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## THE SITUATION OF THE AGRICULTURAL MARKETS

REPORT 1980

(presented by the Commission to the Council)

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This report was drafted in autumn 1980 and a summary appeared in "The Agricultural Situation in the Community - 1980 Report" published in conjunction with the Fourteenth General Report on the Activities of the European Communities. Despite the retrospective nature of the report, the departments concerned have as far as possible updated the key figures relating to the Nine and added a short description of the situation in the Community of Ten.

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References to statistical tables relate to the tables in the abovementioned report.

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Summary  
Markets for agricultural products

Introduction

6000 The purpose of the first part of this summary is to give highlights of the market situation in those sectors of importance in Community agriculture during 1979/80. This review includes reference to the pattern of production and consumption, price developments, particular measures taken, as well as the development of Community trade in world markets. Attention is focussed on six sectors which represent around 2/3 of agricultural output and where more than 75% of the budget is spent: cereals, sugar, fruit and vegetables, milk products, beef and pigmeat.

6001 The second part looks at the short-term outlook for agricultural markets examining in particular those sectors where problems exist or where they are likely to arise.

6002 As the draft of this report was prepared in Autumn 1980 - a synthesis has already been published in the document "The Agricultural Situation in the Community 1980 Report" - no account has been taken in this summary of the impact of the accession of Greece to the Community. However, the individual market reports indicate that the greatest impact will most likely be felt in the sectors of olive oil and tobacco.

6003 The references to statistical tables relate to those included in the document mentioned above.

## Situation on the principal agricultural markets

### Crop products

#### Cereals (Tables M.I.-)

##### Community market

6100 The total area of cereals under cultivation in the Community in 1979 was 26.7 Mio ha or 28.7% of the utilised agricultural area (UAA). Their importance in the land-use of individual Member States varied considerably, being of the greatest significance in France, Germany and Denmark and of least importance in Ireland and the Netherlands where fodder crops and permanent grassland are more prevalent.

##### Production and consumption

6101 Although cereals production in 1979 was hampered by a severe winter, final production was 113.6 Mio t, only 2.2% less than the record 1978 crop. Despite unfavourable climatic conditions during this year, either from initial fears of a drought in the spring or heavy rains in June and July, preliminary estimates indicate a new production record in 1980 of around 118 Mio t (4% more than in 1979). Within this overall total there has been a significant shift away from rye, oats and maize towards winter wheat and winter barley (production of winter wheat should be up by 10 %).

6103 Total consumption of cereals in the Community in 1978/79 amounted to 115.9 Mio t., 61% of all cereals being utilised in animal feed while 34.3% went for human consumption and industrial use (roughly the same as in 1977/78). Within these two divisions, the proportions vary substantially from cereal to cereal, from one Member State to another and from year to year. The final balance sheets for 1978/79 show that self-supply did not exceed 100% .

6104 The use of cereals for feeding to livestock has been significantly affected in recent years by the growth of cereal substitutes used in animal feed such as manioc, oilcakes and a variety of food industry by-products (see article on cereal substitutes) (1). For example, there is a sign that animal feed use of cereals on farms where they were grown is declining (under 45% in 1978/79 compared to around 50% in 1975/76), which is most probably due to the fact that farmers are tending to sell their cereals (or produce less, as in the case of oats) and to purchase compound feeding stuffs. This trend has been slowed down to some extent by the operation of the Silo system (2) in order to develop the use of more EC wheat and barley in animal feed.

#### Main market features

6105 The 1979/80 marketing year opened with a slightly higher stock than normal as a result of the large 1979 crop (total stocks about 14.7 Mio t). With a record crop anticipated in 1980, the Commission has oriented its policy towards encouraging a large export programme.

6106 Among the decisions made by the Council when fixing the prices in the 1980/81 marketing year was the agreement in principle to integrate rye into the silo system of grain prices in three stages. This will align the rye intervention price with the level of the common intervention price for coarse grains by 1982/83. Another important element was the decision to introduce full public intervention purchasing for breadmaking wheat to be put into effect for the first 3 months of the 1980/81 marketing year.

6107 As a result of the quantities produced particularly of wheat and barley in 1979/80, market prices in the Community have been depressed to around the intervention price level (in the case of common wheat the reference price level which is 12.7% above the intervention price level). There was, however, no progress in the level of intra-Community trade.

#### World markets

6108 World production of cereals (excluding rice) in 1979 amounted to 1 173 Mio t (3) of which the quantity produced in the Community was 9.7%. The proportions produced by other major exporters of cereals were: US 25%, Canada 3%, Australia 2%, and Argentina 2%.

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(1) "Policy for animal feeding stuffs : the case of the cereal "substitutes"

(2) The aim of the silo system is to reduce EAGGF expenditure in the cereals sector by introducing a natural hierarchy, between a common intervention price and a common target price, in the prices of the major cereals (common wheat, rye, barley and maiza) on the Community market in feed grains.

(3) FAO Statistics.

6109 At the beginning of the 1978/79 marketing year, world stocks of cereals were very high as was the level of production in the USA, the world's largest grain exporter. Owing to the strong import demand from the USSR and Eastern Europe, however, and lower production levels in other exporting countries, market prices remained generally higher than in 1978/79 throughout the marketing year. In the beginning of January 1980 the US announced its intention to limit sales of grain to the USSR (a measure supported by all the other major exporting countries except Argentina). Owing to the reasons set out above, however, this action only had a temporary effect on world price levels.

6110 In 1978/79 the Community imported 18.5 Mio t of cereals (3% less than 1977/78). Of this total, 12.3 Mio t were maize, (more than 80% of which was imported from the US) and 3.5 million tons of common wheat (around 95% from North America). Total quantities imported in 1979/80 are expected to be down to 16-17 million tons, with a marked drop in maize (about 10 Mio t).

6111 Total exports of cereals and cereal products in 1978/79 were up 34% to 14.4 Mio t. Within this total, common wheat and flour accounted for 7.7 Mio t. This latter amount rose to about 10 Mio t in 1979/80 (9 Mio t of commercial sales, of which almost 3.5 Mio t were of flour, and the rest as food aid). In both these years, the Community's major clients for wheat exports have been in West and North Africa as well as to several European countries, including Poland and Portugal. Flour exports continued to go to a wide variety of destinations (Egypt, Sri Lanka, Syria and Saudi Arabia being among the most important). Barley and barley product exports amounted to 5.1 Mio t in 1978/79 of which 1.5 Mio t was in the form of products.

#### Sugar (Tables M.3.-)

##### Community market

6200 The trends observed in the past decade in terms of production structures indicate that smaller beet-growing enterprises have tended to diminish in favour of units larger than 10 ha and that there has been a marked decrease in the number of farms producing sugar beet. At the same time, rationalisation has also occurred among the sugar beet processing factories, their number declining by 13% between 1972/73 and 1979/80 whilst total processing capacity has increased by 21%. The quota system, now in force for over 5 years, does not appear to have impeded this rationalisation process.

##### Production and consumption

6201 Total sugar production in the Community in 1978/79 was 11.8 Mio t rising to the record level of 12.3 Mio t in 1979/80 with scarcely any change in the total acreage planted. For the latter year, about 9 million tons was produced within the basic quota ('A' sugar); an amount of 1.8 Mio t was reached outside the basic quota but within the maximum

amount ('B' quota) while the remainder of the production ('C' sugar) attained 1.45 Mio t, the highest ever known. Production of isoglucose in 1977/80 was 164 000 tons.

6202 Levels of sugar for human consumption for 1979/80 remained roughly at last year's level (9.5 Mio t) while total consumption of isoglucose rose by 18% to 164 000 t dry matter. About 1% of total production was channelled for industrial purposes. As a result of rising production and stagnant consumption, self supply in the Community rose from 125% in 1978/79 to 130%. No sugar was offered for public intervention during 1979/80.

#### Main market features

6203 No agreement was reached in the Council during the early part of 1980 on a new sugar policy for 1980-1985. In consequence, an extension of the status quo was decided upon for the 1980/81 year along with an increase in the intervention price for white sugar of 5.3% overall differentiated according to its different components.

6204 However, there was a wide measure of agreement in the Council to continue a quota system for a limited period based on the principle that disposal of the entire quantity of sugar produced in excess of Community consumption should be the responsibility of the producers. It is on this basis that the Commission has presented its proposals for a new sugar regime in September 1980.

6205 Market prices for 1979/80 remained close to the intervention price in surplus areas in the Community; they were higher in the UK. Intra trade once more declined as a result of production increases in deficit Member States such as Italy and the UK.

#### World market

6206 As a result of record production levels in 1979/80, the Community developed an export programme amounting to 4 Mio t. This total includes ACP sugar (1.25 Mio t), Community produced white sugar (2 Mio t) and sugar contained in processed products. For 1980/81 the expected export programme is 4.0 Mio t.

6207 This has coincided with favourable trends on world market prices. While the price level has fluctuated considerably over the past year, it has remained above the intervention price level for 1980/81 since the beginning of May. At the end of September 1980, the world price level reached about 170% of the EC intervention price. As a result, instead of refunds the Community has been charging export levies which are counted as receipts for the Community budget. Thus no disposal costs are being incurred while a steady revenue is being obtained with stable internal prices.

6208 In the meanwhile, the commitment to import 1.3 Mio t of ACP sugar has been renewed in the context of the Lomé II Convention; this sugar is primarily disposed of on the UK market.

Fruit and vegetables (Tables M.11.-)

6300 In 1979, the sector of fresh fruit and vegetables represented 11.9% of the total final agricultural production in the Community, similar to previous years. Pear and apple production was slightly down while peaches remained at the same level as 1978; vegetable production also decreased by about 1% to 24.4 Mio t. Fruit consumption rose by 8.8% to 24.3 Mio t while the level fell for vegetables by 1.5% in comparison to 1978.

Market prices fluctuated considerably over the year and were supported in several instances by temporary measures like countervailing charges (1) on imports and occasionally by safeguard measures(2). Quantities withdrawn of apples (6.8% total production), peaches (3.7%), pears (2.6%) and tomatoes (3.4%) withdrawn were greater in 1979/80 than 1978/79 but withdrawals were down for the other products e.g. cauliflowers.

6301 Turning to trade, the total imports of fresh fruits in 1978/79 remained at about the same level as the previous year - about 4.5 Mio t or more than 7 times the total export volume. No voluntary restraint was requested from Southern Hemisphere suppliers owing to their anticipated export levels, as well as the situation on the Community market. Intra-Community trade remained stable at about 3.5 Mio t.

6302 Total imports of vegetables were 3.1 Mio t in 1978/79, nearly three times the volume of exports. Intra-Community trade was significant reaching a level of 4.6 Mio t (an increase of 7% over 1977/78).

6303 The trading pattern was a little different for processed fruit and vegetables. Imports of tomato concentrate declined by 46% while exports increased by 33%; intra trade increased by 25%. A similar development was observed for peeled tomatoes. Apart from these features, the most significant element in 1979 in the processed fruit and vegetables sector was the spectacular rise by nearly 10 times in budgetary cost anticipated owing to the level of aids decided upon in the Council.

- (1) A countervailing charge - is levied to make up the difference between the reference price for a given product and a lower entry price for that product from a non-member country.
- (2) A protective (or safeguard) measure - is taken when, by reason of a high level of imports of a particular product from a non-member country, the Community market is subjected to or threatened with a serious disturbance.

Livestock products

Milk and milk products (Tables M.13.-)

Community market

6400 Over the past few years dairy cow numbers have been remarkably stable in the Community with only slight variations around a total of 25 million head in spite of significant changes in the structure of dairy farming. Milk production, however, has risen remorselessly as the average yield per cow has improved from year to year (4 040 kg in 1979). The main impetus for growth appears to be coming from those Member States with lower yielding dairy cows while those Member States with high yielding cows seem to have stabilised for the time being.

Production and consumption

6401 Turning to the utilisation of milk produced, an increasing proportion of milk production (nearly 91.1%) continues to be sold by farmers to dairies for processing into milk and milk products. Deliveries of milk by farmers to dairies in 1979 increased by 2.8% and are expected to rise by 2.5% in 1980. Exceptionally, however, the increase was not converted into the intervention products of butter and skimmed milk powder but channelled instead into such products as cheese (up 5%) whole milk powder (up 10%), casein and condensed milk in order to satisfy the expanding demand on the world market. It is anticipated that this trend will be confirmed in 1980 with a 2.1% decrease in the production of butter (-40 000 t) and skimmed milk powder (-40 000 t).

6402 Consumption in the Community of fresh milk continued to rise by 1.5% in 1979 (except in the United Kingdom where consumption is declining) as did cheese consumption (up by 3%). Butter consumption increased by 50 000 t but only through costly special disposal programmes enabling butter to be sold at greatly reduced prices within the Community. This masks a persistent trend of decline in butter consumption over the last few years. The same situation arises for skimmed milk powder where only about 10% of the powder manufactured in 1979 could be sold in the Community at the fixed price, the rest being sold for feed to calves (65%) and pigs and poultry (25%).

### Main market features

6403 The principal effort in the milk sector has been to find outlets for the increasing volume of milk products at the cheapest unit cost, either internally or externally. During 1979/80 and 1980/81 the disposal programmes have been sufficient to continue the reduction of intervention stock levels for butter and skimmed milk powder even though the unit rate of aid for a considerable number of them (e.g. aid for casein, for skimmed milk powder and skimmed milk for use in animal feed) has been reduced. At the end of September 1980, public intervention stock levels for butter and skimmed milk powder were at some 180 000 t and 239 000 t respectively. A more commercial element has thus been restored to the internal markets for these products.

6404 Within the 1980/81 marketing year the Council decided on a 4% increase for the target price of milk; intervention prices for butter and skimmed milk powder were altered accordingly. At the same time, however, the Council also agreed to apply a flat rate levy of 2% on milk production and stated that an additional levy would be applicable in the 1981/82 marketing year should the increase of milk delivered to dairies in 1980 exceed 1.5%.

### World markets

6405 World milk production in 1979 increased less than 1% compared with 1978. This is only half the increase in 1978 and is notably due to the reductions in USSR milk production (more a function of declining yield per cow - 3% less in 1979 than in 1978) - than with falling cow numbers.

6406 The world market continued to expand in 1979 for all milk products. The total butter/butzeroil market, including food aid, increased by 38% in 1979 compared with 1978 (reflecting a large increase in imports by the USSR). Increases in other markets were less spectacular but nevertheless substantial. World markets rose by 9% for cheese (increased imports by Iran, Saudi Arabia and Japan); by 13% for whole milk powder (increased demand world wide); by 7% for condensed milk (increased imports from Greece, Libya and some Gulf states) and by 7% for skimmed milk powder.

6407 Community exporters took full advantage of this expanding world market for milk products, export continuing to be the cheapest method of disposal of surpluses in this section. Only in the case of condensed milk was there a slight deterioration in the Community share of the market share (see Table M.13.11). Thus not only did export quantities increase for most milk products but also the unit rate of refund was considerably reduced in the

first half of 1980 owing to rising world prices. Food aid also continued at a level of 150 000 tonnes skimmed milk powder and 45 000 tonnes butteroil. At the same time imports of dairy products continued in 1979, the Community importing about 12% of the total world cheese market (78 000 tonnes) and 15% of the total butter market 118 000 tonnes almost all from New Zealand.

#### Beef and veal (Tables M.14.-)

##### Community market

6500 Beef production takes place on about 2/3rds of the total number of farms in the Community, being mostly concentrated in member states with large areas of agricultural land available. Although animal numbers have remained relatively stable in 1979 (about 78 Mio head of which 31 Mio cows), a noticeable trend towards larger size units has been observed over the past several years, the number of producers decreasing at a rate of 4.5% per annum.

##### Production and consumption

6501 There are three main forms of enterprise in the beef sector: young calves (from the milk herd), adult beef animals raised on pasture and young male fattening animals fed on cereal feeds. Production continued to increase in 1979 after having slipped for a short period during 1976 and 1977. Total beef production was up by 6.2% in 1979 compared to 1978 to 6.8 Mio t.

6502 In spite of persistent problems in the general economy, consumption once more rose by 1.5% in 1979 to 6.8 Mio t; estimated figures for 1980 indicate that a downturn is likely owing to the unfavourable price relationship between beef and other meats. Price comparisons provided in table - provide a useful guideline.

##### Main market features

6503 During 1979 and the first half of 1980, producer prices for beef did not rise above the guide price. On average in 1979 the producer price was 85.25% of the guide price while during 1980 it was down to 80% of the guide price. In these circumstances, with a high level of stocks at 310 000 t on 1 January 1980, the Commission's major policy objective has been to ease the market to some degree through higher exports. This has only been partially successful (see para. 6506).

6504 In addition to maintaining a high level of export refunds and the possibility of advance fixing (1), the Commission has taken a series of measures supporting the internal beef market including measures to stimulate consumption (e.g. cheap sales from intervention to social welfare categories) as well as the introduction of a suckler premium decided in the Council for the 1980/81 marketing year. At the same time, the Council decided to raise the guide price by 4% but market prices have not moved upwards in parallel. In consequence purchases into intervention have risen and stocks are expected to be about 360 000 t at 31 December 1980.

During the summer of 1980, there was considerable consumer disquiet in the Community about the use of hormones in veal production leading to significant upheaval in the market. In response to this, the Commission will come forward with proposals banning the use of hormones in veal production.

6505 Intra-Community trade has stabilised at about 1.3 Mio t over the past three years.

#### World markets

6506 The Community is the third largest beef producer in the world, producing about 15% of the total world production (well behind the US and the USSR). As a result, the Community cannot play the dominant role in the world market as a price leader as it is possible to do for dairy products. The Community's share of the world market during the past decade did not exceed 15%.

6507 Nevertheless, beef exports in 1979 more than doubled the quantities exported in 1978 (168 000 t) and are expected to reach a record level of 550 000 t in 1980. Principal destinations in 1979 were Mediterranean countries (30%) and Eastern countries (30%). Thus an active export programme has been pursued but at a considerable cost through a high unit rate of export refund and the loss on sale of intervention beef.

6508 Imports from non-member countries continued through 1979 at a level of around 400 000 t, roughly equivalent to the amounts imported each year since 1973. Most imports benefit from special import regimes either bilateral or multilateral (the latter in the context of the results negotiated under the auspices of GATT).

#### Pigmeat (Tables M.15.-)

##### Community market

6600 Although the number of pig places in 1979 has only increased by 0.2% since 1978, pigmeat production rose by 5% during 1979 to 9.8 Mio t. Consumption in 1979 rose only by 3% to 9.5 Mio t, meaning that the level of self sufficiency reached 101%.

6601 Price levels on representative markets during 1979/80 have remained consistently below the basic price. The situation has continued in this manner during 1980. As a result, a series of measures have been introduced to support producer prices. These have included aids on a temporary basis for private storage as well as a closer application of supplementary amounts on imports when the sluicgate prices (2) have not been respected.

(1) Advance fixing provides a trader with the possibility of knowing the level of an export refund a few months in advance, the amount varying from product to product.

(2) Sluicgate Price is the offer price to be respected by third countries exporting to the Community

## World market

6602 The Community is a traditional exporter of processed pigmeat products of (e.g. sausages). In 1979, however, fresh products have gained in importance through the application of export refunds to them.

## Conclusions and outlook for Community agriculture

6700 From the preceding analysis of the principal agricultural sectors of cereals, sugar, fruit and vegetables, milk products, beef and pigmeat there are several conclusions to be drawn which will have a significant effect on market management in the short to medium term. Some of these are of a general nature, others more particular to the relevant sector.

6701 The first general observation is that structural adjustments accompanied by technical progress have been rapidly taking place in the agricultural sector, leading to larger farming units and a smaller number of producers. As a result of improved productivity, production has been rising steadily in all the sectors examined.

Consumption has not always risen to the same extent. In some cases, consumption is roughly keeping pace with production increases (e.g. pigmeat); sometimes only at significant budgetary cost (e.g. milk products). In others, there is an evolving situation of oversupply which has so far only been resolved by encouraging an active export programme e.g. beef and sugar and also milk products (alongside expensive internal disposal programmes).

In a climate of increased awareness of budgetary limitation, export has been the predominant means of disposal as it is the cheapest method currently available in most sectors. In consequence, stock levels of some major commodities are at present at their lowest levels for the past three years. At the end of September 1980 stock levels were at 180 000 t for butter and 239 000 t for skimmed milk powder.

It should be noted however that the phenomenon of surplus production is not restricted to the agricultural sector alone.

6702 A second general observation is that intra trade has tended to stagnate in most sectors between 1978 and 1980 in marked contrast to the considerable increases in the period 1973-1978 after accession to the Community for the United Kingdom, Denmark and Ireland. This is particularly noticeable in the cereals and beef sectors. This may only be natural in a climate of economic recession when purchasing power has fallen and where there is little population growth (fewer extra mouths to feed). It is also indicative that the Community will increasingly depend on exports for surplus disposal should production in certain surplus sectors not be brought under control.

6703 This is a danger signal for the future as the present policy orientation has depended not only on availability of budgetary funds (over half the expenditure in the milk sector of 4.9 billion EUA in 1980 is expected to go on export refunds) but also on availability of export markets. Exports of sugar and milk products in particular have been facilitated in both respects by production shortages in the major producing countries - either through climatic limitation or domestic policy objectives - which has led to high world market prices and a scarcity of supplies.

6704 Thirdly, in the short term, it is expected that world price levels for sugar and cereals will remain at relatively high levels during most of 1981. In the medium term, on the basis of most reliable forecasts, demand for cereals particularly from developing countries is very likely to continue. In addition, for dairy products and beef, it is hoped that the new international arrangements negotiated in the framework of the GATT will bring some price stability as well as continued development in the world markets. Current indications are, however, that while the world market for dairy products should remain buoyant during 1981 the rate of growth is likely to slow and competition to increase over the medium term.

6705 Lastly, enlargement of the Community to include Greece on 1 January 1981 and then Spain and Portugal in a few years time could well lead to imbalance in the Mediterranean product sectors like fruit and vegetables, olive oil and wine unless some important changes are made to the existing regulations.

