in the production or consumption of *fresh fruit and vegetables*; in the absence of special measures the structural overproduction of apples and pears will continue. Some decline may occur in the production of crops under glass as a result of the rise in energy costs. Production of *processed fruit and vegetable products*, though varying from one product to another, will in general be lower than in 1974. Consumption is lower owing to the general recession and the rise in price of certain products which are not primary necessities (e.g., tinned pineapple). In the present economic context it is difficult to foresee a recovery. In the *live plants* sector, where production has expanded considerably in recent years, both production and the volume of trade are likely in the immediate future to expand more slowly — a tendency already observed in 1975 — as a result of the rise in energy costs and the general economic situation.

418. In the *fisheries* sector, despite the restrictions imposed by several Member States, a more widespread application of quota systems and a decline in the demand for certain fish, world production shows signs of rising in 1975. Any increase will

be almost entirely due to the recovery in the Peruvian fish-meal industry following on the difficulties experienced in the early 1970s. Despite the current recession, the fish-meal manufacturers are looking to a substantial increase in production (to at least the 1969/70 level) in the industrial sector in the second half of this decade.

419. Since the recent Conference on the Law of the Sea did not result in any agreement, it is likely that some maritime States will shortly take unilateral measures restricting the activities of Community fleets. In view of the increasing number of quota measures applying to certain types of fish in danger of extinction and the decline in demand for fish for consumption in general, it seems likely that fish production for human consumption in the Community will continue to decline or — at best — be maintained at about its present level. The substantial increase in fishmeal production in 1974 — especially in Denmark — should help to balance this decline; however, it is possible that the expected recovery in the Peruvian fishery sector may to some extent curb the expansion of the industrial fishery sector in Europe. The crisis in the fishing industry in 1975 was mainly due to the collapse of landed fish prices brought about by the massive catches early in the year. The situation further deteriorated as a result of the advent on the market during the same period of substantial quantities of frozen cod and hake from non-member countries.

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