6706 Turning to specific comments, there are three particular areas where problems are liable to increase rather than decline in the next two to three years:

6707 in the milk sector production is continuing to increase at a rate above 2% per annum. Unless a proper balance can be restored to the market through production control, this increase is likely to continue for the next few years as there is without doubt still a considerable potential for yield increases throughout the Community based on existing technology

6708 in the meat sector competition is likely to become increasingly sharp in the internal market between the different meats of beef, sheep, pigs and poultry. Encouragement of production for beef and sheep provided through market support systems will ensure a continued flow of these meats onto the market (the same guarantee not being provided for pigs and poultry)

6709 finally, the sectors of milk, beef and poultry will be assisted by the proliferation of use of cereal substitutes in animal feeds stretching out from traditional sources of manioc and soya to products such as maize gluten feed and industrial by-products (e.g. breweries).

Conclusion

6800 The main problem facing the Community over the short to medium term in the agricultural markets is to determine how the increasing production volume available can be disposed of, either internally or externally, at reasonable prices, while safeguarding farmer's incomes and at the same time remaining within the budgetary limits provided. If restraint on production in certain sectors is not exercised, thus providing a limit to budgetary expenditure and bringing the markets in question back into balance, the financial and political consequences will be very serious indeed.

1. CEREALS (1)1. Introduction(a) The economic situation :

The 1979/80 cereals marketing year opened with large stocks, particularly of wheat, and to this were added substantial, though not record, new crops. As a result, market management was difficult and, despite record exports, the intervention stocks of common wheat doubled to more than 2 million tonnes. Internal market difficulties were exacerbated by high interest rates, making stock-holding more expensive, though on the world market there was good initial demand, mainly from Eastern Europe and the USSR. Finally this demand was not fully exploited because of the Community's decision to limit export sales to the USSR. At the start of the 1980/81 marketing year, world market prices are once again very firm, mainly as a result of crop reductions following the drought in North America. The Community cereals crop on the other hand is expected to reach a new record.

(b) Cereals in Community agriculture :

The total area of cereals in 1979 was 26.7 Mio ha or 28.7% of the utilized agricultural area (UAA). Their importance in the land-use of individual Member States varied considerably, being least important in Ireland and the Netherlands (7% and 12% of UAA respectively) where fodder crops and permanent grasslands are more important. They are of greatest significance in Germany and Denmark (43% and 63% of UAA respectively) where cereals account for about 70% of the arable land, they also account for a high proportion of the arable land in Luxembourg (70%). In the remaining Member States cereals occupy 50 to 60% of the arable land and 20 to 30% of the UAA.

The cereals share in the final production of agriculture is a less useful measure of their economic importance since in many cases a large proportion of the production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in Germany, where cereals account for 43% of the UAA, they only represented 9.1% of the value of final production in 1979 because over 40% of the total quantity produced was used for animal feeding on the farm where it was grown. In the UK, by way of contrast, cereals accounted for only 20% of the UAA but 14% of the value of final agricultural production because only 16% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about 27% of the crop was fed to livestock on the farm where grown, the direct contribution of cereals to the final production of agriculture was 11.2% in 1979.

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(1) See Tables M.1.1 to M.1.10

(c) The Community in world cereals production :

World production of cereals (excluding rice) in 1979 amounted to 1 173 million t (according to FAO statistics) of which the quantity produced in the Community was 9.7% (9.6% in 1978). The proportions produced by the other major exporters of cereals were: United States 25%; Canada 3%; Australia 2%; Argentina 2% (see table M 1.7).

2. Production

Community cereals production in 1979 was adversely affected by the severe 1979 winter. This necessitated substantial resowing of damaged areas of winter wheat especially in France where they were replaced by spring wheat, barley or maize. Subsequent growing conditions were very good and the final production of 113.6 million t was only 2.2% down from the record 1978 crop. The total area sown to cereals for 1980 harvest was almost identical to the 1979 area but with a higher proportion of wheat and less maize than in the previous year. After initial fears of drought in the spring, the heavy rains in June and July had a generally favourable effect on cereal yields. The preliminary estimates indicate a new production record in 1980, at around 118 million t or 4% more than in 1979.

(a) Common wheat :

The common wheat crop was sown in good conditions in the autumn of 1979 and the area increased by about 5% as compared to the 1978 and 1979 crops. The subsequent mild winter and generally wet summer have led to yields which are expected to equal or exceed the level achieved in 1978 (3 to 4% higher than in 1979). Production is forecast at more than 47 million t (+10%), a new record. The quality of the crop is not thought to be particularly good and although this can be partly explained by the wet weather, there is also believed to be a growing tendency among producers to switch from high quality varieties to higher yielding but mediocre quality varieties of bread-making wheat. On the other hand the production of varieties which are only suitable for animal feeding seems to have stabilised.

(b) Durum wheat :

The area of durum wheat increased in both France and Italy in 1980 to reach 1.8 million ha (+4%). Most of the Community's durum wheat production is in Italy where the area has been quite stable for a number of years. This contrasts with the declining area of common wheat in Italy where durum wheat now occupies over 50% of the total wheat area. Yields are also expected to be higher in 1980 and Community production is consequently expected to rise to over 4 million t (+9%).

(c) Rye :

The area of rye decreased by almost 4% in 1980, though yields are expected to be slightly higher than in 1979. As a result production should decline by around 2% to 2.9 million t.

(d) Barley :

The total area sown to barley for the 1980 crop declined from the exceptionally high 1979 level (-2%) to 9.5 million ha. Within this total, the switch to winter barley continued in all Member States, though it is especially pronounced in France and Germany:

Area of winter barley in % of total barley area

	1975	1976	1977	1978	1979	1980 (P)
Germany	39 %	46 %	49 %	53 %	55 %	59 %
France	20 %	31 %	42 %	51 %	38 %	54 %

This change has had the effect of improving average yields because of the higher yields of winter barley but it has sometimes had an adverse effect on quality since some of the winter varieties are of 6 - row barley which has a lower specific weight and generally lower value for animal feeding as well as for malting.

Yields in 1980 are expected to have increased by 5 - 6%, partly because of the higher proportion of winter barley. There is reported to be a lower supply of barley suitable for malting, following the wet weather in June and July. Total Community production of barley is forecast at more than 40 million t, some 4% more than in 1979.

(e) Oats :

The area of oats continues to decline (-3 in 1980 and -5.3% per year on average between "1974" and "1978"). Production in 1980 is expected to decrease by 5% to about 7.3 million t.

(f) Maize :

The area of maize in the Community was particularly high in 1979 because it replaced part of the French winter grain area affected by frost damage. Community production was a record 17.3 million t. In 1980, the area sown returned to a more normal level, at 2.8 million ha (-8%). Production is consequently expected to be lower than in 1979 at around 16.1 million t (-8%).

3. Consumption

In 1978/79 the total volume of cereals used in the Community amounted to 115.9 million t, i.e., 4.0% more than in 1977/78. About 35% consisted of wheat and 65% of coarse grains, of which 30% was accounted for by barley and 24% by maize. The utilization of all cereals was made up as follows in 1978/79 :

Human consumption and industrial use, 34.3% (34.7% in 1977/78); animal feed 61.0% (60.7% in 1977/78); seed and losses, 4.7% (4.6% in 1977/78). The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year; the following table gives the breakdown by cereals for 1978/79 :

Cereal consumption in 1978/79 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Wheat (Durum and common)	64.3	28.9	0.8	6.0	100.0
Rye and meslin	41.2	51.3	1.8	5.7	100.0
Barley	0.3	77.7	15.9	6.1	100.0
Oats and summer mixed corn	3.8	91.7	0.0	4.5	100.0
Maize	3.5	78.1	17.2	1.2	100.0

(a) Human consumption :

Net human consumption increased by 0.9% between 1977/78 and 1978/79. The part of this increase accounted for by population growth was only very small and per capita consumption increased by 0.7%. The most significant part of this increase related to consumption of wheat in France and Italy, though at the Community level there has also been a trend to increasing consumption of common wheat over recent years (0.6% per annum over "1973/74" to "1977/78"). Durum wheat consumption has tended to decline (-2.2% per annum over "1973/74" to "1977/78"), though in 1978/79 there was an increase in consumption in Italy (+4.8%).

Net human consumption of cereals in 1978/79 - breakdown by cereal

	Net overall human consumption ('000 t)	Net per capita consumption Kg per capita	% change 1977/78 to 1978/79
Wheat - common	16 876	64.9	0.8
- durum	2 722	10.5	3.8
Rye	1 048	4.0	- 2.3
Barley	70	0.3	- 6.9
Oats	176	0.7	4.5
Maize	674	2.6	- 9.1

(b) Animal feed use :

The importance of cereals in animal feeding reached a peak in 1972/73 and 1973/74 when they accounted for more than 26% of total energy requirements (expressed in Fodder units). This represented over 62% of the energy supplied by concentrate feeds (i.e., excluding bulky fodder, root crops and grazing, etc.). This proportion had fallen to 55.8% by

1977/78 whilst the part taken by manioc had increased from 1.6% to 3.7% and that for oilcakes from 12.3% to 14.4%. The total quantity of cereals fed to livestock fell from a peak of 72.3 million t in 1973/74 to 67.1 million t in 1976/77, since when it has only partly recovered, to reach 70.7 million t in 1978/79. This decline is principally due to the substitution of cereals by products such as manioc, oil-cakes and a variety of food industry by-products which may be imported into the Community with little or no import charge. The most important direct substitute for cereals is manioc, the imports of which rose from 2.3 million t in 1974 to 6 million t in 1978. Supply difficulties in 1979 and 1980 have temporarily stabilised imports of manioc at around 5.5 million t and whilst it is possible that further expansion can be controlled, there is likely to be strong growth in the imports of other products. A good example is maize gluten feed, imports of which have risen from 0.7 million t in 1974 to 2 million t in 1979 and are expected to rise in line with maize alcohol ("gasohol") production in the United States, since it is a by-product of this process.

The following table compares the consumption of different cereals on the farms where they are grown with the animal feed use of cereals which pass through the market (usually purchased as compound feedingstuffs).

Animal feed use of cereals in 1978/79, on the farm where grown and through the market - breakdown by cereal

Cereals	Used on farms 1 000 t	Marketed 1 000 t	Total 1 000 t	%
Wheat	5 627	6 214	11 841	16.8
Rye	1 009	558	1 567	2.2
Barley	14 468	12 589	27 057	38.3
Oats etc.	6 184	1 692	7 876	11.1
Maize	4 279	17 332	21 611	30.6
Other	80	657	737	1.0
	31 647	39 042	70 689	100.0
Total	44.8%	55.2%	100.0%	

Upto 1975/76, the animal feed use of cereals on the farms where they were grown accounted for around 50% of the total feed use. Since 1976/77, however, this proportion has fallen to under 45%. In part, this shift is due to a re-assessment of maize used directly on the farm in Italy but it may also be due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. A greater proportion of rye production, for example, is being sold by farmers and less is being used on the farm. Production of oats, a cereal which is largely fed on the farm where grown, is also declining rapidly.

(c) Industrial use :

The use of cereals for processing and industrial purposes increased considerably in 1978/79 (+7.2%). This increase, which represents a strengthening of the previous trend, has affected maize, barley and wheat. In fact the industrial use of wheat has increased by 52% though it still only accounts for 3% of the total industrial use of cereals. Most of the remainder is accounted for by barley (52%) and maize (45%). The use of barley in brewing, which accounts for 91% of the industrial use of barley, went up by 7.5%, this increase being mainly in Germany and the United Kingdom. The only other industrial outlet for barley, distilling (mainly in Ireland and the United Kingdom), declined by 13.1%. The processing and industrial use of maize has increased by 7.4% due to higher utilisation in Germany, the Benelux countries and the United Kingdom, which more than offset the decrease in Italy.

(d) Self-supply :

The final balance sheets for 1978/79 showed that, contrary to expectations, the self-supply did not exceed 100%. This was despite a record level of production (115.4 million t) and it is explained by an increase of 4.4 million t in the level of domestic use (115.9 million t). Whilst human consumption and industrial use together increased by 1 million tonnes the major part was due to the increased animal feed use. Such a large increase is difficult to explain in view of the growing imports of competing products, though its origin may be partly statistical. This can arise where animal feed use is assessed as a residual item in the balance and so is affected by errors of estimation in other items.

Summary of the cereal balance sheet in 1978/79

(Mio t)

	:Common : wheat	: Durum : wheat	: Rye	: Barley	: Oats : etc.	: Maize	: Other : cereals	: Total
:Stock change(1):	-2.5	-	-0.1	-0.4	-0.2	-0.5	-	-3.7
:Net external :balance (2)	-4.2	+0.3	-0.3	-4.0	+0.2	+11.8	+0.3	+4.1
:Domestic use :less production:	-6.7	+0.3	-0.4	-4.4	-	+11.3	+0.3	+0.4
:Self-supply %	118.1	93.3	113.5	112.6	99.9	59.0	59.8	99.6

(1) + = stock reduction; - = stock increase

(2) + = net imports; - = net exports

In 1979/80 the domestic use of cereals appears to have been slightly lower, at around 114 million t, so the self-supply rate is estimated at almost 100%, despite the reduced level of production. In fact it is probable that total exports slightly exceeded total imports with the result that stocks declined. A feature of this marketing year was the low level of maize imports, at around 10 million t, following the large Community crop in 1979.

(e) Stocks :

The estimation of stocks in the different Member States is undoubtedly of very variable accuracy as between both Member States and stock positions. According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1979/80 marketing year amounted to 14.7 million t of which 1.6 million t were held on farms. Of the 13.1 million t of stocks in other positions (including intervention stocks), common wheat accounted for 6.9 million t, durum wheat for 0.6 million t, barley for 1.8 million t and maize for 2.7 million t.

By 1 August 1980 the off-farm stocks are expected to have fallen to about 11.5 million t, including around 6 million t of common wheat (13% of normal production), 0.3 million t of durum wheat (7% of normal production), 2.2 million t of barley (5% of normal production) and about 2.1 million t of maize (13% of normal production but only 8% of consumption).

4. Trade

(a) Between Member States :

Trade between Member States of the Community falls into two distinct categories, trade in cereals of Community origin and trade in or transshipment of cereals of third country origin. Briefly, the latter consists of import into one Member State via another Member State, generally for sound economic reasons such as vessel size and port charges, but occasionally in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular its monetary compensatory system. The majority of this trade consists of imports of grain ultimately destined for Germany and the United Kingdom via the large Benelux ports. The cereal most commonly involved is maize, the exports of which from the Benelux countries to other Member States amounted to 1.9 million t in 1978/79. There has also been a significant trade of this kind in common wheat (1.1 million t from the Benelux countries in 1978/79).

The major Community supplier of cereals to other Member States is France. French deliveries in 1978/79 totalled 10.4 million t (including cereal products) as compared with 10.8 million t in 1977/78. Deliveries of French wheat in 1978/79 were 4.3 million t and

in 1979/80 declined to 3.8 million t, mainly because of reduced deliveries to Belgium, Italy and the United Kingdom. Deliveries of barley increased slightly in 1979/80, from 2.1 to 2.3 million t, the main customers being Belgium, Germany and Italy. However a significant part of the shipments to Belgium, which in 1979/80 totalled 0.9 million t of barley and 0.5 million t of wheat, are believed to have been for subsequent export to third countries via Belgian ports. French deliveries of maize to other Member States went up from 2.7 million t in 1978/79 to 3.3 million t in 1979/80, the principal customers being the Benelux countries, Germany, the United Kingdom and Ireland. Intra-Community trade in cereal products is also of increasing importance, including such products as wheat flour and semolina, barley malt and maize grits.

(b) With third countries :

Imports of cereals from third countries (reduced by the estimated level of transshipments) amounted to 18.5 million t in 1978/79 (3% less than in 1977/78) of which 12.3 million t were maize (2% more than in 1977/78). In 1979/80 the preliminary estimates indicate imports of about 16 to 17 million t of cereals, including only about 10 million t of maize. In 1978/79 over 80% of the maize imports came from the United States with the remainder coming mainly from Argentina. Imports of barley and malt in 1978/79 amounted to 1.1 million t. The barley came mainly from Canada (74%) and Australia (15%). Imports of barley in 1979/80 are estimated at around 700 000 t and again consisted mainly of imports of Canadian barley into Italy.

Imports of common wheat remained unchanged between 1977/78 and 1978/79 at 3.5 million t and are expected to be similar in 1979/80. Of this total it is believed that some 0.3 million t were temporary imports under inward processing arrangements for subsequent re-export in the form of flour. Durum wheat imports have decreased from 1.5 million t in 1977/78 to 0.9 million t in 1978/79 because of the improved Italian crop. Around 95% of the 1978/79 imports came from North America and most of the remainder from Argentina. It is expected that imports of durum wheat in 1979/80 will be at about the same level.

Total exports of cereals and cereal products in 1978/79 rose by 34% to 14.4 million t. Within this total, common wheat and flour accounted for 7.7 million t. The exports of wheat and wheat flour in 1979/80 are estimated at about 10 million t which were broken down as follows: 9 million t of commercial sales, of which almost 3.5 million t in the form of flour, and 1 million t as food aid, of which 0.5 million t in the form of flour. The estimated total of commercial flour exports includes around 0.3 million t exported under inward processing arrangements, a practice of considerable significance among millers who are favourably located (i.e. in ports) because of the substantial economies resulting either from the purchase of cheap third country wheat or from the saving of import levy on imported wheat when the operation is done on an equivalence basis (i.e. export of flour of Community origin set against import of wheat of third country origin). Commercial exports of wheat in 1978/79 went to the Community's regular clients in West and North Africa as well as to countries in the European area, including Poland and Portugal. In 1979/80 the pattern

was similar, though there were also exports to East Germany, Czechoslovakia and the Soviet Union. Flour exports continued to go to a wide variety of destinations, with Egypt, Sri Lanka, Syria, Saudi Arabia and Vietnam among the most important.

There were again large exports of barley in 1978/79 and in 1979/80. Total exports of barley and barley products (mainly malt) amounted to 5.1 million t in 1978/79, of which 1.5 million t was in the form of products. The quantities exported in 1979/80 are believed to have been slightly lower, though the principal destinations of the barley were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East. In both years France was the dominant supplier (including French barley exported through the Belgian ports) though the United Kingdom and Denmark were also important.

## 5. Prices

### (a) Common prices :

The most important feature of the prices fixed for the 1980/81 marketing year was the agreement in principle to reduce the rye intervention price to the level of the common intervention price for coarse grains and thereby to integrate rye in the so-called "silo" system of grain prices. This will take place in three stages, the first in 1980/81, with complete alignment in 1982/83. In 1980/81 the rye intervention price was increased by only 2.5% whereas the common intervention price for barley and maize went up by 4.5%. The reference price for common wheat, at which level intervention takes place in practice, was increased by 4.25%, a token improvement in the price relationship between wheat and feed-grains. In view of the fact that this price relates to wheat of the lowest breadmaking quality, the price support for common wheat remains excessively high (12.7% above the common intervention price for barley and maize). There was also a slight improvement in the competitive position of common wheat in animal feeding, as a result of feed grain target price increases of 6.25% (2% points more than the increase in the common wheat reference price). As regards durum wheat, the direct aid was only increased by 2.5% but the intervention price went up by 4.5%, so slightly widening the gap between the price of durum and the price of common wheat. The durum wheat intervention price is now at a level equivalent to 148.6% of the common wheat reference price, a factor of growing importance in the composition of pasta products.

### (b) Internal market prices :

1979/80, like the previous marketing year was characterized by surpluses of both barley and wheat. These surpluses depressed prices to around the intervention price level or, in the case of common wheat, the reference price level (the reference price was 12.7% above the intervention price). This situation continued throughout the marketing year despite large exports. The most notable exception to these general observations was the situation in Italy where the prices of common wheat and feed grains were around or above their respective threshold prices; the price of durum wheat however remained nearer to the intervention price.

Average difference between market price and intervention price in  
1979/80

	(%)					
	Common wheat		Durum	Barley	Rye	Maize
	Breadmaking quality	Other	wheat			
Germany	13.1	10.9	x	1.6	4.0	x
France	12.1	13.2	x	3.9	x	11.4
Italy	26.7	x	7.0	x	x	18.5
Netherlands	13.3	x	x	8.7	6.6	x
Belgium	13.8	x	x	3.3	x	x
United Kingdom	12.2	9.6	x	3.0	x	x
Denmark	x	x	x	0.1	3.8	x

Consideration of the common wheat market is complicated by the existence of two support price levels, the intervention price and the reference price (which only applies to wheat of "breadmaking quality"). The criteria used to define "breadmaking quality" and which are applied to the reference price are such that the price of most kinds of wheat in the Community, even those which are not of "breadmaking quality", tend towards the reference price. This is because the difference between the intervention price and the reference price is greater than is justified by the normal price "spread" found on the market. This means that support buying at the reference prices stops the lower quality wheats being sufficiently competitive on the animal feed market. However the absence of support buying after October 1979 allowed market prices to fall to levels as much as 5% below the reference price for breadmaking wheat and thereby encouraged the use of wheat in animal feeding.

(c) World prices :

At the beginning of the 1979/80 marketing year world stocks of cereals were very high, as was grain production in the United States, the world's largest grain exporter. On the other hand, production was lower in the other exporting countries and there was strong import demand from the USSR and Eastern Europe. As a result, market prices throughout the marketing year were generally higher than in 1978/79. At the beginning of January 1980 the United States announced its intention to limit sales of grain to the USSR and this measure was supported by the other major exporting countries except Argentina. In practice this had two effects on the world market: the first was to depress prices temporarily, especially as regards maize; the second was to give Argentine grains a price premium over grains from other origins because the quantity available for export from Argentina was not sufficient to satisfy the remaining needs of the USSR. Towards the end of the marketing year prices remained very firm because of the uncertain production outlook in many countries.

Highest and lowest monthly average prices in 1978/79 -  
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	ECU/t	Month	ECU/t	Month
<u>Common wheat</u> :				
Soft Red Winter II	153.54	May 1980	135.23	April 1980
Dark Northern				
Spring II/14%	151.32	July 1980	141.96	June 1980
<u>Barley</u> :				
Canada Feed I	122.38	October 1979	100.73	May 1980
<u>Maize</u> :				
Yellow Corn III	108.52	July 1980	92.34	January 1980
<u>Durum wheat</u> :				
US Hard Amber				
Durum III	212.24	July 1980	162.38	August 1979

(d) Consumer prices :

Bread prices increased by an average of under 10% between 1978 and 1979, rather less than in previous years. The greatest increases (12-17%) occurred in France, the United Kingdom and Ireland. The degree to which those increases were due to wheat prices is probably very small though it remains difficult to determine since bread prices are principally determined by distribution and manufacturing costs and by government price controls and/or consumer subsidies. Moreover these increases are very much smaller or even negative when expressed in relation to the general index of consumer prices.

6. Short-term outlook

Community cereals production in 1980 is expected to establish a new record at around 118 million t. This should mean an overall net surplus of cereals, particularly as imports of some cereal substitutes (notably manioc and maize gluten feed) are expected to be higher than in 1979/80. Cereal imports which consist mainly of maize and quality wheat are unlikely to diminish significantly, so the exportable surplus should increase. The cereal most affected is common wheat and, assuming no change in stock levels, exports are likely to total 12 million t of which around 7.5 million t in the form of commercial exports as grain. Barley exports are expected to be higher than in 1979/80 leading to lower stock levels by 31 July 1981.

Fortunately these exports will take place against a background of higher world prices especially for feed grains. Prices have risen as a result of the reduced maize crop in the United States as well as continuing logistic problems in Canada and an expected reduction in Australian cereal crops. At the same time import demand continues at a high level, particularly in the centrally-planned economies.

## 7. Economic aspects of the measures taken

### (a) Levies and refunds

#### (1) Import levies:

Import levies have moved within quite narrow ranges during the 1979/80 marketing year

- common wheat 70 to 100 ECU/t
- barley 60 to 90 ECU/t
- maize 70 to 100 ECU/t

These levies represented around 60 to 70% of the cif price (without levy) of imported wheat and barley but 80 to 90% of the cif price of imported maize.

#### (2) Export levies:

Export levies have not been applied in the cereals sector since the end of 1975.

#### (3) Export refunds:

Export refunds were fixed in the normal way throughout the marketing year for wheat flour, rye flour and rye and, towards the end of the marketing year, for durum wheat semolina. They were also fixed in respect of exports of common wheat, barley and oats to nearby destinations (e.g. Switzerland, Austria, Spain and Portugal). Refunds on common wheat and barley exports to other destinations were mostly fixed by means of tenders. Initially there was one tender for barley for export to all zones except Zone VII (Far East Asia), a tender for common wheat for export to Zone IV (Latin America), one for China and a third one for all the remaining export zones. As a result of the Council's decision to support the US limitation on grain sales to the USSR, the tenders were amended in January 1980 to remove from them the USSR and Eastern Europe. At the same time separate tenders were opened for Eastern Europe (excluding the USSR) in order to have a better quantitative control of exports to these destinations. In addition, the fixed refunds for some other products were differentiated in order to fix dissuasive or zero refund levels for exports to the USSR.

The tenders ran from September 1979 to June 1980, with the following results:

- common wheat, 5.3 million t accepted at export refunds of 45 to 75 ECU/t,
- barley, 2.2 million t accepted at export refunds of 50 to 75 ECU/t.

Refunds for malt continued to be fixed according to the special system which involves a weekly calculation based on the import levy for barley. This system was adhered to throughout the marketing year, though the conditions relating to the export licences were eased slightly. The period of validity for the normal export

licences for cereals remained at the month of issue plus the two following months except when licences were issued under the export refund tender where it was increased to three months after the month of issue.

(b) International agreements and food aid :

The International Wheat Agreement of 1971 was extended from July 1979 to June 1981 while awaiting the negotiation of a new agreement. The only operational provisions of the 1971 Agreement were in the accompanying Food Aid Convention under which the Community was committed to the supply of 1 287 000 t of cereals. In 1979/80, 720 500 t of this total quantity (or 56%) was to be given as direct Community aid. The proportion of this direct Community aid commitment which had been effected by 31 July 1980 was 53.7% in respect of the 1979/80 programme and 99.5% in respect of previous programmes. As regards aid by Member States, the corresponding proportions were 37.9% for the 1979/80 programme and 94.2% for previous programmes.

A new Food Aid Convention was negotiated in 1980, independently of the negotiations for a new Agreement (covering commercial trade). The Community's commitment under the new Convention, to apply from 1980/81, is for the supply of 1 650 000 t of cereals.

(c) Intervention :

Stocks of common wheat doubled during 1979/80 as a result of intervention purchases of wheat at the reference price. These purchases were carried out under two separate series of special intervention measures. The first of these were during the months August to October 1979 and covered 1 048 000 t of wheat. The second series took place in May and June 1979 and was for limited quantities, allocated to each Member State. This second round of purchases amounted to 544 000t. Sales of common wheat from intervention stocks amounted to 539 000 t of which more than 80% was exported. Barley stocks also increased but, like durum wheat stocks, remained at a fairly low level (under 200 000 t). Purchases of rye into intervention were not as high as in 1978/79 but they were again significant at 301 000t (10% of total production). After substantial sales, of which over 70% were for export, stocks of rye fell somewhat.

Details of changes in intervention stocks during 1979/80 were as follows :

Intervention stock changes in 1979/80 (provisional estimates)  
(1 000 t)

	Common wheat	Durum wheat	Rye	Barley
Stocks on 1.8.1979	1 008	151	421	59
Purchases	1 592	2	301	153
Sales	539	23	365	30
Net change	1 053	- 21	- 64	+ 123
Stocks on 1.8.1980	2 061	130	357	182

Besides the types of intervention involving outright purchase of cereals there were additional support measures taken for common wheat in the form of aids for private storage (Intervention "B"). Private storage contracts were concluded in respect of 720 000 t of common wheat to be stored from 1 June 1980 until its staged release, to be spread over the last three months of 1980.

(d) End of season carry-over payments :

In view of the expected pressure of supplies on the market at the end of the 1979/80 marketing year, payments were granted on commercial stocks of common wheat to compensate for any reduction in prices, expressed in national currency, at the beginning of the new marketing year. Such payments were also made in respect of trade stocks of maize in surplus producing regions and milling industry stocks of rye, in order to reduce the risks of intervention at the end of the 1979/80 marketing year.

(e) Uniformity of prices - Monetary compensatory amounts :

In common with other sectors, cereals still suffer from some disunity caused by monetary differences, though these have been considerably reduced.

(f) Production refunds :

Production refunds are paid to cereal and potato starch manufacturers in order to enable them to compete with starch manufactured from other raw materials. The refunds fixed for the 1980/81 marketing year were reduced as compared with the previous year, being 17.23 ECU/t for maize starch, 24.67 ECU/t for wheat, 21.22 ECU/t for broken rice and 27.74 ECU/t for potato starch.

(g) Durum wheat aid :

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where yields are low yet where producers are dependent on this cereal for a significant part of their income. The aid fixed for 1980/81 is 79.24 ECU/ha (77.31 ECU/ha in 1979/80) and covers the same administrative regions (including the less favoured areas indicated in Council Directive 75/268/EEC) as it did in the previous year.

8. Budgetary expenditure

The expenditure of the EAGGF Guarantee Section on cereals was 1 563.7 million EUA in 1979; it is estimated at 1 616.4 million EUA in 1980 and at 2 250 million EUA in 1981, representing 15.0%, 14.0% and 17.6% respectively of total Guarantee Section expenditure. The 1 616.4 million EUA estimated for 1980 breaks down into 1 122.4 million EUA for export refunds and 494.0 million EUA for intervention measures.

9. Greek accession

The Community's self-supply situation will be little changed by Greek accession. However the Greek surplus of durum wheat will result in the Community becoming a net exporter of this cereal. Greek exports of wheat flour and durum wheat semolina will significantly reinforce the Community's dominant position in the world market for these products.

## 2. RICE

### 1. Introduction

In 1979 the area under rice in the Community represented about 0.2% of its total UAA and 0.13% of world UAA under rice.

Rice is grown only in France and Italy. Some 97.3% of Community production comes from Italy; in 1979 this represented only 0.27% of world rice production (373 million t) (1).

### 2. Production

In 1979 the area sown with rice in the Community was 187 926 ha, a reduction of 6.9% compared with the previous year. In France the area represents only 7 107 ha compared with 13 954 ha in "1974", or a reduction of 10.6% per year.

In Italy the area under rice in 1979 totalled 180 219 ha, or a reduction of 5.16% compared with 1978, and a reduction of 1.5% per year as compared with "1974" (197 763 ha).

In 1979 Community rice production was 3.7% more than in 1978 and totalled 1.020 million t (1). This increase, which occurred despite a reduction in area, was mainly due to a higher yield per ha than in the previous year (54.28 q/ha (1) as compared with 48.71 q/ha (1) in 1978).

In 1979 French production totalled 28 622 t (1), or a reduction of 22.2%, whilst Italian production increased by 4.8% to 992 000 t (1). As compared with "1974", harvests have therefore shown an annual decrease of 11.94% in France, 0.45% in Italy and 0.93% in the EEC.

### 3. Internal consumption

In 1978/79, 984 000 t of rice were used within the Community, 12.9% less than in the previous year (1.130 million t). There was no appreciable difference in industrial uses or the use of seed (-5.7%), but the use made of rice in feedingstuffs was well down (-25%) and human consumption was appreciably lower (-13.9%), falling from 1.016 million t in 1977/78 to 0.875 million t in 1978/79. The rate of self-supply, which had deteriorated between 1976/77 and 1977/78 because of a poor harvest and increased uses, improved considerably between 1977/78 and 1978/79 for diametrically opposite reasons (high production figures and reduced utilization), rising from 52.7% to 80.5%.

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(1) Quantities expressed in terms of paddy rice.

In this document the word "rice" means "husked rice" unless otherwise stated.

#### 4. Trade

In 1978/79, imports from non-member countries including the quantities imported under inward processing arrangements amounted to 0.672 million t as compared with 0.846 million t in 1977/78, or a decrease of 20.6%. In 1978/79, the quantities imported under inward processing arrangements may be estimated at some 50 000 t. This decrease is due to a good rice harvest in Italy and the existence of considerable stocks at the beginning of the rice year.

In 1978/79, rice exports amounted to 0.477 million t, including the quantities exported under inward processing arrangements, as compared with 0.358 million t in 1977/78, which represents an increase of 33.5%. This increase in the volume of exports is attributable to the same reasons as the reduction in imports.

The Community's share of world trade in 1977/78 was 7.4% of imports and 3.6% of exports. The principle sources of imports remain the United States, Thailand, South America and Surinam for whole rice and South America, Burma and Thailand for broken rice.

Exports traditionally go to Italy's immediate neighbours such as Switzerland, Austria, Portugal and to the Mediterranean countries, with, however, some special sales to more remote destinations.

Intra-Community trade increased by 8.7% in 1978/79, totalling 0.585 million t, of which some 50% was grown in the Community and supplied by Italy to the other Member States. Italian exports to the rest of the EEC reached the record figure of some 299 000 t during the marketing year.

#### 5. Prices

##### a) Common prices

A number of measures were adopted in respect of the 1980/81 marketing year, some relating to the fixing of prices and others to complete the levelling of prices for round-grain and long-grain rice (measures initiated in 1979/80);

1. The intervention price for paddy rice was increased by 6.92% over the previous year, thus rising to 233.71 ECU/t. The target price for husked rice (round-grain and long-grain) was fixed at 408.16 ECU/t, or 6.77% higher than in the previous year.

2. - The corrective amounts which are added to the intervention price and the remaining difference (12.09 ECU/t) between the threshold prices for the two varieties of rice (round-grain and long-grain) were abolished with effect from 1980/81.
  - The corrective amounts for the determination of c.i.f. prices were also adjusted to reflect the levelling of prices.
  - The threshold price for husked rice (401.07 ECU) is now the only price applicable, following the removal of the difference between round-grain and long-grain rice. The new price is thus 6.50% higher than the previous threshold price for round-grain husked rice but only 3.19% higher than that for long-grain rice.

#### b) Market prices

During the 1979/80 marketing year, the market prices in the main rice-producing region (Vercelli region) averaged:

- . for round-grain rice, 14% above the intervention price;
- . for long-grain rice, 15% above the intervention price.

In 1978/79 the market prices for round-grain rice and for long-grain rice had been 35% and 21% above the intervention price, respectively. The improvement in the intervention price is also attributable to the increase in prices expressed in Italian lire following the devaluation of the green lira by 9% in 1979/80.

Despite the alignment of intervention prices (the first stage took place in 1979/80), market prices for long-grain rice are still higher than those for round-grain rice.

In 1979/80, prices in lire for round-grain rice were 1.8% higher than in the previous year and those for long-grain rice 8.5% higher.

#### c) World prices

In 1979/80, world prices increased by 25.8% in the case of round-grain rice and by 23.5% in the case of long-grain rice, as compared with the previous marketing year.

Prices for round-grain rice were often higher than those for long-grain rice, since supplies of the former were much less plentiful on the world market than supplies of the latter.

Since world trade in rice accounts for only a small percentage of world production (about 3% in 1979/80), the slightest variation in harvests, supply or demand may result in abrupt and substantial changes in prices.

d) Consumer prices

Consumer prices are not available for all the Member States. The following were recorded in 1979:

. Germany	:	DM 3.12/kg, or + 1.8% compared with 1978
. Belgium	:	BFR 52.25/kg, or - 0.2% compared with 1978
. France	:	FF 5.83/kg, or - 4.6% compared with 1978
. Italy	:	LIT 1 124/kg, or + 9.3% compared with 1978
. Netherlands	:	HFL 2.40/kg, or - 0.8% compared with 1978.

From 1975 to 1979 movements of prices have been as follows:

. Germany	:	+ 2.4%
. Belgium	:	- 2.4%
. France	:	+ 15.4%
. Italy	:	+ 140.2%
. Netherlands	:	- 9.8%

The sharp increases in France and especially in Italy bring prices in these two producing countries to levels close to those in the other Member States.

6. Short-and medium-term outlook

In the 1980/81 marketing year, the areas sown with rice decreased yet again. In France only 6 700 ha are now under rice, which is 5.8% less than in the previous year. In Italy the reduction was on a smaller scale (2%): the area under rice fell to 177 145 ha.

The tendency to give up rice-growing in France is due to the difficulties caused by environmental and climatic factors (wind and salinity of the soil) and economic factors (higher irrigation costs and lower yields).

Thus, the volume of production fell in 1980 and, if no appropriate measures are taken, it will fall still further or, at best, remain at its present low level.

In Italy, the reduction in area was once more offset by the very high yields per hectare, which should result in a production figure close to 1 million tonnes (916 000 t of paddy). Interest in maize-growing, however, seems to be increasing at the expense of rice-growing, now that the maize price has risen to a more attractive level than that of rice.

In 1979/80, partly as a result of the levelling of intervention prices, good prices were obtained for round-grain rice, sometimes even higher than those obtained for long-grain rice. This led to an increase in the areas under round-grain rice in Italy. Production of this type of rice accounted for some 30-35% of total Italian production in 1980/81 (as against a mere 20% in 1977/78). Demand on the internal market and, to a lesser extent, on the Community market is now covered by internal production rather than imports. Production should not, however, exceed present levels since, from January 1981 onwards, Greek production (some 95 000 t) which includes a high proportion of round-grain rice, will be coming on to the market.

The surpluses of long-grain rice were disposed of either as food aid or as commercial exports to non-member countries. In all, some 380 000 t were exported, much of it to the Mediterranean countries. In view of the slight drop in production in 1980, exports will probably decrease accordingly (some 75 000 t in the 1980/81 marketing year).

The latest information available concerning supplies of rice by Italy to the other Member States in 1979/80 points to a record figure of 299 000 t (1). These supplies may well remain at the same level in 1980/81 because of the good quality of the rice of this marketing year and the availabilities of round-grain and long-grain rice.

Since the 1978/79 marketing year, therefore, the situation with regard to round-grain and long-grain rice has been reversed. Intra-Community trade in round-grain rice has expanded. Further production guidance measures were adopted in connection with the common prices for 1980/81.

These factors taken together could well entail a considerable change not only in production but also in trade and consumption of rice in the Community.

## 7. Economic aspects of the measures taken

### a) Levies and refunds

On account of rising world market prices and the very slight increase in the threshold price in 1979/80, import levies decreased sharply as compared with the previous marketing year. For the last three marketing years, levies have been as follows:

		in ECU/t	
	1977/8	1978/9	1979/80
Round-grain husked rice	79.57	135.88	92.81
Long-grain husked rice	126.92	174.59	128.22
Round-grain milled rice	169.19	197.09	198.45
Long-grain milled rice	267.98	336.05	285.46
Broken rice	60.00	66.38	41.94

Since there was no surplus of round-grain rice, no refund was fixed for such rice in 1979/80.

Traditional exports of long-grain husked rice to Austria, Liechtenstein and Switzerland were subject to refunds of 109 ECU/t, 80 ECU/t and 68 ECU/t at the beginning, in the middle and at the end of the marketing year, respectively. The corresponding refunds on milled rice were 136 ECU/t, 110 ECU/t and 85 ECU/t.

For long-grain milled rice, refunds were lower than in the previous marketing year and were fixed at levels varying from 68 ECU/t to 127 ECU/t for the period from mid-October 1979 to mid-April 1989 in respect of exports to Zone I only. No refunds were fixed for other non-member countries during the marketing year. Thus, Community exports went exclusively to the Mediterranean countries and not to any remote destinations, although the latter did receive some re-exports under inward processing arrangements.

b) Food aid

In 1979/80, 89 665 t of rice were exported as food aid, including 39 022 t as national aid. This represents a considerable increase (+ 185%) compared with 1978/79, when 31 500 t were supplied, 8 000 t of which was national aid.

c) Quantities submitted for intervention

Since 1972/73 no intervention measures have been taken in respect of rice.

d) Monetary compensatory amounts

So far no monetary compensatory amounts have been fixed for rice.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of rice amounted to 42.9 million EUA in 1979; the provisional figure for 1980 is 50.0 million EUA and the estimate for 1981 is 63.8 million EUA, i.e. 0.4%, 0.4% and 0.5%, respectively, of the Guarantee Section's total expenditure. The total of 50.0 million EUA breaks down into 45.0 million EUA for refunds and 5.0 million EUA for intervention.

9. Accession of Greece

The degree of self-supply in the Ten after the accession of Greece will not change very much. However, Greece may increase its production further.

### 3. SUGAR AND ISOGLUCOSE (1)

#### 1. INTRODUCTION

The 1979/80 marketing year was the last year covered by Regulation (EEC) No 3330/74, since the Community system governing sugar production and quotas was due to end on 30 June 1980, after a period of five years.

This was also the first marketing year for which a quota system was applied in the isoglucose sector.

It was therefore time to define the Community's sugar policy for the future and, in December 1979, the Commission proposed to the Council a system covering both sugar and isoglucose and providing for a system of quotas in both sectors for a new 5-year period and increased financial contributions by producers to cover losses incurred in the disposal of surpluses of Community production.

This proposal was discussed between January and April 1980 without the Council reaching any overall agreement, with the result that it was decided to extend the validity of the existing rules for a single marketing year, namely 1980/81.

During these discussions, however, broad agreement was reached on the continuation of the quota system for a limited period and on the principle that producers should be fully responsible for the disposal of any sugar produced which was surplus to Community consumption.

It was on this basis, therefore, that the Commission submitted to the Council in late September 1980 a new proposal on the common organization of the market in sugar and isoglucose.

#### Sugar and Community agriculture

In 1980 the area under sugar-beet increased only slightly, despite the fact that world market prices for sugar had come much closer to Community prices in winter 1979/80, at the time when beet-growers decide on the sowing of their crops.

The data supplied by the 1975 structures survey showed that in all the Member States the number of farms with small-scale sugar-beet crops had decreased as compared with the previous 1970/71 survey and that the number of farms with relatively large areas under sugar beet had increased. In Belgium and, more especially, in France, even the number of farms with two to ten hectares under sugar-beet decreased, which means that there was a considerable increase in the number of farms belonging to the category with over ten hectares under beet.

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(2) See Tables M.3.1. to M.3.7.

An appreciable number of farms ceased growing sugar-beet altogether. The 1970/71 survey showed that there were still 425 000 farms of this type, but the figure had fallen to 365 000 in 1975 and has continued to fall since then.

On the whole, these far-reaching changes in the structures of sugar-beet farms signify an improvement in production conditions and seem to indicate that the current system of production quotas has not really hampered the restructuring process.

#### Restructuring of the processing industry

In 1972/73 there were 127 sugar manufacturers in the Community of the Nine, mostly concentrated in France, Germany and Italy. The number of factories processing beet in 1972/73 was 246.

The latest data available for 1979/80 indicate substantial changes in the structure of this sector. The number of sugar manufacturers has fallen to 104 (- 18%) and the number of processing plants in operation has fallen to 213 (- 13%).

It should be stressed that this trend has been accompanied by improvements in the equipment of the factories still operating and the daily input of sugar-beet in the Community as a whole rose from 868 000 t in 1972/73 to 1 052 000 t in 1979/80, an increase of some 21%.

## 2. PRODUCTION

In 1977/78 and 1978/79, thanks to excellent yields, sugar production totalled 11.5 and 11.8 million t respectively. In 1979/80, with little or no change in the area under sugar-beet, Community sugar production exceeded even these high levels and totalled a record 12 289 000 t, following an exceptional increase in yields, which were 14.5% higher than the "normal" level.

These good results were partly attributable to the weather conditions in autumn 1979, which were particularly favourable to the growing of sugar-beet.

Account being taken to the record production achieved in 1979/80, some 9 million t of sugar were produced within the basic quotas. The quantities in excess of the basic quota but less than the maximum quota amounted to some 1.8 million t, whilst production of "C" sugar totalled some 1.45 million t, the greatest quantity ever recorded.

Given the trend in world market prices, the "C" sugar produced during the marketing year brought most Community producers better prices than the "B" sugar. The commitment to export "B" sugar covered the whole period from August 1979 to June 1980, whilst the "C" sugar, which cannot be committed for export until after it is produced, did not become available until December 1979 and thus benefitted more from the rise in world market prices, which became even more pronounced subsequently.

### 3. CONSUMPTION

#### Human consumption

In 1979/80 the use of sugar for human consumption was maintained almost at the level of the preceding year, at 9.5 million t. Per capita consumption amounted to 35.7 kg of sugar. There was a further rise, however, in total consumption of sweeteners, because of increased use of isoglucose.

#### Production/consumption of isoglucose in the Community

('000 t dry matter)

1976/7	1977/8	1978/9	1979/80
82.6	102.8	139.1	164.1

#### Non-food sector and degree of self-supply

In 1979/80, 11 400 t of white sugar was sold under the denaturing premium system for feeding bees. Some 110 000 t was used by the chemical industry, compared with 106 000 t in the previous year. The production refund was 4.11 ECU/100 kg.

Following the increase in production (12.3 million t) and the levelling-off of consumption in 1979/80, the Community's degree of self-supply again increased, reaching 130%. The surplus thus created was further aggravated by the importation of preferential sugar from the ACP countries, amounting to 1.25 million t white sugar equivalent.

The quantities of sugar available for export during the marketing year thus totalled 4.0 million t, including some 1.4 million t of "C" sugar, the full cost of exporting this being borne by Community producers.

Community producers also bore a substantial part of the cost of the refunds granted on the export of the remaining sugar.

#### 4. TRADE

##### Between Member States

The United Kingdom and Italy buy relatively large quantities of sugar as such from the other Member States.

Sugar in the form of processed products finds its main outlet in the Federal Republic of Germany, which imports it from the other Member States.

In 1979/80 the total volume of intra-Community trade decreased still further as a result of increased production by the countries with a sugar deficit.

##### With non-member countries

As usual, imports of preferential sugar went mainly to the United Kingdom in this marketing year. Small quantities of such sugar were also imported by France and Ireland.

In 1979/80 Community refunds were awarded by tender. Tenders were awarded for 1 781 000 t of white sugar and 110 000 t of raw sugar. Refunds under the "periodic" system were also awarded in respect of 251 000 t of white sugar and 50 000 t of raw sugar. Including exports of sugar in the form of processed products, the total volume of exports in 1979/80 amounted to some 4.0 million t of white sugar equivalent.

#### 5. COMMUNITY PRICES

##### 1979/80

Since the Community area under sugar-beet was still the same, the Commission proposed for 1979/80 a total freeze on prices together with a further reduction in the coefficient used for the determination of the maximum quota. The Council, however, taking into consideration the measures which had been adopted in the monetary sector and had resulted in the value of the national currencies of several Member States decreasing in relation to the Community unit of agricultural currency, decided that prices should be increased by 1.5%, thus preventing any drop in prices as expressed in national currency. The coefficient used for the determination of the maximum quota was kept at the same level (127.5).

##### 1980/81

For the 1980/81 marketing year the Council decided to increase the intervention price for white sugar by 5.3% overall, but differentiated between the various components of this price.

Since Community sugar production is in surplus, the increase in sugar-beet prices was restricted to 4%, whilst the increase in the industrial processing margin was more substantial, at 11.6%, to take account of the steep rise in oil prices, which seriously affects processing costs, and the repercussions on this margin of the increase in the threshold price for molasses. It was also decided to increase by 24% the monthly reimbursement of storage expenses.

#### Prices on the internal market

In 1979/80 ex-refinery market prices net of tax applied by the sugar industry were again very close to the intervention price in the Community areas with surpluses. In the United Kingdom, market prices were higher. The trend in prices expressed in national currencies was largely determined by the various adjustments to agricultural parities.

#### Prices on the world market

In November 1974 world market prices reached their highest level, well above Community prices, but 12 months later they had fallen to some 30 to 40% of the latter.

Until August 1979 the prices actually paid remained at a very low level (varying between 7 and 9 US cents per lb), well below the lower price limit set by the International Sugar Agreement (limits agreed in 1977 = 11 to 21 US cents per lb).

In 1979/80, for the first time after four consecutive surplus years, world consumption exceeded production by almost 6 million t, largely because of the very poor harvests in several of the main producer countries. This resulted in a very substantial increase in world market prices.

In 1979/80, the annual average price of white sugar on the Paris market was 32.3 EUA per 100 kg for short-term deliveries, which was 109% higher than in the previous year.

Since May 1980, world prices have risen still further in anticipation of a new sugar shortage in 1980/81 and have remained at a level well above the Community price.

It is highly probable that world market prices will remain at their present high level in the 1980/81 marketing year.

## 6. Short-term outlook

In view of the slight increase in the total area under sugar-beet, which in 1980 covered some 1.78 million ha in the Community, and in view of climatic trends, production in 1980/81 is currently estimated at 12 million t of white sugar. Since the general situation with regard to sweeteners (see Chapter on "Consumption") does not point to any substantial increase in sugar consumption, Community surpluses are again fairly large, particularly if the end-of-year stocks are reduced in relation to initial stocks on 1 October 1980, as is necessary. Account being taken to imports of preferential sugar and traditional external trade in sugar in the form of processed products, the quantities of sugar available for export will probably exceed 4 million t, including 1 million t of "C" sugar exported by Community producers on their own financial responsibility and 140.000 t to be delivered to Greece during the first half of 1981, to meet the shortfall in this years exceptional harvest.

Current forecasts are that world sugar production in 1980/81 will be between 88 and 89 million t (raw sugar equivalent), as compared with an estimated world consumption of some 92 million t. Thus, for the second time since the world sugar shortage of 1973 and 1974, world production will fall short of consumption.

## 7. ECONOMIC ASPECTS OF THE MEASURES TAKEN

### Levies and refunds

Towards the end of summer 1979 the surpluses exported on Community responsibility were qualifying for refunds of some 20 ECU/100 kg; the rise in world market prices then caused the refunds to fall to between 5 and 10 ECU/100 kg by the beginning of 1980. Since then, in view of the trend in world market prices, all exports of sugar have been subject to export levies, which, it should be remembered, are considered as the Community's own resources.

### Intervention and food aid

In 1979/80 no sugar was offered to the intervention agencies. During the year the customary shipments of food aid included 6 068 t of white sugar.

## 8. BUDGETARY EXPENDITURE

In recent years, expenditure in the sugar sector has considerably increased on account of the increase in exports and the growth of the costs incurred under the rules relating to the offsetting of storage costs.

Expenditure by the EAGGF Guarantee Section thus amounted to 878 million EUA in 1978, 1 005 million EUA in 1979 and are estimated at 696 million EUA in 1980. These amounts represent 10.1%, 9.7% and 6.1% of the Guarantee Section's total expenditure in 1978, 1979 and 1980 respectively. A considerable proportion of the expenditure resulting from the organization of the market in sugar, however, was covered by revenue from the levies in the sugar sector, namely the production levy which must be paid on sugar in excess of the basic quota but within the maximum quota, and the levy to cover storage costs which is collected on all sugar produced within the quotas. The latter levy has yielded enough to cover reimbursements of storage costs for the relevant years taken as a whole.

After deduction of the revenue from the two levies in the sugar sector, net Community expenditure totalled 467 million EUA in 1978, 545 million EUA in 1979 and some 191 million EUA in 1980.

Lastly, it should be mentioned that the net amount of the abovementioned expenditure incorporates the considerable expenditure resulting from the obligation to export a quantity of Community sugar corresponding to the 1.3 million t of imported preferential sugar.

#### 4. OLIVE OIL (1)

##### 1. Introduction

Of the Community's olive oil production, 0.5% comes from France and 99.5% from Italy, where this product in 1979 accounted for (3.8%) by value of national agricultural production and (0.8%) by value of Community agricultural production.

Up to 1975 production covered about 70% of the Community's olive oil requirements; according to certain estimates the total number of olive trees in the Community, both cultivated and not, is about 190 million (185 million in Italy and 5 million in France). However, the percentage of Community requirements covered by internal production of oil has been rising steadily for three years.

Since the establishment of the common organization of the market in oils and fats, the scale of olive cultivation in the original Community has changed little. Olive groves still cover around 2.3 million ha (2 280 000 ha in Italy and 38 000 in France), representing 2.3% of the Community's total UAA, and form part of some 1 200 000 holdings.

In a normal year Community olive oil production represents 30% of world output. However, because olive trees are subject to alternate bearing, olive oil production may vary very sharply from one year to the next.

According to the International Olive Oil Council, the total world area devoted to olive oil cultivation amounts to 10 million ha; the Community area is thus 23% of the world total.

The estimation of figures for olive oil in the Community for coming marketing years presents the same difficulties as in respect of previous marketing years. Thus the Council has decided to establish a register of olive cultivation in the Community. This will be an instrument for counting the number of olive trees in the Community which should enable sound statistics in this sector to be obtained.

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(1) See Tables M.4.1. to M.4.3.

## 2. Production

Since 1978/79 production aid to growers who belong to a producer organization has been based on the actual quantity of oil produced, while that paid to other growers is calculated at a fixed rate according to the number and production potential of the olive trees they own.

There are at present 4 producer organizations in Italy and 4 in France. In France nearly all olive growers belong to such organizations, but in Italy only about 20% of the growers belong to an association.

On the basis of applications for subsidies, production in 1978/79 amounted to 40 500 t (including olive residue oil) in Italy and 1 600 t in France. For the 1979/80 marketing year production in France is estimated at 1 400 t. The number of applications for subsidies in Italy is not yet known, but it can already be said that the figure will be higher than for the previous year. The Italian Statistical Office puts it at about 475 000 t.

## 3. Consumption and marketing

The main factor influencing consumption - sometimes with a certain time-lag - is the relationship between the consumer prices of olive oil and seed oil.

During the 1977/78 marketing year the price ratio of olive oil to seed oil was about 2.5:1, as in the previous marketing year. This high price ratio between competing oils led, during the marketing years under consideration, to a reduction in the consumption of olive oil and consequently a substantial fall in imports and deliveries to intervention of large quantities.

In view of this situation the Commission proposed and the Council accepted a new system for the organization of the market in olive oil applicable as from the 1978/79 marketing year. Its most important innovation consists in the introduction of a system of consumption aid. In view of the technical complexity of the machinery to be established, the new system, as far as the consumption aid was concerned, has been operated only as from 1 April 1979.

Numerous difficulties were encountered when implementing the new system in Italy, the country primarily concerned. This was because the sectoral organization which, pursuant to an option provided for in Community legislation, had been entrusted by the Italian authorities with the management of the aid scheme, was dissolved by the Italian Parliament at the beginning of August 1979, thus compelling the Italian administration to undertake a difficult task of reorganization. As a result, there were some delays, at first, in the advance payments of the aid, and inspections for this purpose did not begin until 1980. The situation now appears to be improving and if, pursuant to the recent Council Decision amending the rules for consumption aid, Italy decides to entrust, within the limits laid down, some of the tasks involved to sectoral organizations, this should help to ensure that the system continues to operate satisfactorily in the future.

The statistics thus far available show that:

- during the period from April to October 1979 (7 months of the 1978/79 marketing year which were also the first seven months during which the system was in operation) operators applied for consumption aid in respect of 125 000 tonnes, 98% of the applications being in Italy;
- during the period from November 1979 to July 1980 (9 months of the 1979/80 marketing year) the quantity concerned was 140 000 tonnes, with Italy again accounting for nearly all the applications for aid.

#### 4. Trade

The Community is the world's largest net olive oil importer. From 1974/75, on account of the difficulties described in paragraph 3, imports, which had reached a peak of 251 000 t in 1972/73, dropped very substantially.

Imports amounted to 90 000 t in 1977/78 (a high production year) and 140 000 t in 1978/79. Imports in 1979/80 on the basis of the import licences issued up to 15 September 1980 are about 120 600 t.

Intra-Community trade is very limited and basically concerns the two olive-oil producer-consumer countries, France and Italy; other Member States' trade is negligible.

Exports to non-member countries, which usually follow an established trading pattern, amount to about 14 000 t per marketing year.

Exports to non-member countries for 1977/78 were running at 14 046 t - an exactly average figure. Exports in 1978/79 were about 24 600 t and in 1979/80, on the basis of the export licences issued up to 15 September 1980, are about 4 000 tonnes, plus the exports under the EXIM procedure, although these are unlikely to be very high in view of the difficulties experienced by operators in implementing the procedure during the marketing year concerned (see "Refunds").

#### 5. Prices

##### a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979.

For the 1979/80 marketing year the mechanism established was as follows:

	ECU/100 kg
Producer target price	235.04
Production aid	52.90
Intervention price	173.19
Market representative price	147.00
Threshold price	144.96

The consumption aid is equal to the difference between the producer target price minus the production aid and the market representative price. For the 1979/80 marketing year the consumption aid was 35.14 ECU/100 kg.

For the 1980/81 marketing year the prices fixed by the Council are as follows:

	ECU/100 kg	<u>% increase compared with 1977/78</u>
Producer target price	247.97	5.5
Production aid	55.81	5.5
Intervention price	180.12	4.0

b) Market price

Market prices in 1978/79 for lampante olive oil fluctuated around the intervention price, and 1 600 t of this oil were in fact the subject of intervention.

Market prices of edible virgin oil were above the corresponding intervention prices during the 1978/79 marketing year.

Prices in 1979/80 corresponded more or less to the intervention prices; however, a total of 42 890 tonnes of olive oil were the subject of intervention, as follows:

- 20 320 tonnes of edible virgin oil,
- 9 590 tonnes of lampante oil,
- 12 980 tonnes of olive residue oil.

6. Economic aspects of the measures taken

a) Import levies

From June 1976 the levy has been fixed by tender in the light of both the world and Community markets.

Application of the system

A specific problem arose in 1979/80 with regard to edible virgin oil imported in small containers and exempted from the security requirement attached to consumption aid. In view of the rise in the volume of olive oil imported in small containers and the danger of such imports taking too much of the consumption aid, the Commission took the necessary countermeasures.

b) Refunds

During the 1977/78 and 1978/79 marketing years cash refunds were kept at such low levels as to be scarcely operational. Nonetheless, traditional exports continued since operators used the EXIM procedure or were able to get olive oil supplies from the intervention agency. From 1979/80 operators encountered some very real problems such as the implementation of the EXIM procedure, because of the prices ruling in the two main exporting countries, Spain and Tunisia. The Commission accordingly decided to introduce by stages an operational refund; thus, the refund was raised from 4.00 to 10.00 ECU/100 kg in June and to 14.00 ECU/100 kg in July, and has stood at 20 ECU/100 kg since August.

c) Olive oil held by the Italian intervention agency

Since the 1975/76 marketing year and up to 31 August 1980 the Italian intervention agency has bought-in 230 700 t of olive oil. During the same period 154 000 t of olive oil were sold and thus there were 76 300 t of olive oil of all qualities in stock on the abovementioned date.

7. Budgetary expenditure

Expenditure in the olive oil sector consists of intervention buying, subsidies to olive oil producers, consumption aid granted to olive oil packaging plants and export refunds.

Expenditure by the EAGGF Guarantee Section in respect of olive oil was 388.2 million EUA in 1979. The provisional figure for 1980 is 467 million EUA and the estimate for 1981 is 582.8 million EUA, or 3.7%, 4.1% and 4.5% of the Guarantee Section's total expenditure.

8. The situation described in this report is likely to alter to some extent with effect from 1 January 1981, the date of Greece's accession, by reason of the importance of olive oil production in that country.

## 5. OILSEEDS AND PROTEIN SEEDS (1)

### 5.a. Colza, rape and sunflower seeds

#### 1. Introduction

In 1979, the share of oilseeds in the value of final agricultural production was 0,5 % and these crops again accounted for slightly less than 0.7% of the Community's UAA. World production of colza fell from 10.7 million t in the previous year to 10.4 million t in 1979; Community production also fell, from 1 232 000 t in 1978 to 1 119 000 t in 1979. The Community's share of world production thus remained relatively stable (11.5%).

World production of sunflower seed rose from 12.8 million t in 1978 to 15.7 million t in 1979, mainly because of the remarkable expansion in the area devoted to cultivation of this crop in the United States; Community production of sunflower seed is 228 000 t, only 1.5% of world production.

The Community's own oilseed production provides only a very small part of its needs in oils and oilcakes. The self-supply rate in 1979 was 12% for oil, excluding olive oil, and 4% for oilcake.

#### 2. Production

In 1979 the Community area under colza was 506 000 ha compared with 513 000 ha in 1978. However, trends in the four main producing countries differed. There was an increase of 15.4% in area in the United Kingdom (from 64 200 to 74 100 ha), and of 5% in Germany (from 121 100 ha to 127 000 ha), and of as much as 37.2% in Denmark (from 47 000 ha to 64 500 ha). In France on the other hand the area has dropped from 270 300 ha in 1978 to 232 600 ha in 1979. The increase in area in Germany, Denmark and the United Kingdom is due mainly to the fact that these three countries had encouraging yields in previous years, whereas the reverse was true in France. Total production in 1979 was about 1 169 000 t compared with 1 234 000 t in 1978. The area under sunflower, produced only in France and Italy, rose by 74.7% from 62 100 ha in 1978 to 108 500 ha in 1979. Production rose by 84.4%, from 123 400 t in 1978 to 227 500 t in 1979.

#### 3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oils and oilcakes; the latter demand is in turn determined by the overall demand for oils and oilcake and by the relationship between the prices of colza and sunflower oils and oilcake and the prices of alternative types. This being the case, two sets of consumption data will be given, one for oils and the other for colza and sunflower cake, while seeds will be dealt with separately.

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(1) See Tables M.5.1. to M.5.5.

## Oil

After a few difficult years, apparent consumption of colza oil rose from 494 000 t in 1978 to 515 000 t in 1979, an increase of 4.3% which was due to the availability of oils with low erucic acid content and a more favourable price for colza than for oils.

The figures supplied by Community crushing mills show that, compared with 1978, the Community's consumption of sunflower oil rose by about 18% in 1979, although this is not fully reflected in the statistics annexed to this Report, some figures relating to the last six months of 1980 being unavailable.

## Oilcakes

Judging from market information and the information supplied by the Community's crushing mills, the consumption of colza oilcakes in the Community increased from 1.1 to 1.2 million t, a rise of about 9% compared with 1978/79, while production in the Community was also up by about 10%.

Similarly, the consumption of sunflower oilcakes went up from 1.1 to 1.3 million t, an increase of about 18% compared with 1978/79, while the Community's consumption rose from about 500 million t in 1978/79 to about 725 million t in 1979/80, an increase of 45%.

The market situation for both these products is not reflected in the statistics annexed to this Report, as some of the figures are not available.

## Seed

Thanks to the growth of colza oil consumption the 1979 colza harvest was sold without any major difficulties, although about 20 000 t of colza had to be bought-in in Denmark because of difficulties in shipping the small quantities produced there. The Community's low degree of self-supply in sunflower seed means that there has never been any difficulty in selling the crop.

## 4. Trade

In 1978/79 imports of colza into the Community rose from 207 000 t to 419 000 t, reflecting the increase in colza oil consumption. There was also an increase in the case of sunflower seed, up from 598 000 to 997 000 t. On the other hand, exports of colza remained at a very low level (3 000 t) and exports of sunflower seed fell from 17 000 t in 1977/78 to 1 000 t. Trade in colza within the Community consists mainly of French and Danish exports to Germany.

## 5. Prices

### (a) Common prices

For the 1979/80 marketing year the target price for colza was 36.41 ECU/100 kg and for sunflower seed 39.07 ECU/100 kg. An increase of 6.5% has been decided on for 1980/81. The target price for colza is fixed at 39.094 ECU/100 kg and for sunflower seed at 42.360 ECU/100 kg.

### (b) Market price

#### 1. World market

During 1979/80 the 1979 oilseed crop led to abundant oilseed supplies on the world market and these in turn meant that the price level was relatively low. Prices fell steadily as a result of the yields and the record levels of production in the United States and Brazil.

#### 2. Community market

Prices obtained by producers were generally between the intervention price and the target price. The sunflower crop is sold each year without difficulty at prices well in excess of the intervention price and often higher than the target price.

## 6. Outlook

The Community colza crop for the present marketing year (1980/81) is estimated at 1.97 million t, up by about 65% on last year, because of substantial increase in areas sown in France and Denmark. Because of the relatively inelastic demand for colza in the Community and the shortage of available crushing capacity in certain areas, there could be problems in selling the crop.

The sunflower crop for 1980/81 is estimated at about 310 - 360 000 t, compared with 227 000 t in 1979/80. In the light of the greater demand for sunflower oil in the Community, of which only a small percentage is met by the EEC's own production, it is unlikely that there will be any major difficulties in selling the crop.

## 7. Economic aspects of the measures taken

### (a) Aid and refunds

Aid for colza in the 1979/80 marketing year fluctuated between 12.352 and 20.121 ECU/100 kg with an average of 16.532 ECU/100 kg. The export refund during the same period varied between 11 and 18 ECU/100 kg.

The sunflower seed crop was sold without difficulty. Aid varied between 11.393 and 23.249 ECU/100 kg, averaging around 20.2 ECU/100 kg. No export refund was fixed for this product.

(b) Intervention

During the 1979/80 marketing year 21 659 t of colza were offered for intervention, including 19 967 t in Denmark. Some 5 886 t were sold from intervention stocks.

(c) Change in rules

In 1980 the Management Committee for Oils and Fats adopted Regulation (EEC) No 1979/80 extending from three months to four months the period of validity of the AP part of the Community subsidy certificate for sunflower seeds and allowing the Commission to extend this period by an additional month where conditions so permit.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on colza and sunflower seeds amounted to 202 million EUA in 1979. The provisional figure for 1980 is 288 million EUA and the estimate for 1981 330 million EUA. These figures are 1.9%, 2.5% and 2.6% respectively of total Guarantee Section expenditure.

9. GREEK ACCESSION

At present Greece grows neither colza nor sunflower seed crops. Production of cotton seed totals about 200 000 t. For the first three years after accession Greece is permitted to maintain a system of import control on oilseeds and vegetable oils. Nonetheless, during the first year it is required to permit the first 25 000 t of oil equivalent of oilseeds to be imported duty-free and 18 000 t of vegetable oils at reduced rates of duty. Over the next two years it has to liberalize imports from Community Member States progressively. At the end of this transitional period Greece is likely to be a net importer of oils and fats, mainly from the Community.

b. Soya beans

From 1974 to 1978 the area under soya in the Community, almost all in France, varied between 1 000 and 4 000 ha, while in 1979 it was 14 200 ha, with production reaching about 25 000 t.

In spite of this, the crop still accounts for only a very small proportion of Community UAA, of world production (about 94 million t in 1979) and of Community soya cake requirements (about 16 million t of seed equivalent).

The guide (= norm) price ("prix d'objectif") for the 1980/81 marketing year has been set at 42.05 ECU/100 kg, a 6.5% increase compared with 39.48 ECU/100 kg for 1979/80.

In 1980, following a proposal by the Commission, the Council adopted, in the shape of Regulation (EEC) No 1724/80, general rules concerning special measures for soya beans harvested in 1980. The rules provide for aid, based on the minimum price paid to the producer to be paid to soya bean crushers, replacing the former system of aid paid direct to the producer.

The accession of Greece will have very little effect on the Community's degree of self-supply for soya beans.

c. Flax seed (1)

Although Community flax production (2) accounts for only a very small proportion of Community UAA and of the total world area under flax seed (6.0 million ha and 3.2 million t in 1979 according to the FAO) it does help to cover the Community's substantial requirements. The accession of Greece will have little impact on this situation.

The import figures for 1979 are 317 000 t of seed (including 297 000 t from Canada), 64 000 t of oil (57 000 t from Argentina) and 544 000 t of cake (399 000 t from Argentina and 78 000 t from the United States).

In 1979 only 5 600 ha of seed flax (7 800 t) were sown in the Community compared with 6 550 ha in 1978 and 19 600 in 1977. The reasons for the drop (the crop is grown in France, Italy and the United Kingdom) are uncertainty as regards income because of the late fixing of the guide price ("prix d'objectif") and inadequate yields, compounded by the fact that producers who exceed the average yield receive aid, which represents a substantial part of total income, only on a quantity below the actual yield. This situation arises because aid is granted on a semi-standardized basis.

In 1979 the Community produced 61 400 t of flax seed, compared with 53 600 t of flax fibre.

For 1979/80 the guide price has been fixed at 42.18 ECU/100 kg compared with 39.79 ECU/100 kg for 1978/79 (+ 6.0%). Aid for 1979/80 was 16.889 ECU/100 kg.

Expenditure by the EAGGF Guarantee Section for seed flax is included in the expenditure for fibre flax (2).

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(1) See Table M.7.4.

(2) See also under 7 : Fibre flax and hemp

d. Cotton seed

Cotton represents an infinitesimal percentage of the value of final agricultural production, of the UAA in the Community, and of world production (25.8 million t in 1979 according to the FAO).

Thanks to the Community aid system, this crop is still a paying proposition in some of the less-favoured regions of Italy (3 000 ha and 1 000 t of seed).

Aid for 1980/81 was fixed at 140.72 ECU/ha, against 133.38 ECU/ha in 1979/80 (+ 5.5%).

Although Greece is a relatively large producer of cotton fibres and seed (about 150 000 ha) the enlarged Community will still be a net importer of cotton fibres.

e. Castor seed

Castor represents an infinitesimally small proportion of the value of final agricultural production, of UAA in the Community and of world production (1.4 million ha and 890 000 t in 1979, according to the FAO). In the Community it is still at an experimental stage, accounting for only about 180 ha and 400 t in 1979 as against imports, during the same year, of 38 800 t of seed (including 11 800 t from Paraguay and 10 400 t from China) and 88 000 t of oil. The accession of Greece is unlikely to change this situation in the short term.

The aid system operational since 1978/79 comprises the fixing of a guide price ("prix d'objectif"), 54.37 ECU/100 kg for 1980, against 51.54 ECU for 1979/80 (+ 5.5%), and the granting of aid equal to the difference between this price and the world market price on condition that the producer has received at least the minimum price, fixed at 51.78 ECU/100 kg, against 49.08 ECU for 1979/80.

For 1979/80 the average amount paid in aid was 14.726 ECU/100 kg.

An additional aid (launching aid) of 12.90 ECU/100 kg has been decided for the 1979/80, 1980/81 and 1981/82 marketing years.

## 6. DRIED FODDER; PEAS AND FIELD BEANS

### a. DRIED FODDER (1)

#### 1. INTRODUCTION

The common organization of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried legumes, and protein concentrates obtained from lucerne and grass juice. By a Regulation of 5 June 1980 the Council decided that the common organization of the market would continue to apply to dehydrated potatoes for the 1980/81 marketing year. By a Regulation of 15 January 1980 the Council also extended the scope of the common market organization to include by-products obtained in the manufacture of protein concentrates from green fodder.

The common organization of the market in dried fodder (see below under 6) has been operating since 1 April 1978. It replaces and strengthens the common organization of the market which had operated in respect of dehydrated fodder alone since 1 May 1974.

The new products covered by the new organization are sun-dried fodders and fodder protein concentrates. The importance of these compared to dehydrated fodders is still very limited at present. For this reason and since statistical information on these new products is not available, this chapter deals principally with dehydrated fodders.

#### 2. PRODUCTION

Production of dehydrated fodder, dehydrated potatoes excepted, in the Community in 1979 was 1 647 617 t, 0.4% down on 1978. Thus, after a sharp fall in the drought year of 1976, Community production of dehydrated fodder has remained at practically the same level since 1977. France remains the principal producer with 900 000 t, more than half (55%) of Community production.

Compared to conventional dehydrated fodders (mainly lucerne and grass) dehydrated potatoes are much less important. In 1979/80 Community production was 55 168 t, 19% down on the previous year (68 474 t). The main producer is Germany, at around 44 000 t.

For sun-dried fodder the common organization of the market has been in operation since 1 July 1978. Community production eligible for aid is estimated at 113 000 t in 1979/80, 80 000 t in France and 33 000 t in Italy.

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(1) See Tables M 6.1 to M 6.4.

### 3. QUANTITIES AVAILABLE

The supply of dehydrated fodder in 1979/80 was 2 043 177 t, 12% more than in 1978/79 (1 823 830 t). This was due to an increase in imports and a drop in exports.

### 4. TRADE

Mainly as a result of expanding production in certain non-member countries, Community imports of lucerne meal again reached the level recorded in 1976, when there was a drought in Europe. Thus, 385 000 t were imported in 1979, against 229 000 t in 1978, 334 000 t in 1977 and 389 000 t in 1976.

In 1979, as in previous years, the United States and Hungary were the largest exporters of dehydrated fodder to the Community, with 190 000 t and 125 000 t respectively (against 135 000 t and 69 000 t respectively in 1978). Two other countries continued to export to the Community in 1979: Canada with 21 000 t and Spain with 19 000 t. Imports were mainly to the F.R. of Germany (214 000 t) and Italy (73 000 t).

In 1979 intra-Community trade in dehydrated fodder amounted to approximately 415 000 t and followed the usual pattern: Denmark exported 72 000 t to the F.R. of Germany, and France exported around 320 000 t to the F.R. of Germany and the Benelux countries.

Community exports of dehydrated fodder have never been on a large scale. In 1979 (8 101 t), as in 1976 and 1977, they did not exceed 10 000 t.

### 5. PRICES

In the last quarter of 1979 and the first quarter of 1980 world market prices for dehydrated fodder were relatively high at between 119 and 122 ECU/t. Since these prices were not very much below the guide (= norm) price ("prix d'objectif") for 1979/80 (126.40 ECU/tonne), the additional aid for the products in question during the said period was well down on that fixed in 1978/79.

Prices fell steadily from April 1980 onwards and reached around 109 ECU/tonne in August. They then recovered, mainly because of the slight rise in soya prices caused by the drought in the United States.

## 6. ECONOMIC ASPECTS OF THE MEASURES TAKEN

In order to improve the Community's protein supply the Council adopted the common organization of the market in dried fodder which has been in force since 1 April 1978. The new arrangements provide for the yearly fixing of a guide price ("prix d'objectif") at a fair level for producers, the granting of aid at a standard rate to processing concerns and the granting of additional aid when the world market price falls below the guide price. Production of dehydrated fodder was formerly affected by price fluctuations on the world market but the new arrangements guarantee an income to producers of green fodder comparable to that obtainable for other products already covered by a common organization of the market.

For 1980/81 the Council fixed the guide price for dried fodder at 134.62 ECU/tonne and the standard-rate aid at 6.51 ECU/tonne, i.e. 6,5% and 6% higher respectively than the amounts valid for 1979/80. At the same time the Council raised the percentages to be applied to the difference between the guide price and the world market price, for the purpose of calculating the additional aid, to 80% for dehydrated fodder and protein concentrates and 45% for sun-dried fodder, instead of 70% and 40% as previously.

## 7. OUTLOOK

Community production of dried fodder has remained fairly stable in recent years.

Drying costs account for a considerable part of the production price of dehydrated fodders, which are thus particularly sensitive to any increase in energy prices. Recent and foreseeable increases in the price of fuel oil are a cause of concern for the sector's future. In some Member States, however, a lot of research has been carried out recently into ways of reducing fuel consumption by dryers, and some results have already been achieved. Over the next few years a slight drop in Community production of dehydrated fodder seems likely.

## 8. BUDGETARY EXPENDITURE

EAGGF Guarantee Section expenditure for dried fodder was 46.6 million EUA in 1979. The provisional figure for 1980 is 56 million EUA and the estimate for 1981 60 million EUA, i.e. 0.4%, 0.5% and 0.5% respectively of total Guarantee Section expenditure.

## 9. ACCESSION OF GREECE

At present very little dehydrated fodder is produced in Greece: only 20 000 t. There is a possibility that production of sun-dried fodder will develop in the future.

b. PEAS AND FIELD BEANS USED IN THE FEEDING OF ANIMALS<sup>1</sup>

Since the Community's demand for feed proteins greatly exceeds production, the Council adopted on 22 Mai 1978 special measures designed to expand the production of peas and field beans used in feed. These measures have been applicable since 1 July 1978.

The products in question are in direct competition with oilcakes imported from non-member countries at zero rates of duty. A system was therefore introduced whereby aid is granted to feed manufacturers who use Community-grown peas and field beans if the price of soya cake is lower than the activating price. The aid varies with the fluctuations in the price of soya cake. It is granted only if the feed manufacturer has paid the producer not less than the minimum price fixed by the Council. This enables producers to obtain a fair return.

In 1979/80 aid for the processing of peas and field beans was paid in respect of some 154 000 t of peas and 95 000 t of field beans. This represented a 102% increase for peas and a 7% increase for field beans, as compared with 1978/79 (76 000 t and 89 000 t). The substantial increase in the production of peas reflects a large increase in France in the area sown and the quantities produced, the 1979 harvest there of 135 000 t being some 15 000 t greater than in 1978.

For the 1979/80 marketing year the activating price for aid for peas and field beans was fixed at 34.97 ECU per 100 kg of soya cake, while the minimum purchase price was set at 21.48 ECU/100 kg. The aid varied between 6.220 and 8.979 ECU/100 kg; the relative stability of the level of the aid reflects the stability of the market for soya cake during the marketing year in question.

In 1980 the Council, acting on a proposal from the Commission, amended the basic regulation on peas and field beans (Regulation (EEC) No 1419/78) by extending entitlement to Community aid to producers of protein concentrates who process peas and field beans for use in the feeding of animals.

For the 1980/81 marketing year, the activating price for the aid was fixed at 37.59 ECU/100 kg and the minimum price at 22.66 ECU/100 kg, or 7.5% higher than in 1979/80.

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<sup>1</sup> See Table M.6.5.

Expenditure on this sector by the EAGGF Guarantee Section in 1979 was 15.3 million ECU. The provisional figure for 1980 is 26 million ECU, whilst expenditure in 1981 is estimated at 33 million ECU.

The area under peas is expected to increase by some 14 000 ha in 1980/81 and the area under field beans by some 10 000 ha, most of this increase being in France.

#### ACCESSION OF GREECE

At the moment Greek production of peas and field beans for use in the feeding of animals is very small: only 2 500 tonnes. Moreover, until accession Greece did not apply any support measures for these products. It is therefore possible that Greek production of peas and field beans will expand somewhat.

## 7. FIBRE FLAX AND HEMP (1)

### 1. INTRODUCTION

Although the area under flax and hemp is less than 1% of Community UAA, these crops are of considerable importance for the regions in which they are concentrated.

For some years the Community area under fibre flax has fluctuated around 60 000 ha. Fibre flax is grown on about 12 000 farms in the Netherlands, Belgium and northwest France. Flax straw is processed there into fibres in about 250 retting and scutching concerns. Their number is decreasing but they are growing in size and they produce a high and relatively stable quantity of raw materials which the Community lacks: natural textile fibres, oilseeds and pulpwood particles. The Community accounts for only 4% of the total world area under fibre flax (1.5 million ha) but for 12% of world production of flax fibre (695 000 t), as a result of yields which are well above average. The USSR accounts for 80% of world production, the East European countries, Egypt and China being the other producers.

Paper hemp is grown only in a very small area in France. The raw material supplied by 1 500 to 2 000 producers is used in manufacturing special types of paper. Italy produces a very small quantity of textile hemp.

### 2. PRODUCTION

In 1979 the Community area under fibre flax fell below 60 000 ha: it was only 57 400 ha against 60 300 ha in 1978 (- 5%) and 61 600 ha in 1977. France is increasing its proportion of the total (81%) while that of Belgium (13%) and the Netherlands (6%) is decreasing. The explanation for this is lower labour costs and land rents in France and the fact that weather conditions and the greater size of plots there are more suitable for the dew retting which is increasingly taking the place of water retting, the higher cost of the latter (in terms of labour and energy) being insufficiently compensated by the additional return from a higher seed yield and the production of certified seed. Another reason for the drop in areas sown in the Netherlands is a drop in retting and scutching capacity.

Straw yield and quality were very satisfactory and dew retting took place in exceptional conditions. Production amounted to 490 000 t of straw and 87 600 t of fibres. After a steady increase in previous years the area under paper hemp fell from 10 500 ha in 1978 to 8 600 ha in 1979 (- 22%). The difficulties in selling paper have

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(1) See Tables M.7.1 to M.7.5

caused paper mills to conduct a very cautious buying policy in respect of raw materials, and the slump in sales of hemp seed as a result of low-priced imports has further affected the profitability of this crop.

### 3. CONSUMPTION AND STOCKS OF FIBRES

In 1979/80 demand for Community fibres went up slightly (105 500 t against 104 900 t for 1978/79), owing to an increase in exports while internal consumption remained unchanged.

Fibre supplies, on the other hand, fell from 118 200 t to 107 100 t as a result of a marked fall in quantities imported and in production (- 6 300 t). Since fibre supplies remained in excess of sales (+ 1 600 t), stocks rose again and at the end of the marketing year amounted to 55 500 t against 53 900 at the beginning. They were thus fairly high, especially for long fibres.

### 4. TRADE

Since its value in terms of weight and volume is too small to justify long-distance transport, there is no trade in flax straw with non-member countries. In 1979 retting and scutching concerns in Belgium purchased 71 600 t of flax straw in France and the Netherlands to swell the Belgian crop. This quantity is slightly less than in 1978 but much more than in 1977 and 1976 (54 600 t) and the Belgian retting and scutching industry does not appear to have been affected by the recent drop in areas sown in Belgium. The quantities of fibre flax imported in 1979 (21 500 t) were normal but the quantity exported (25 700 t) exceeds that recorded in previous years. The Community does not produce enough low and medium quality fibre, which it imports from Eastern Europe, Egypt and China where it is produced in large quantities, but it supplies the entire world with good and superior quality fibre which is not produced elsewhere.

Imports of hemp fibre amounted to 8 600 t in 1979 (9 600 t in 1978) and exports were of necessity negligible.

### 5. PRICES

In 1979/80 prices for flax straw were higher than in the previous marketing year while fibre prices stayed more or less the same. Although this situation benefited flax growers, it reduced the profitability of retting and scutching. The contract price for paper hemp straw agreed between producers and users was kept at 420 FF/t (75.44 ECU/t).

## 6. OUTLOOK

The area under fibre flax in 1980 in each Member State is roughly the same as in 1979. Straw and seed yield is satisfactory but fibre yield, and in particular quality, are well down compared with the previous harvest. Since fibre stocks are fairly high and the short-term outlook for the spinning industry is not very good, market balance will remain very precarious. Only an upturn in consumption could provide growers and retters and scutchers with satisfactory sales.

the steady expansion of this crop in previous years) continued in 1980. Only 6 700 ha were sown, representing a further drop of 22%. Although the contract price was raised from 420 to 435 FF/t (75.40 ECU/t), an increase of 3.6%, and the aid was also increased, production did not regain its previous level of profitability, largely because of the slump in sales of hemp seed.

## 7. PROJECTIONS FOR FIBRE FLAX FOR 1981/82 AND BEYOND

Present consumption of fibre flax in the Community accounts for only 90% of production. For annual production to be absorbed it would be necessary to have a trading surplus of 10 000 t year in year out, except in years when the harvest was particularly bad. Since it is not likely that there will be a significant reduction in imports from outside the Community or an appreciable increase in exports, only an upturn in internal consumption can keep the market in balance.

## 8. BUDGETARY EXPENDITURE

The aid for fibre flax for 1980/81 was fixed at 264.71 ECU/ha, against 248.55 ECU/ha for 1979/80 (+ 6.5%). Aid is given for fibre flax seed under the arrangements for flax seed.

For hemp, the aid went up to 240.41 ECU/ha, against 225.74 ECU/ha for 1979/80 (+ 6.5%).

EAGGF Guarantee Section expenditure for flax and hemp was 17,6 million EUA for 1979. The provisional figure for 1980 is 19.0 million EUA and the estimate for 1981 22.0 million EUA.

8. SEEDS (1)1. Introduction

The common organization of the market in seeds covers the following products:

- dried leguminous vegetables for sowing CCT 07.05 A
- hybrid maize for sowing CCT 10.05 A
- rice for sowing CCT 10.06 A
- oilseeds and oleaginous fruit for sowing CCT 12.01 A
- seeds, fruit and spores, of a kind used for sowing CCT 12.03 A

The production of fodder seed must be considered not only from the standpoint of the harvest obtained, but also from the standpoint of the species' function in crop rotation and the end-use of the seed, since the different varieties of a single species can have their own particular use. Leguminous plants are particularly important because they increase the nitrogen content of the soil in which they grow.

Community production of fodder seed in 1979 was 1.8 million quintals, approximately 25% of the world total (United States, Canada, New Zealand, EEC). The Community is self-sufficient overall, although it is a net importer of certain species.

From the 1979 harvest, rice seed has been included in the common organization of the market and receives aid of 12.1 ECU/100 kg.

2. Production

Denmark, producing nearly 26% of the total (and 40% of grasses), is the main Community producer. France and Italy are the main producers of legumes.

Community production in 1979 was about 1 771 000 quintals, almost the same as in 1978.

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(1) See Table M.8.1.

The area declared for the 1980 harvest (255 000 ha) reflects some increase in production compared with that declared for 1979 (240 000 ha). Nevertheless, because of a very difficult growing period, starting with a drought which was followed by a long spell of rain, the yields for most species are well below normal (10-30% down) and the quality of the seed is also below the normal standard (low germination rate). In mid-September some large areas, particularly of *Pisum sativum* L. and *Vicia faba* L., still had to be harvested.

A cautious provisional estimate for production in 1980 would be about 1 600 000 quintals.

Variations in production affected mainly the following species:

	1979		1980	
	ha	q	ha	q+
<i>Medicago sativa</i> L.	49 530	149 330	58 491	110 000
<i>Vicia faba</i> L.	16 401	359 786	28 601	660 000
<i>Pisum sativum</i> L.	3 944	72 801	11 607	230 000
<i>Trifolium pratense</i> L.	16 974	62 754	20 728	45 000
<i>Trifolium repens</i> L.	4 445	21 426	3 812	3 000

The areas under hybrid maize in 1980 (about 47 969 ha) are about 13% down on the 1979 figure (54 059 ha).

Rice production has risen by about 53% (1979 about 170 000 q, 1980 about 260 000 q).

#### Supply situation

Community supplies have been satisfactory in recent years and our dependence on imports from non-member countries has been reduced. With seed supplies amounting to 2.5 million quintals for 1979/80, the Community was able to meet its own requirements. For the coming marketing year, it will also be self-sufficient on the whole, as about 2.4 million quintals will be available in 1980/81 and demand is estimated at 1 540 000 quintals. Trade with non-member countries will, however, continue, particularly in the case of species of which there is still a shortfall in the Community (*Arrhenaterum elatias*, *Vicia sativa*, *Phleum pratense*, *Festuca arundinacea*).

Stocks at 1 July 1979 totalled 820 000 quintals, and the figure for 1980 is about 800 000 quintals (*Lolium perenne* L. 200 000 q and *Lolium multiflorum* L. 250 000 q). The persistence of relatively large stocks is due to an excess of imports over requirements.

Supply and demand for oil plant seeds are in balance.

The world supply situation is generally good, and no particular difficulties are expected.

#### 4. Prices

The level of producer prices in the Community can be regarded as generally satisfactory.

Prices on the Danish market, which is the main Community market, were (ECU/100 kg):

	<u>September 1979</u>	<u>September 1980</u>
Lolium perenne L.	92	117
Lolium multiflorum L.	68	79
Festuca pratensis L.	131	145
Festuca rubra L.	99	145
Poa pratensis L.	149	141
Trifolium repens L.	172	248

Countervailing charges for hybrid maize according to type and origin range at the moment (September 1980) from 3.6 to 32.8 ECU/100 kg. For the 1980/81 marketing year, the reference prices have been fixed between 70 and 135 ECU/100 kg depending on type. The granting of production aid for rice seed led to a drop in prices to users of between 7 and 11 ECU/quintal compared with 1979.

#### 5. Action decided or proposed

The Council decided to include rice seed (Regulation (EEC) No 2878/79 of 17 December 1979) in the field of application of Council Regulation (EEC) No 2358/71. The aid fixed is 12.1 ECU/100 kg, applicable from the 1979 harvest.

The Council also decided to increase the aid for the 1981/82 marketing year for *Phleum pratense* L. (50.3 ECU/quintal to 55.3 ECU/quintal), *Trifolium repens* L. and *Trifolium repens* L. var. *giganteum* (36.8 ECU/quintal - 40.9 ECU/quintal).

The Latin and national names of certain species were altered from 1 July 1980. The list of varieties of *Lolium perenne* L. (high-persistence varieties, late or medium-late, low-persistence varieties, medium-late, medium-early or early) has been slightly altered.

## 6. Outlook

The area which will be harvested in 1981 may be estimated at about 220 000 ha, i.e. the same area as in the previous year, in which a measure of price stability was attained as there was a balance between supply and demand.

Price levels are expected to remain more or less unchanged in 1980/81. Stocks of one species (*Lolium multiflorum*, approximately 250 000 q) remain, however, very high.

Difficulties could arise with *Trifolium repens* L., for which areas harvested in 1979 show a significant drop in production. Denmark and New Zealand are the only two countries in the world producing this species.

Medium-term Community production estimates are for the moment satisfactory on the whole. The subsequent development of the seeds sector will, however, also depend on the profitability of seed production compared with cereals in particular.

Account should also be taken of competing imports from non-member countries (particularly East European countries) which benefit from the system of equivalence with Community seed as regards production and control.

World production of fodder seed is expected to remain stable over the coming years.

## 7. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was 20.3 million EUA in 1978. The provisional figure for 1979 is 27.2 million EUA and the estimate for 1980 33.0 million EUA.

## 9. WINE (1)

### 1. Introduction

In 1979 wine represented about 2.7% by value of the Community's final agricultural production. The area under vines in production amounted to 2 358 000 ha, or about 3% of the Community's UAA.

The FAO puts world wine production in 1979 at 366 million hl, which is much higher than the previous year's figure. It is also very high compared with earlier years as the average for 1974/75 to 1978/79 was 308 million hl. Community production in 1979/80 was 177 million hl, compared with 138 million hl in 1978/79 and 128 million hl in 1977/78, representing 48.4%, 47.2% and 44.7% respectively of world production. Since the area under vines in the Community represents only about 23.0% of the world vineyard, the average Community yield is considerably higher than the world average.

### 2. Production

The 1979 harvest, at 175 million hl, easily exceeded the record level of the last exceptional harvest in 1973 (171 million hl). This follows the low 1978 and 1977 harvests (138 and 128 million hl) and average harvests in 1976 and 1975 (148 and 145 million hl). The favourable weather in 1979 explains the record level, despite a slight reduction in the area under vines.

### 3. Consumption

In 1978/79, total internal utilization accounted for 136 million hl compared with 137 million hl in 1977/78, a 1% reduction.

#### a) Human consumption

In 1978/79, direct human consumption was 123 million hl against 126 million hl in 1977/78, 127 million hl in 1976/77 and 130 million hl in 1975/76. These figures show the gradual reduction in direct human consumption, which is falling in the main wine-producing countries without increases in other countries compensating for this.

#### b) Processing

In 1978/79 12 million hl were processed compared to 11 million hl in 1977/78 and 18 million hl in 1976/77 and 1975/76. The quantities distilled with Community aid in 1978/79 were as low as in the previous wine year.

c) Self-supply

The Community self-supply rate in 1978/79 for all internal utilizations was 101.8% (93.4% in 1977/78). If the quantities distilled under the various intervention measures taken for normal management (about 1.7 million hl) are deducted from the supply figure, the rate of self-supply for 1978/79 becomes 103.1%. The figures for 1977/78, 1976/77 and 1975/76 were 94.1%, 105.8% and 98.9% respectively. The volume of stocks on 31 August 1978 was average (74 million hl).

4. Trade

In 1978/79 Community imports were 6.2 million hl against 5.9 million hl in 1977/78, a slight rise (5%). This follows a 7% increase in the previous year and reflects a fairly good situation on the Community wine market in general in 1978/79.

In 1978/79 exports rose sharply to 6.8 million hl, a 70% increase over the previous year (4.0 million hl). This increase confirms the upward trend which has been evident since 1975/76 and is largely due to expanded Italian exports.

In 1978/79, imports were 9% less than exports, while in 1977/78 they had been 46% higher.

5. Pricesa) Common prices

The average increase in guide prices for all types of table wine was 5.5% for 1980/81, compared with an increase of 1.5% in the previous year.

b) Market prices

Apart from German table wines, all the average prices quoted for the various marketing centres in 1979/80 for table wines of types R I, R II and A I were considerably lower than those of the previous year. The decreases varied between 3.0% and 23.5% for type R I, between 4.6% and 19.7% for type R II and between 9.6% and 29.0% for type A I.

As regards German table wines, there was a slight drop of 5.4% for type R III, a red wine of only secondary importance, while price levels for white wines A II and A III were up on those of the previous year by 5.7% and 21.2% respectively.

ii) Price trends in 1979/80

The effect of the record harvest in 1979 was to upset the balance between supply and demand causing a general drop in market prices for table wines. With confirmation of the estimates of this abundant harvest, prices of table wines of types R I and R II slid below the activating price at the beginning of September (end of August). This downward trend continued in October and November and persisted until April 1980. Between April/May and the end of the marketing year there was a progressive climb in both types of wine, mainly due to the intervention measures to stabilize the market, although this reaction was less marked in Italy than in France. Neither in Italy nor in France, however, were table wine prices at or above the activating price at the end of the marketing year.

For type R I wine the weighted annual average of prices in France was 7.5% higher than in Italy, while Italian prices were 3% above French prices for Type R II.

Prices for type A I table wines followed an almost identical pattern in France and Italy until January 1980, when they were both below the activating price. From then on prices in France rose sharply to above the activating price, around which they then fluctuated until the end of the marketing year. Italian prices climbed slightly from January onwards, then fell in April and remained fairly stationary, still considerably below the activating price, until the end of the marketing year.

The annual weighted average price for type A I wine in France was 10.2% higher than in Italy.

The prices for types R III and A III wine were satisfactory, their annual weighted averages being 37% and 30% respectively above the guide price. The prices of type A II suffered a steady decline, so that by May they were below the activating price, but from July onwards they climbed above it.

c) World prices

Wine prices on the main producers countries' markets remained firm throughout 1979.

On the Spanish market, which is one of those of most direct concern, after spectacular increases as a result of three poor harvests, there was a sharp drop in 1979 and 1980 because of the record harvest in 1979. In 1979/80 Spanish prices were about 80-85% (white wine) and 115-120% (red wine) of official Community prices for the corresponding types.

6. Outlook

a) Short-term

The latest information available suggests that the 1980 harvest will yield some 25 million hl less wine than the previous year. According to the latest estimates by the Member States, production should amount to 150 million hl, against 175 million hl in 1979/80. This quantity exceeds normal foreseeable utilization (some 140 million hl) and, existing stocks being very large, market prices for French and Italian table wine (types R I, R II, A I) may cause problems. However, in view of the poor harvest expected in Germany, prices for German table wines (R II, A II and A III) might remain at the current level or even slightly above it. As regards imports and exports, the high level of supplies within the Community in 1980/81 might well confirm the trend of previous years towards an increase in exports with imports remaining the same.

b) Medium-term

In recent years the Community wine-growing potential (particularly because of higher yields per hectare) has tended to exceed market demand, which, for various reasons, is practically static. To establish a better balance in the medium term, the Council adopted in December 1979 an "Action Programme 1979-1985" for the progressive establishment of balance on the market in wine, with a series of Regulations to achieve a more balanced relationship between supply and demand.

## 7. Economic aspects of the measures taken

### a) Levies and refunds

#### 1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 19 non-Community countries which have undertaken to observe the reference price and which are the Community's principal suppliers. The level of the countervailing charges remained unchanged throughout 1979/80.

#### 2) Refunds

The level of refunds was increased at the end of 1979. The quantities qualifying for refunds amounted to some 500 000 hl for 1979 (against 220 000 hl in 1978). A very considerable increase is expected in 1980, probably to about 2-2.5 million hl.

### b) Quantities in respect of which intervention measures were taken

All the "normal intervention measures provided for in the Community rules were applied. In addition, because of the abundant supplies and the fall in market prices at the start of 1979/80, all possible "exceptional" intervention measures were taken in order to stabilize the market:

- at the start of the marketing year:
  - authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must;
  - distillation carried out under the "guarantee of performance" (reserved for holders of long-term storage contracts);
  - preventive distillation and the distillation of wines suitable for yielding certain vinous spirits with a registered designation of origin.
  
- at the start of 1980 the distillation of so-called additional obligatory deliveries for distillation (distillation of additional quantities in connection with the obligatory distillation of by-products of wine-making) and the so-called "exceptional" distillation. The quantities of wine distilled with Community aid, under the various measures, amounted to about 17 million hl (compared with 1.7 million hl in 1978/79).  
 The monthly average quantities covered by storage contracts amounted to 27.1 million hl (8.9 million hl in 1978/79), the maximum figure being 41.7 million hl (14.1 million hl in 1979/80).

c) Stock situation

At the beginning of 1979/80, stocks held by producers and the trade amount to 76.2 million hl. At the end of the marketing year, stocks of 95 million hl may be expected. This quantity is considerably above average stocks in previous years.

d) Unity of prices

Monetary compensatory amounts in the wine sector were applied only to Italy and Germany and only to table wines produced in those countries.

Certain representative rates were amended on 16 December 1980. The new rates were applied as from 1 September for the conversion of certain amounts relating to distillation operations and various aid measures.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 61.9 million EUA in 1979; the provisional figure for 1980 is 303.0 million EUA and the estimate for 1981 is 466.0 million EUA. This is 0.6%, 2.9% and 3.7% respectively of total expenditure by the Guarantee Section. The figure of 303.0 million EUA can be broken into 30.0 million EUA on refunds and 273.0 million EUA on intervention.

9. Impact of Greek accession

The accession of Greece, whose production potential is limited compared with the Nine (between 3 and 4% of the total) does not substantially alter the present situation in the wine sector.

Some problems could arise during the initial period owing to the need for producers and the authorities in Greece to assimilate and implement a system involving relatively complicated intervention instruments.

10. RAW TOBACCO (1)1. Introduction

In 1979, world leaf tobacco production was 5% lower than in the previous year, reaching 5.38 million tonnes (4.77 million baled). Virginia flue-cured accounted for about 42% of total production and 43% of all trade. On the other hand, Community production in 1979 (199 000 t) increased by 16%, compared with the previous year. Baled tobacco accounted for slightly less than 1% of the value of the Community's final agricultural production in 1979.

2. Production and structure

Between 1973 and 1979 Community production increased by about 58%, mainly because of a considerable increase in yield per ha. The tobacco sector has undergone a far-reaching change in its production structure (the development of cooperatives) and marketing structure (rationalization and concentration of undertakings) since the entry into force of the common organization of the market (1970) in the direction of better adjustment to actual market requirements.

As regards the major types of tobacco, world production of dark air-cured decreased by about 0.7% in 1979 as compared with the previous year and that of Burley by 7.2%, that of flue-cured by 5.6% and sun-cured by 4.1%. The exceptionally favourable weather conditions in 1979 account in part for the following changes in Community production levels compared with 1978:

- dark air-cured varieties: an increase of 3.3%
- light air-cured varieties: an increase of 16.5%
- flue-cured varieties: an increase of 52.3%
- sun-cured varieties: an increase of 25.2%
- fire-cured varieties: an increase of 17.6%

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(1) See Tables M.10.1 to M.10.5.

### 3. Degree of self-supply

#### Consumption

In 1979, world consumption of baled tobacco amounted to 4.88 million tonnes: for the first time in five years, production (baled tobacco) fell short of consumption. For this reason stocks should be at the 1977 level (about 700 000 tonnes).

The Community self-supply rate is about 26%. Compared with 1978, world tobacco consumption was unchanged in 1979. Consumption in the Community of Nine has more or less stabilized, mainly as a result of the economic recession, the increase in taxes and the anti-smoking campaigns. Nevertheless, certain upward trends are evident in countries such as France (2.7%), and the Federal Republic of Germany (1.7%). It should be pointed out, moreover, that although at world level there is no increase, there is an average increase of over 5%, with peaks of 10% to 15%, in the developing countries and oil-producing countries. The steep rise in consumption of "light cigarettes" (low nicotine and tar content) continued in 1979 and trade may be expected to move to those countries exporting neutral-reaction tobacco for filling. Furthermore, in the USA there has been a decrease in the use of Virginia flue-cured and an increase in blends of imported tobaccos.

### 4. Trade

World exports in 1979 amounted to 1.37 million tonnes, which is 2.3% less than in the previous year.

New manufacturing techniques, which reduce the tobacco per unit of consumption, should combine with increased prices (tax measures) and health considerations to bring about a drop in consumption and, consequently, in import demand, especially in the industrialized countries. It should also be stressed that the developing countries and the countries with planned economies are taking an increasing share of world trade.

In 1979 Community exports were about 26% higher than in 1978 (around 29 200 t) whereas imports fell by 12%. Virginia flue-cured tobacco accounts for about 62% of total imports, whereas Burley accounts for only 7%. Furthermore, about one third of imports enter the Community at a zero or preferential duty under the terms of the EEC policy towards the developing countries (generalized preferences, ACP). As from 1 January 1980, Zimbabwe (Rhodesia) - one of the largest tobacco producing and exporting countries - was admitted to the ACP system.

This policy, whereby tobaccos in direct competition with those produced in the Community enter the Community on favourable terms, also means that stronger support measures are needed under the common organization of the market (premiums and export refunds).

## 5. Prices

Prices on the world market were more or less stable compared with the previous year: in the United States, the most representative market at world level, Virginia flue-cured and Burley reached f.o.b. export prices of between \$4 and \$5 per kg; prices for Kentucky, on the other hand, have fallen sharply.

The prices of oriental tobaccos, which are still showing the effects of over-production in Turkey, Greece, Bulgaria and Yugoslavia, continued their downward trend; minimum export prices have been lowered, and export subsidies and credit facilities have been granted. In Turkey and Greece large quantities of inferior-quality tobacco have even been destroyed. This situation shows no sign of changing during the next marketing year.

As far as the situation within the Community is concerned, planters generally received the norm price for the 1978 crop.

## 6. Outlook

First indications for 1980 are that world production of raw tobacco will increase (by 5%) although yields in the main producer countries remain more or less normal. This increase applies to all the major varieties, with the exception of fire-cured which should decrease by about 10%.

However, with particular reference to the Community position, it should be stressed that the structural difficulties affecting some varieties (particularly oriental tobacco) will continue and that there will be a general decrease in cultivated areas and hence in production, owing to poor weather conditions and a subsequent delay in planting out.

Intervention buying of oriental tobaccos from the 1978 harvest amounted to 5 965 t, whereas the forecast for 1979 is some 8 000 t.

## 7. Economic aspects of the measures taken

To deal with the well-known difficulties of marketing the Beneventano variety a conversion plan extending over three years was approved by the Council and applied for the first time to the 1977 crop. The operation involved 1 232 ha in 1977, 1 623 ha in 1978 and 750 ha in 1979, i.e. 82% of the total area planted with this crop in 1976 (4 378 ha). Conversion has mainly been to the Kentucky, Paraguay and F.Havanna varieties. It must be stressed that the tobacco grown on the converted areas was marketed normally, although it was feared that there might be some difficulty in disposing of F.Havanna.

During 1980, three invitations to tender were issued for the sale for export of tobacco held by the Italian intervention agency (15 014 t). The intervention agencies accordingly still hold in storage 27 459 t from the 1974, 1975, 1976, 1977 and 1978 crops.

The payment of export refunds has certainly contributed to the EEC's continuance and extension of its traditional commercial outlets. Nevertheless, the recent developments in international trade have restricted export opportunities on the world market. Indeed, while exports of the produce of the 1975 harvest, which benefited from export refunds, reached 22 690 t, those from the 1976, 1977 and 1978 harvests declined progressively: 15 725 t, 12 885 t and 9 522 t respectively.

#### 8. Budgetary cost

EAGGF guarantee expenditure in the raw tobacco sector was 216.1 million ECU in 1978 and 225.5 million EUA in 1979, i.e. respectively 3.0% and 2.5% of total expenditure. This development can be attributed to seasonal production variations, particularly to fluctuations in unit yield. Expenditure for 1980 is expected to be 282 million EUA.

## 11. FRUIT AND VEGETABLES, FLOWERS AND LIVE PLANTS

### A. FRESH FRUIT AND VEGETABLES (1)

#### 1. Introduction

Production of fresh fruit and vegetables in 1979, including crops for processing, represented 11.9% by value of final agricultural production, the same as in 1978 and rather less than in 1977 (11.5%).

Italy, with 52% of Community fruit production and nearly 45% of Community vegetable production is by far the largest producer among the Member States. Second place goes to France, with 20% for fruit and 19% for vegetables, while the third most important producer is Germany for fruit (17%) and the United Kingdom for vegetables (15%).

#### 2. Production

Commercial fruit production (2) in the Community in 1979 amounted to 17.7 million tonnes, a drop of 1.2% over 1978, but still close to the average figure for previous harvests. There were increases or decreases - of varying proportions - in all the Member States.

The following observations may be made about the main fruit crops:

- in apple production, which accounted for 38% of fruit production, the 1979 harvest was 2.6% lower than in 1978, and all the Member States except Belgium, Ireland and Denmark, which achieved increases, produced less;
- in pears, (12% of fruit production) the situation was similar, with a marked drop in harvests in Italy and Belgium and less marked in the other Member States, except in the United Kingdom, France and Denmark, where production is rising. The harvest for the Community as a whole was 6.4% lower than in 1978;
- the peach harvest in 1979 showed no change for the Community, but rose slightly (+2%) in Italy.

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(1) See tables M.11.1 to M.11.9

(2) This is "biological production"

Commercial vegetable production in the whole Community reached 24.4 million tonnes, slightly less (1.1%) than the 1978 total. Output declined in Germany, Italy, the United Kingdom and Denmark, showed no change in France, and rose a little in Belgium and the Netherlands.

### 3. Consumption

In 1978/79 internal consumption of fruit (1) in the Community amounted to 24.3 million tonnes, an increase of 8.8% over the previous year.

Internal consumption of vegetables, at 29.8 million tonnes, shows a fall of 1.5% compared with 1977/78.

#### (a) Human consumption

Human consumption was the principal use made of fresh or processed fruit and accounted for 91% of all internal consumption.

Per capita annual consumption in the Community amounted to 844 kg (22.3 kg of citrus fruit and 62.1 kg of other fruit).

Human consumption of vegetables was 89.2% of all consumption. Per capita annual consumption was 102.1 kg for the Community as a whole.

The annual rate of change, calculated for the period "1973/74" to "1977/78", is - 0.2% for fruit other than citrus fruit, 0.9% for citrus fruit and 0.5% for vegetables. These are scarcely perceptible variations which, although they differ in magnitude, are in the same direction as the variations observed over the same period in the corresponding usable production.

#### (b) Animal consumption and industrial uses

These two outlets, which include industrial uses for non-food purposes, tend to be adventitious and the quantities of fruit and vegetables which they absorb are in general appreciably less significant than losses during marketing.

(1) Including preserves and fruit juices, but excluding tropical fruits and dry or dried fruits.

(c) Rate of self-supply

The Community's self-supply rate is particularly high for vegetables, reaching 94.1% in 1978/79; the figure for non-citrus fruit is 77.1% and for citrus fruit 40.6%.

4. Trade

In 1978/79 the Community's total imports of fresh fruit amounted to 4.5 million tonnes, a rise of 0.6% over 1977.

Oranges, 1.8 million tonnes, were by far the predominant import, since apples, which occupied second place, accounted for only 0.36 million tonnes.

Fruit exports were just over 0.6 million tonnes, including 0.22 million tonnes of apples, 0.1 million tonnes of lemons and 0.08 million tonnes of peaches.

Imports of fresh vegetables totalled 3.1 million tonnes, a decrease of 3.9% on 1977/78, while exports, which fell by 6.9%, amounted to 1.25 million tonnes.

Intra-Community trade in fresh fruit and vegetables was also substantial.

Although the quantity of fruit traded did not equal imports from non-member countries, it nevertheless totalled 3.5 million tonnes. Apples (1.09 million tonnes) were the main product, followed by peaches (0.29 million tonnes).

Intra-Community trade in vegetables, on the other hand, totalled 4.6 million tonnes, approximately 1.5 times the quantity imported from non-member countries. These figures are slightly up on 1977/78 (7.0%) and maintain the positive annual rate of change which has marked the past few years.

5. Prices(a) Common prices

The basic prices and buying-in prices for the 1979/80 marketing year have been increased so that the resulting average withdrawal prices, at which producer groups buy back their members' unsold produce, are 1.5% higher than in the 1977/78 marketing year for all products.

The average overall increase for 1980/81 was 6% for all products except dessert apples, for which it was 5.5%.

The reference prices, which determine the minimum level of entry prices for certain products imported from non-member countries, increased on average by 5% between 1978/79 and 1979/80 in the case of cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries and plums.

In the case of lemons, oranges and mandarins, however, reference prices have remained at the level of the previous year, because of the relationship between movements in the basic and buying-in prices, the penetration premiums and the reference prices of those products (see 6(c)).

Between 1979/80 and 1980/81 reference prices increased by an average of 4.7%, with the exception of citrus fruits, where the full increase in the basic and buying-in prices was reflected in the penetration premiums.

(b) Market prices

Fruit and vegetable prices fluctuate constantly and may vary considerably from one time of the year to the other, from one market to another and even from one consignment to another.

An analysis of the available data leads to the following conclusions, based on average basic and buying-in prices for pilot products:

- Apples (Golden Delicious, quality Class I, 70mm or over).

As the average prices for the 1978/79 harvest had been depressed by a crop slightly above average, they settled around the average level recorded in 1976/77; prices for the 1977/78 harvest had been fairly high. For 1979/80 the average price remained fairly comparable to that of the previous year but showed variations between Member States; increases in the Netherlands (+18.1%), France (+11.3%) and Belgium (+11.4%), and decreases ranging from 1 to 13.3% in the other Community countries. The United Kingdom and Denmark have no significant quotations for this product.

The monthly analysis carried out throughout the season shows that in Belgium, in Luxembourg and in the Netherlands, apple prices nearly always failed to match the basic price.

In Germany they fluctuated around the basic price, whereas in Italy and in France prices were always very high.

- Pears (various, quality Class I, 60mm or 70mm or over, according to time of year)

Average prices in the 1979/80 season fell in almost all Community countries. The considerable fall ranged from 19.7% in Germany to 31% in the United Kingdom; the Netherlands constituted an exception with an increase of 1.6%. Ireland and Denmark have no significant quotations for this product.

The monthly analysis showed that there was a degree of stability in prices. On all Community markets, prices were above the basic price and sometimes reached the exceptional levels encountered the previous year.

- Peaches (various, quality Class I, size 51/61mm or 61/67mm according to period)

In 1979, prices were 2.7% lower than in 1978 in France and 16.1% lower in Italy; it should be said that the 1978 prices sometimes reached three times the basic price. The seasonal trend was, however, normal and the monthly average was well above the basic price.

- Table grapes (various, quality Class I)

Grape prices on the French market were lower by 18.7% than in the previous year. In Italy, however, the average price was 10.9% up on the previous year.

However, the figures are encouraging in view of the basic price level in respect of French prices, whereas in Italy only the "Regina dei Vigneti" variety reached, during August, prices substantially higher than the basic price. Prices for the "Regina" variety, on the other hand, remained more or less at the basic price level.

- Oranges (various, quality Class I, size 67/80mm)

Prices in 1979 were 10.1% below those of the previous year.

However, the daily prices recorded throughout the year yielded quite high monthly averages, which, according to the variety in question, were sometimes 10-15 ECU above the basic price.

- Mandarins (quality Class I, size 54/64mm)

The average annual price for mandarins fell by 29.5% compared with 1978/79.

The monthly prices did not vary greatly and were normally between 5 and 7 ECU above the basic price.

- Lemons (quality Class I, size 53/62mm)

The average annual price for lemons for 1979/80 was the same as in the previous year, when high prices were recorded as a result of falling production.

Prices are, however, still high and, throughout the year, the monthly averages were above the basic price.

- Cauliflowers ("with leaves" or "trimmed", according to period, quality Class I)

The average annual prices increased only in Belgium, where they were 8.8% up on 1978/79. In all other Member States they fell by percentages ranging from 3 to 23.6%.

Throughout the year, there were variations in prices from one market to another, prices sometimes being very high but sometimes close to - or even below - the basic price.

- Tomatoes ("round", quality Class I, size 57/67mm)

In 1979 prices fell in all the Community countries except Germany, where they rose slightly above the level of the previous year. The sharpest drops occurred in the United Kingdom (28.1%), Belgium and France (17.5%).

The monthly analysis shows that the daily rates sometimes fell below the basic price in France and Italy, particularly during the high season in July and August.

The changes - often rapid - in daily prices and the various coefficients applied to products other than the pilot products explain why quantities of some products fell short of the withdrawal price and were withdrawn from the market by the producer groups, even when the average prices of the pilot product were higher than the basic price.

(c) World prices

Given the perishable nature of the products, fruit and vegetable prices are fixed more or less independently on the principal markets. There is no real world market for such products and consequently no world prices.

(d) Consumer prices

In view of the large number of varieties, qualities and sizes of fruit and vegetables, and in view of the wide differences in price for a given product from one shop to another, it is not possible to determine consumer prices for the various types of product.

6. Outlook

In the case of vegetables - most of which are annuals - the rapid succession of crops and the use of fixed or movable means of protection make for flexibility of supply and enable growers to adapt production promptly to demand.

In view of the trends in vegetable production over the last few years and the stability observed in this sector, no major changes are to be expected for some time to come.

In the case of fruit too, analysis of production trends over a relatively long period shows a certain stability, albeit with considerable fluctuations from one season to another, as was observed for example in the 1977/78 harvest.

7. Economic aspects of the measures taken(a) Import and export measuresi) Countervailing charges on imports

During the 1979/80 marketing year, countervailing charges were imposed on imports of the following products:

cucumbers from Spain, Greece and Romania;  
 tomatoes from Morocco, Romania, Bulgaria, Spain, Israel and Albania;  
 peaches from Greece;  
 some varieties of apple from Spain and Yugoslavia;  
 pears from Spain;  
 table grapes from Greece;  
 certain varieties of plums from Spain, Romania and Yugoslavia;  
 certain varieties of oranges from Greece;  
 lemons from Uruguay.

These measures, some of which were applied for only a short time, resulted in higher prices for the imported products following a drop or even a complete halt in shipments to the Community.

ii) Export refunds

Export refunds were fixed during the 1979/80 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled hazelnuts, peaches, dessert apples and tomatoes.

These refunds, which vary according to product and are generally low, were fixed only for destinations which afforded real export outlets and only if there were export difficulties to be overcome.

iii) Protective measures

Protective measures were adopted against garlic from Spain, suspending its release to the market in France entirely from 24 November to 31 December 1979 and, subsequently, partially from 1 January to 31 March 1980. The release to the market of tomatoes from Spain and Morocco was suspended in France on 14 May 1980 for one day.

iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries and the price trend for Community apples were such that it was not necessary to ask suppliers in the southern hemisphere to adapt their programmes for exports to the Community, for March to August 1980.

(b) Withdrawals from the market

Intervention during 1979/80 was on a larger scale than in 1978/79 for apples, pears, peaches and tomatoes; it was on a smaller scale for other products.

The quantity of apples withdrawn was 468 000 tonnes, 6.81% of production. The largest withdrawals were in the Netherlands (118 000 tonnes) but the highest proportion of the harvest was reached in Belgium (22%, 70 000 tonnes).

Withdrawals of citrus fruit took place only in Italy and accounted for 676 000 tonnes of oranges and 18 000 tonnes of mandarins, 0.04% and 5.35% respectively of Italian output.

Peaches were withdrawn almost exclusively in Italy (57 000 tonnes) but this only represents 3.66% of Community production.

Withdrawals of other products were even lower : 2.58% for cauliflowers, 2.55% for pears, and 3.36% for tomatoes. There were no withdrawals at all of table grapes.

(c) Measures to promote the marketing of Community citrus fruits

Measures to promote the processing of oranges

Measures to assist the marketing of products processed from lemons

The "penetration premiums" (financial compensation to promote the marketing of Community citrus fruits) were fixed at the following levels for the 1979/80 marketing year:

10.91 ECU per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties;

9.36 ECU per 100 kg net for oranges of the Sanguinello variety;

6.16 ECU per 100 kg net for oranges of the Sanguigno and Biondo Commune varieties;

9.36 ECU per 100 kg for mandarins;

5.46 ECU per 100 kg net for clementines;

6.68 ECU per 100 kg net for lemons.

Compared with 1978/79, the financial compensation was increased by the total percentage fixed for the increase in basic and buying-in prices of the same products, i.e. 1.5%.

In application of Council Regulation (EEC) No 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum price to be paid by processors to producers of oranges and the financial compensation payable to these processors were fixed at the following levels for the 1979/80 marketing year:

Type of product	Minimum price, ECU per 100 kg net	Financial compensation, ECU per 100 kg net
Oranges of the following varieties		
Biondo Comune		
grade I	10.28	6.89
grade II	8.45	5.06
grade II or mixed	6.65	3.26
Oranges of grade II or mixed of the following varieties:		
Moro and Tarocco	13.12	9.73
Sanguinello	12.17	8.78
Sanguigno	10.29	6.90

Finally, the measures adopted to assist the marketing of products processed from lemons, which were applied for the first time in the 1977/78 marketing year, fixed the minimum price to be paid to growers by processors for 1979/80 at 12.58 ECU per 100 kg net and the financial compensation payable to the processors at 8.03 ECU per 100 kg net.

d) Single prices

No monetary compensatory amounts were fixed for fresh fruit and vegetables.

e) Budgetary expenditure

EAGGF guarantee expenditure on fresh fruit and vegetables amounted to 151.5 million EUA in 1979, is forecast at 200.0 million EUA in 1980 and estimated at 243.9 million EUA in 1981, or 1.6%, 1.9% and 1.9% respectively of total EAGGF guarantee expenditure. The figure of 200 million EUA can be broken down into 45.0 million EUA on refunds and 155.0 million EUA on intervention.

11B. PROCESSED FRUIT AND VEGETABLES1. Introduction

From 1978 to 1979 production of processed fruit and vegetables changed as follows:

		1978		1979	
'000 tonnes					
=====					
: Products processed from	:		:		:
:-----:-----:-----:					
: VEGETABLES	:	4 745 (x)	:	5 177 (x)	:
: FRUIT	:	2 791	:	2 846	:
=====					

(x) including preserved tomatoes.

Production of processed vegetables from 1978 to 1979.

Community production of some sensitive products was as follows:

- a) tomato concentrates: production was 432 000 t in 1979 compared with 296 000 t (1) in 1978, a rise of 45%;
- b) whole peeled tomatoes: production rose by 40%, from 873 000 t (1) in 1978 to 1 223 000 t in 1979;
- c) tomato juice (CCT heading 20.07): production rose by 34% from 35.000 t in 1978 to 47.000 t in 1979;
- d) preserved mushrooms: production rose from 177 000 t in 1978 to 197 000 t in 1979 (+ 11%);
- e) preserved peaches: production was 96 000 t in 1978 and rose by 66% to 160 000 t in 1979;
- f) the production of orange juice in Italy was 60 000 t in 1978 and rose by 50% to 90 000 t in 1979. Lemon juice production continues to rise (from 38 000 t in 1978 to 53 000 t in 1979, an increase of 39%).

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(1) Figure corrected from last year's report.

## 2. Consumption and trade

The general state of trade in this sector is shown in the following table:

<u>1978</u>					
		IMPORTS		EXPORTS	
		-----		-----	
		Tonnes	m EUA	Tonnes	m EUA
		-----		-----	
TOTAL	:	4 012 000	: 2 674.500	: 2 971 400	: 1 924.000
Intra-EEC	:	1 912 000	: 1 280.300	: 2 537 500	: 1 620.000
Non-member countries:	:	2 100 000	: 1 396.200	: 433 900	: 305.000

<u>1979</u>					
		IMPORTS		EXPORTS	
		-----		-----	
		Tonnes	m EUA	Tonnes	m EUA
		-----		-----	
TOTAL	:	4.350.000	: 2.910.000	: 2.670.000	: 1.737.000
Intra-EEC	:	2.190.000	: 1.469.000	: 2.200.000	: 1.407.000
Non-member countries:	:	2.160.000	: 1.441.000	: 470.000	: 330.000

The available quantities of tomato concentrates and peeled tomatoes rose by around 35.5% from 1978 to 1979. This was mainly due to an increase in production.

The quantities of tomato concentrates available for consumption were 376 000 t in 1978 and 380 000 t in 1979.

Imports fell from 93 000 t in 1978 to 50 000 t in 1979. Exports, on the other hand, increased substantially (82 500 t in 1978 and 110 000 t in 1979).

Intra-Community trade also expanded sharply from 80 000 t in 1978 to 100 000 t in 1979.

Imports of peeled tomatoes were much lower than in 1978 (40 000 t compared with 61 000 t). Exports, on the other hand, rose steeply: 44 000 t in 1978 and 74 000 t in 1979. The quantities available for consumption rose from 863 000 t in 1978 to 1 120 000 t in 1979. Intra-Community trade also rose considerably (from 156 000 t in 1978 to 289 000 t in 1979).

Imports and exports of tomato juice remained practically unchanged from 1978 to 1979.

Imports of preserved peaches rose (107 000 t in 1978 to 150 000 t in 1979). Exports remained insignificant.

The quantities of preserved mushrooms available for consumption hardly varied: 210 000 t in 1978 and 212 000 t in 1979. Imports fell: from 46 000 t in 1978 to 33 000 t in 1979; exports also dropped.

### 3. Prices

World prices for tomato-based products, in particular peeled tomatoes and concentrate, remained fairly stable in absolute terms, with the result that, because of inflation, prices fell in constant terms.

For preserved mushrooms, the fall in world market prices, which is liable to influence the Community market and which had necessitated the adoption of protective measures against imports in May 1978, continued in 1979.

The Community price levels for other products did not give rise to any difficulties, generally speaking.

### 4. Outlook

Production of tomato-based products in 1980 should be down on 1979, or at least not higher. The system of production aid for tomato-based products, peaches in syrup, prunes and pears, succeeded in its objective of strengthening the position of Community products.

The protective measures adopted at the end of May 1978 for preserved mushrooms are still in force, except vis-à-vis supplier countries which have agreed to limit their exports to the Community.

### 5. Budgetary expenditure

EAGGF guarantee expenditure on processed fruit and vegetables amounted to 30.6 m ECU in 1978, is forecast at 290.9 EUA in 1979 and is estimated at 459 m EUA in 1980, respectively 0.35%, 2.7% and 4.0% of total expenditure by the Guarantee Section.

6. With effect from 1 January 1981 the accession of Greece to the Community is likely to have a marked effect on the figures given above. In the processed fruit and vegetables sector the most important product in Greece is tomato concentrate, with production totalling 172 000 t in 1978 and 180 000 t in 1979, followed by peaches in syrup (130 000 t produced in 1978 and 1979). Greek production of peeled tomatoes and orange juice amounted to 26 000 t and 26 500 t respectively in 1978 and 30 000 t and 31 000 t in 1979.

As regards Greece's trade with non-member countries, the main products involved were tomato concentrate (65 000 t in 1978 and 38 000 t in 1979) and orange juice (31 000 t in 1978 and 27 500 t in 1979). The production forecasts for Greece for 1980 show something of an upward trend for tomato concentrate and peaches in syrup.

11C. LIVE PLANTS

The Commission departments do not have sufficient information available to enable them to judge how production capacity and production itself developed in the preceding year.

As regards production capacity, considerable efforts have clearly been made to cope with rising energy costs. Many hothouses have been insulated and their heating systems changed, both measures requiring a substantial investment of capital. Other hothouses have either been temporarily shut down or subjected to intensive use, with opposite effects on production. Recourse has also been had to plants requiring less heat.

Other sectors, such as the bulb and nursery product sector, less affected by energy costs, are directly exposed to weather conditions, the effects of which cannot be estimated, being spread over several consecutive years since the crops are perennial ones.

Intra-Community trade rose by 12.3% in 1979; imports from non-member countries rose by 56.2% in the same year and exports to non-member countries by 6.7%. Exports valued at 310 million ECU exceed imports, which amount to 289 million ECU.

12. HOPS (1)

In 1979 the Community's 6 701 growers produced 38% of the world production of hops, i.e. 44 800 t. Of these growers 6 112 were members of recognized producer groups. The Community harvest was about 5% up on 1978 in spite of the reduction of areas planted (24 658 ha in 1979, 2% down on 1978). The varieties rich in alpha acid and the aromatic varieties accounted for 47% and 50% of production respectively, as compared with 29% and 70% in 1971.

It should be noted that while world demand for beer continues to rise by 3% a year, Community beer production rose by just over 1% in 1979. There continues to be a modest increase in the demand for hops (1.8%) in the world-wide context but this is accounted for mainly by developing and State-trading countries. In the Community the demand for hops is continuing to fall very slightly as a result of improved manufacturing techniques and a tendency to prefer extracts and powders to hop cones for reasons of storage and ease of handling.

In 1976, the Community, while remaining the chief world exporter of hops (18 000 t, about the same quantity as in 1978), imported 8 100 t, an increase of 2.5% on 1978. EEC exports of hop products (powders and extracts) are increasing.

The favourable effects of the market stabilization operations which have been carried out in the Community since 1978 continued to be felt in 1979. The prices at which contracts were concluded in advance remained much the same, while prices on the open market continued to rise owing to the fact that in 1979 world production was below the quantity bought by the brewing industry, this deficit of 1.8% serving to reduce stocks slightly.

The prohibition on new plantings, an integral part of the measures to encourage restructuring and conversion operations, which have to a large extent led to the stabilization of the Community market over the last two years (2 414 ha in 1978 and 1979) was lifted at the end of 1979.

Market stability has enabled expenditure by the EAGGF on hops to be reduced considerably (5.6 million ECU in 1979 as compared with 10 million ECU in 1978).

As regards Greece, it produces about 20% of its hop requirements from a crop area of 55 ha; in the immediate future at least its accession is not expected to have any impact on the market situation.

13 MILK AND DAIRY PRODUCTS (1)1. Production and utilisation of milk :

- a) Dairy cow numbers in the Community are remarkably stable with little variation around a total of just over 25 million head over a number of years. This is so despite quite rapid changes in the structure of dairy farming. Some slight build-up in numbers has been apparent since 1976 but it seems likely that the peak has been reached and numbers are stabilising. During 1979, numbers fell, so that at the end of the year, they were -0,2 per cent or 42,000 cows less than at the start of the year. The economic recession has had an important impact on dairy farming particularly in those member states with high rates of inflation. However, the non-marketing of milk and dairy herd conversion schemes still show little signs of contributing in a significant fashion to the reduction of surplus dairy production in the Community. Applications covering 300,000 dairy cows were approved in the first eight months of 1980 under these schemes making a total of 1,3 million cows since the introduction of the schemes in July 1977. The deadline for applications under the non-marketing scheme was 15 September 1980 and for the conversion scheme it is the end of the 1980/81 milk year with the possibility of being extended thereafter.
- b) The development of milk yield per dairy cow continues to be the principal determinant of the growth of milk production. In 1979, average annual yield per dairy cow increased to 4040 kg, or by just under 1 per cent. However, this relatively modest yield increase was on top of a substantial 4,2 per cent increase in 1978. It does, however, seem that yields in those member states with high yielding cows, notably the Netherlands, U.K. and Denmark, have stabilised temporarily. The main impetus to growth appears to be coming from those member states with lower yielding dairy cows - France (particularly Brittany) and Italy. Production is also increasing rapidly in the south of Germany. There is, without doubt, a considerable potential for yield increases throughout the Community so that the tendency to over-produce is likely to remain for some years to come. Community milk production in 1979 was 2 per cent up on that of 1978 and the increase in 1980 is likely to be somewhat greater.

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(1) See tables M 13.1 to M 13.18

- c) A higher proportion of milk production continues to be sold by farmers to dairies for processing into milk and dairy products. 1979 was no exception, so that deliveries of milk by farmers to dairies increased by 2,8 per cent. However, exceptionally, the increase was not used for greater production of the intervention products of butter and skimmed milk powder. The world market for dairy produce expanded rapidly in 1979 and as a result Community production of cheese, whole milk powder, casein and condensed milk increased substantially to fill this demand. Owing to the favourable market situation, lower production and special disposal measures, the level of skimmed milk powder intervention stocks were reduced by the end of 1979 to 227,000 tons while those of butter (including private aided stocks) were lower by 46,000 tons in comparison with their end 1978 level.

## 2. Production and consumption of milk products

### a) Drinking milk

In 1979 the production and marketing of fresh milk continued to increase by about 1,5%, except in the United Kingdom, where the consumption of drinking milk was decreasing again. The shift towards the manufacture of fresh milk products is continuing. It can be seen, that in the Community more UHT drinking milk products are being sold and less pasteurised drinking milk products. Long-keeping yoghurt is replacing natural yoghurt more and more. As a matter of convenient marketing, the consumers seem to accept the lower quality of these products, offered by manufacturers and shop-keepers.

The steady decline in the average fat content of drinking milk products could be stopped, perhaps, as a result of a change in the consumers view on milk fats.

The expansion in yoghurt sales of previous years has not been maintained. Cream consumption in 1979 was above the level of previous years. Drinking milk products such as chocolate milk, mixed drinks etc. increased significantly, partly in connection with the School Milk Programme.

### b) Butter

The production of butter rose by only 15,000 tons in 1979, compared with the increase of 150,000 tons in 1978. On the other hand, total consumption within the Community increased by 50,000 tons, mainly as a result of special sales. But the imbalance on the butter market continues on account of the incentives to increase production and of the persistent trend of decline in consumption. However, special marketing measures enable butter to be sold at greatly reduced prices within the Community and significant exports at world market prices and as food aid

also provide some relief. Therefore, stocks are continuing to decline. By the end of September 1979 total public and private stocks had risen for the first time above the 600,000 tons mark. Nevertheless, they will amount, at the end of 1980, to only 270,000 tons.

In 1980, exports of butter and all other dairy products have expanded, and butter production will decrease for the first time by about 2%. In view of this new situation the very expensive, so called Christmas butter action, will not be repeated in 1980.

It should also be remembered, that the EEC butter balance includes imports from New Zealand amounting in 1979 to 118,000 t and in 1980 to some 95,000 tons.

#### c) Skimmed milk powder

The amount of skimmed milk powder produced is dependent in part on the use of milk for other milk products and in particular on the quantities of skimmed milk used in liquid form for animal feed or processed into cheese and casein.

In 1979 production was 2.1 million tons (2.2 million tons in 1978). A further slight drop of 2% is expected for 1980, as more of the available skimmed milk is being used for other purposes.

The manufacture of skimmed milk powder far exceeds demand at market prices. Only about 10% of the powder manufactured could be sold in the Community at the fixed price. 65% was sold as feed with a 50% price reduction for fattening calves, while 25% was sold with a 90% price reduction for feeding of pigs and poultry in 1979.

During 1980 all the measures, except sales of skimmed milk powder to pigs and poultry feedingstuffs, have continued though at reduced levels of aid, with the result that there will be approximately 200,000 tons in public stocks at the end of the year.

#### d) Cheese

Community cheese production and consumption also increased in 1979 by about 5% and 3% respectively. This trend, which has been apparent now for several years, seems to have persisted in 1980. The cause of this is a steadily improving supply situation with regard to quality and presentation, as well as the active marketing policy of cheese manufacturers throughout the Community.

In addition, an increased demand on the world market has allowed the manufacture of more milk into cheese in the Community.

e) Whole milk powder

Production of whole milk powder has risen in recent years mainly on account of increased exports. In 1979 the production was again about 10% higher than in 1978. Consumption within the Community however, has remained unchanged. Fluctuation in this sector will continue to be determined mainly by demand on the world market. This trend will continue in 1980 as a result of a significant expansion in export outlets.

f) Condensed milk

Despite the reduction in demand within the Community, the production was slightly increased in 1979 following the export outlets. Community consumption has not increased for several years. Thus, it seems, that this market, though having achieved its limit within the Community, still has the possibility of growth in export markets.

g) Casein

In the Community the manufacture of casein and caseinates is based on heavy expenditure of public funds, the import duties for the main tariff headings are bound under GATT at a very low level. However, in 1979 Community manufacturers have succeeded in increasing their production and their share of the world market. This evolution has continued in 1980 though the level of aid paid for skim milk manufactured into casein and caseinates has been reduced significantly.

3. World Market SituationInternational developments in production and tradeMilk Production and Policies

In global terms, the number of dairy cows in the world changed only moderately in 1979, compared with a more significant increase in 1978. However, the main trends were maintained, i.e. continued decreases in North America and Australasia, stability in Western Europe and increases in Eastern Europe. In the course of 1979 signals shifted slightly in both USA and EEC, as US cow numbers ceased to decline, and started to increase in 1980. EEC cow numbers, on the other hand, started to decrease. In both cases this development seems to reflect the main orientation of price policy in these countries. US milk prices have kept pace reasonably well with inflation. In the EEC, on the other hand, prices generally lagged behind inflation. EEC milk production, furthermore, was influenced by other anti-surplus measures.

However, again world milk production figures clearly demonstrated the role of yield per dairy cow. Thus, in spite of increased cow numbers in USSR in 1979, milk deliveries fell by more than 2% because milk yield per cow declined by 3%, compared with 1978. In the first 6 months of 1980, this development became even more accentuated, as milk yields in the USSR fell by more than 5% and milk supplies by more than 4%, compared with the same period of 1979.

In the USA average milk yield per cow increased in 1979 by 2% and milk production by 1,4% reflecting a slight decrease in cow numbers. However, throughout the first half of 1980 US milk production increased by 3,8%, of which only 0,7% was due to increase in cow numbers and more than 3% to yield increases.

In Canada, milk deliveries in 1979 increased by 0,4% whereas cow numbers decreased considerably. Hence, the average yield increase amounts to approximately 4 - 5%, and this very high rate of increase is continuing through the first half of 1980.

In Australia, milk production in 1979 increased against all expectations, by 1,9%. The increase was completely unexpected because dairy cow numbers fell by 7,2%. Hence, average yield per cow increased by more than 9%! In 1980, however, cow numbers are still decreasing. Together with droughts this has reduced milk yields and, consequently, milk production.

Milk production in New Zealand is mainly dependent on the yield (weather) factor, as dairy cow numbers, although slightly on the decrease, only vary about 0,5% per year. Thus, as milk production in 1979 increased by 3,7% compared with 1978, the increase in average yield per cow amounted to more than 4%. For the whole of 1980 it is likely that the yield will increase another 2-3% at least.

Total cow numbers in Western Europe (15 countries) remained stable in 1979, however, milk deliveries - and yields - increased by more than 2%. In these countries milk yields have sustained their rate of increase through the first half of 1980.

In total, world milk production in 1979 increased less than one per cent compared with 1978. This is only half of the increase in 1978 and is notably due to the reductions in USSR-milk production. However, it is evident, that international milk production in 1980 will increase faster than in 1979, in spite of continued difficulties notably in USSR and Australia.

In the following some further information is given on changes in milk policies in 1979/80 :

The U.S. support price level for milk has increased by 39% over the last 3 years, and the total, average milk price paid to producers in 1980 will probably be about 10% higher than in 1979. Effective from 1st April 1980, the support price for manufacturing grade milk was increased by 7.6% to 12.07 US dollars per 100 lbs of milk, and further by 6.0% to 12.80 US dollars/100 lbs in October 1980. Together with higher beef supply and stagnating beef prices, more cows are kept in milk production. Furthermore, the price : feed ratio remains very favourable, and the consequent increase in milk production in 1980 could be as high as 3 or 4%, compared with 1979. At the same time, and notably through the first half of 1980, commercial disappearance of milk and dairy products started to decrease. This decrease, which in particular affected butter, fluid products and American cheese, followed a long period of growth. Hence, the combined effects of production and consumption developments tend to increase the U.S. intervention stocks for butter, cheese and skimmed milk powder. In this context problems have arisen concerning the disposal costs of the dairy policy budget.

In Canada, milk producer prices were increased in three steps, altogether by 11.6%, from the dairy year 1979/80 to 1980/81. Furthermore, prices can be adjusted whenever the cost formula shows a change of more than two per cent, with no more than two adjustments in one dairy year. Motivated by stronger demand and need for larger winter supplies, the national milk quotas were increased by two per cent in January 1980. However, the government has authorised an increase in the "export quota" by a further 2% (last year 3%) of the quota basis. This export quota, subject to normal quota levy, allows more milk to be produced without over-quota levy if the milk is exported in the form of certain products to certain markets. The principle of producer responsibility for the costs associated with any special production for export and for the disposal of all surplus products has been reaffirmed. The federal government will only be responsible for deficits in the export account resulting from major unforeseen changes in world market conditions. The jointly funded producer-government advertising programme which started in 1975-76 is characterised as a success. A new budget of 1,5 million dollars for 1980-81 for dairy product and market research has been approved. The substantial increase in Canadian milk production in 1980 is notably reflected in subsequent increases in the production of cheese and evaporated milk. Through the first 5 months of 1980 these production levels were respectively 6% and 24% higher than in the same period of 1979.

In New Zealand, the Dairy Products Prices Authority fixed the basic price of milk for the 1979/80 dairy year at 176,91 c/kg, or 6.8% higher than in 1978/79. The fat/skim relationship was fixed at 70 : 30. However, in November 1979, after pressure from the New Zealand Dairy Board, the Authority increased the price to 185,00 c/kg or 11.6% higher

than the 1978/79 price. Nevertheless, the final, average price to producers would increase by some 20%, compared with 1978/79 by adding the share of the Board's surplus in trading in relation to the overall national Reserve Account. According to regular annual surveys the average net income at farm level is estimated to be 14,7% higher in 1979/80 than in 1978/79. Expenditure on the farm during the same period is estimated to have risen by 16%. The overall increase of 4% in production of butterfat, representing a new record level, is mainly utilised in the production of butteroil (+ 136.4%), cheese (+ 17.2%), and wholemilk powder (+ 25.8%). Butter production and SMP production have fallen by 8.5% and 6.2% respectively.

The Australian dairy policy has continued its orientation towards differentiating prices for individual dairy products in accordance with obtainable market prices. At the outset of the 1979/80 dairy year there were no quantity limits linked to the following guarantee prices, which should, in principle allow efficient manufacturers to pay milk suppliers around 1,75 Austr. dollars per kg. butterfat at the farm gate :

Butter	1.240 Austr. dollars per ton
SMP	534 " " " "
Casein	1.383 " " " "
Cheese	1.075 " " " "
Wholemilk powder	818 " " " "

These prices are subject to a levy system. Due to increases in the levy rates, the above prices were changed during the milk year, and the following wholesale price values were in operation at 1st April 1980 :

Butter	1.585 Austr. dollars per ton
Butteroil	1.415 " " " "
Cheese	1.450 " " " "
SMP	700 " " " "
WMP	950 " " " "
Casein	1.715 " " " "

From 1978 to 1979 this policy as resulted in the following relative changes in the production of individual dairy products, based on approximately unchanged milk production :

Production of cheese	:	+ 18.5 %
" butter	:	- 17.7 %
" SMP	:	- 32.- %

In 1980, the expected reduction in milk production of about 8% will mainly be reflected in a further decrease in butter/SMP production.

In Japan, milk production increased in 1979 by almost 6% as a combined result of increased cow numbers and yield per cow. This led to increases in production as follows: 5% in consumption - milk, 2.1% in cheese, 9.8% in butter and an increase of 13% in SMP.

The domestic guaranteed manufacturing milk price for the April - milk year 1980/81 has been fixed at Yen 88.87 per kg for a ceiling quota of 1.93 million tons. However, as the government has been encouraging milk output, the industrial milk quota did not enter into force in the three preceding years.

Two measures to support domestic production of natural cheese were also announced :

- a) Financial help to build factories to produce mainly Cheddar and Gouda type cheeses. The production target is set at 10,000 tons of natural cheese and 6,000 tons of whey powder.
- b) Eight year plan to subsidise the cost of producing natural cheese from domestic milk.

### International Trade (1)

#### World market offtake

In terms of exports, the world market continued to expand in 1979 for all the major dairy products. The total butter/buteroil market including food aid, increased by 38% compared with 1978 to more than 800,000 tons. As food aid in butterfat did not expand significantly, the commercial butterfat market increased relatively more. About 60% of the market increase was due to increased Russian imports (+135,000 tons), however, significant increases took place in many other countries among which Egypt (+10,000 tons), Morocco (+8,000 tons), Colombia (+5,000 tons), Iran (+ 19,000 tons), Jordan (+ 5,000 tons) and Poland (+ 8,000 tons). Developing countries were responsible for more than 30% of the total increase in the butter market. The world cheese market increased by 9%, reflecting increased imports in several countries, notably in Iran, Saudi-Arabia, Lebanon, Japan and Spain. Whereas the 13% increase in the world whole milk powder market in 1979 must be attributed to increases in a very big number of importing countries all over the world, the more modest increase in the condensed milk market (+ 7%) is the combined result of continued decreases in many markets and significant increases in a few markets among which could be mentioned Greece, Libya, Mexico, Saudi-Arabia and some other Persian Gulf countries. Finally, the world skimmed milk powder market only increased

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(1) (See table M.13.11)

by about 7% in 1979 in comparison to 1978. However, significant changes took place in imports of individual countries, partly based on their changing needs for food aid, and irregular imports of milk powder for animal feed. Some of the biggest increases in imports were in Algeria, Mexico, Spain, Philippines, Iraq, Saudi Arabia and Chile. Substantial decreases in Egypt, Pakistan, Nigeria, Somalia and Japan should also be mentioned.

### EEC Exports

It is evident from Table M.13.11 that EEC exporters have taken full advantage of the expanding world market for dairy products in 1979. Only in the case of condensed milk, there was a slight deterioration in the EEC market share, even if the total EEC exports of condensed milk increased in comparison to 1978. The significant increase in the EEC market share for butter/butteroil reflects notably the EEC participation in exports to the irregular but important markets mentioned above. For skimmed milk powder a similar increase in EEC world market share in 1979 is also influenced by increased food-aid deliveries. As the table shows, it is foreseen that EEC exports will continue to increase in 1980 for all main dairy products. However, significant market changes are taking place. Hence, the forecasts are probably inaccurate.

### International arrangement for dairy products in force from 1 January 1980

The international arrangement for dairy products concluded in GATT in the framework of the Tokyo-round is believed to improve the possibilities for continued development of the world market for dairy products and to stabilise prices so that the principal countries of production and consumption can find a mutual and profitable basis, to the benefit of both parties. In fact, the arrangement foresees notably a system of minimum prices, a regime of reciprocal exchange of information and a framework within which the eventual problems of the participants can find appropriate solutions.

The Community has contributed to the establishment of this arrangement in an active and positive way, in view of the role and the responsibility the Community has in the international trade of dairy products.

### EEC Imports

The statistics show that the Community have imported 118,000 tons of butter in 1979. The quantity mainly represents the imports of New Zealand butter into the U.K. in accordance with the special arrangement following the Protocole 18 of the Treaty of Accession. Due to the expansion of world trade, this import amounted to 15% of the world market in 1979 against 21% in 1978. EEC cheese imports stabilised in 1979 at 78,000 tons or about 12% of total world market. A slight increase is foreseen for 1980.

#### 4. Producer Milk Prices

- a) The target price for milk was fixed for the 1980/81 milk-year, with effect from 1 June 1980 at 22.26 ECU/100 kg. This meant that there was an increase of 4% on the previous year. Intervention prices for butter, skimmed-milk powder and certain Italian cheeses were fixed accordingly, in order to follow the aims of the target price as defined in Article 3 of Regulation N° 804/68.

In 1979 actual milk producer prices again showed differences which are attributable chiefly to the monetary measures and the connected fixing of representative rates for the various national currencies in relation to the ECU. Moreover, the dairies in the various regions of the Community differ in their utilisation of milk, their specific cost situation and their particular market position.

#### b) Wholesale and consumer prices

The general economic climate and the competition on the milk market have recently made it increasingly difficult for suppliers to pass on the higher prices to the consumers. The market situation has in many cases prevented such price alterations from being put into immediate effect, with the result that profits from milk have not risen as much as might have been expected.

As a result of economic and monetary differences between the Member States and certain national measures concerning consumer prices, the trends in these prices, expressed in national currency were again very varied in 1979 as compared with 1978.

The Community's prudent price policy for the 1980/81 milk marketing year should enable the situation to settle down somewhat in the long term.

#### 5. Market prospects

After an increase in dairy cow numbers at the end of 1978, numbers in the Community fell back slightly by -0.2% in 1979 and have stabilised in 1980. In 1981, a further small fall in numbers is possible. Increases in milk production have been considerable in 1980 in France, Germany and Italy. In Denmark, production has fallen, in Ireland it is stable, and in the other member states, only small increases have been experienced. In 1981, the increase in milk production in the Community seems likely to be in line with the long term trend - + 1.5 to 2%. Deliveries to dairies in 1980 are likely to increase by between 2.5 to 3%. High rates of interest and inflation in some parts of the Communities are likely to inhibit major expansion of milk production in the immediate future particularly in the larger dairy herds.

Domestic consumption of cheese and fresh dairy products continued to increase in 1979 and 1980 but the increase for cheese in particular is much less than in previous years, probably due to the effects of the economic recession. Consumption of butter has increased slightly owing in large part to the effect of subsidies; although in the United Kingdom, consumption is continuing to fall.

Increases in dairy production have been absorbed by a substantial expansion in the world market for dairy produce in 1979 and 1980. World exports of nearly all major dairy products increased remarkably in 1979. Exports of cheese increased by 9 per cent, whole milk powder by 13 per cent, and butter/butteroil by 38 per cent. As a result, increases in milk production have been channeled into these products and away from the intervention products of butter and skimmed milk powder. Thus in 1979 EEC butter production increased by less than 1 per cent and skimmed milk powder production fell by 5 per cent. The major markets for dairy products have been in the Middle East, the wealthier developing countries, and in Eastern Europe including Russia. The Community delivered 179,000 tons of skimmed milk powder as food aid in 1979 and almost 52,000 tons of butteroil.

The world market for butter has been relatively buoyant over the last two years and this has enabled stocks to be brought down to reasonable levels. At the end of 1979 EEC stocks at 372,000 tons (intervention plus private-aided) were 46,000 tons less than at the start of the year, and in 1980 a further decrease of at least 100,000 tons in stocks is anticipated. The export of butter at world market prices has been accompanied by considerable efforts to increase domestic sales of butter. Thus consumer subsidies on butter are paid in Luxembourg, U.K., Ireland and Denmark which are largely or wholly paid for by FEOGA. Short term consumer subsidies were paid over the Christmas period 1979/80 in the other member states. Finally, aids are paid on butter sales to bakers, ice-cream manufacturers, the armed forces, charities, and, in certain member states, for cheap sales for those on social security and for butter concentrate.

The market situation for skimmed milk powder has stabilised. Intervention stocks at the end of 1979 were 227,000 tons. This improved situation permitted the Commission to suspend expensive special measures for sale of powder for pig and poultry feed in October 1979. It was not necessary to re-introduce these measures in 1980 owing to continued high demand on the world market for powder and steady domestic consumption especially in the calf feedingstuffs market. Production of powder is still some 100,000 tons p.a. below the 1978 record level owing to much increased use of liquid skimmed milk in casein manufacture and for direct feeding to pigs.

At present, it seems that stock levels in the dairy sector can be contained within reasonable levels during 1981. The world market for dairy produce should remain relatively buoyant although its rate of growth is likely to slow and competition to increase.

## 6. Economic effects of the measures taken

### a) Imports

In principle the import levy as foreseen under Article 14 of Regulation (EEC) N° 804/68 represents the difference between the threshold price and the lowest offering price free-at-frontier Community. When prices were fixed for the 1980/81 marketing year the threshold prices were increased. As in previous years, the fixing of the levies did not result in imports of milk and milk products liable to disturb the Community-market.

Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings were adapted to the new Community price level. The GATT negotiations resulted in new arrangements for Cheddar cheese under a minimum price system to be imported from New Zealand, Australia and Canada, starting on 1 January 1980.

### b) Exports

Exports of most milk products increased substantially as a result of a higher demand on the world market during 1979. The refunds which were granted to make these exports possible were reduced in the middle of the year for skimmed milk powder and later for butter, butteroil and whole milk powder. The favourable development both on prices and demand continued in 1980.

### c) Aid for skimmed milk, skimmed-milk powder and casein

At the start of the milk year 1980/81 the aids have been fixed as follows :

	ECU/100 kg	
Liquid skimmed milk for fodder purposes	5.50	(1.5.80)
Skimmed milk powder for fodder purposes	54,-	(1.5.80)
Skimmed milk used for the manufacture of casein	5.-	(1.8.80)

A special aid amounting to 7.50 ECU/100 kg is granted for feeding pigs and poultry.

Since September 1977 a special aid has also been granted for the use of skimmed milk powder for feeding animals other than calves. The amount of this was fixed by a tendering procedure.

In 1978 in all sectors where aid was granted, the quantities have continued to increase. The use of skimmed-milk powder for feeding calves has stabilised in the Community, because aid is granted only if at least 60% of milk powder is incorporated into the compound feed.

d) Storage

Butter

In 1979, 331,000 t. of butter was bought in by the intervention agencies. Over the same period 239,000 t. of butter was sold in connection with special measures and a further 53,000 t. from public storage were allocated for food aid. Public stocks of butter were 271,000 t. at the end of 1979.

During 1979 private storage aid was granted for 266,000 t. of butter. At the end of 1979, 101,000 t. were still in storage. In 1979, 207,000 t. were stored in private warehouses, of which 100,000 t. was still in storage at the end of the year.

Skimmed-milk powder

In 1979, 216,000 t. of skimmed milk powder were bought in by the intervention agencies, while 662,000 t. were removed from storage, 537,000 t. in connection with measures within the Community, 72,000 t. for export and a further 53,000 t. for food aid. Public stocks of skimmed milk powder were 227,000 t. at the end of 1979.

Italian cheeses, long-keeping cheeses

In 1978, few intervention measures for Grana and Parmigiano were applied. In 1978 and 1979 private storage aids for certain long-keeping cheeses, which have been applied regularly since 1978 and which were extended to Provolone from 31 July 1978, were also fixed.

e) Food aid

Since 1970 the Community has supplied a large proportion of its food aid in the form of butteroil and skimmed-milk powder.

The quantities yearly supplied are 45,000 t of butteroil and 150,000 t of skimmed-milk powder.

The deliveries are made on the basis of set administrative procedures from the moment recipients have stated that they are ready to take the goods over.

## 7. Uniformity of prices

### Monetary compensatory amounts

No changes have occurred in the calculation methods for M.C.A.'s since 4 June 1979. In essence, in all agricultural sectors, the monetary compensatory amounts are calculated for the basic agricultural product, except in the case of milk, where it is butter and skimmed-milk powder which are used for reference.

## 8. Greek accession

The importance of milk production in the Community and in Greece can be seen from the following table:

	(1979 in mill. t)	
	EUR 9	Greece
Cow's milk	102,0	0,7
Sheep milk	1,4	0,6
Goat's milk	0,6	0,4
Total	104,0	1,7

In Greece, somewhat less than 50% of the milk is delivered to dairies. Some 48% of total milk production is used in the fresh milk sector, while cheese production, mainly from sheep and goats milk, accounts for 40%.

There are annual imports of approximately 3000 tons of butter, 7000 tons of cheese, 65000 tons of condensed milk and 10000 tons of milk powder, corresponding to a milk equivalent of 0,3 million tons.

The price for butter and skimmed milk powder in Greece are therefore mainly based on imports, because there is only a small production of butter from cows milk (1000 tons annually) and no local production of skimmed milk powder.

The present milk price in Greece is a guaranteed minimum price for cows milk with a fat content of at least 3,5%. The average price paid to the producers for cows milk is about 5% higher than the guaranteed minimum price.

### Milk prices in Greece and in the Community

	Greece	EUR 9
	drs/100kg	ECU/100kg
Ex-farm price	1.200,-	19,96 (1)
Transport cost	72,-	1,20
Price delivered to dairies	1.272,-	21,16
Average producer price	1.336,-	22,22
		21,06 (2)
		22,26 (3)

(1) conversion rate ldrs = 0,0166346 ECU

(2) support price level

(3) target price

It can be stated, that the milk price support level in Greece is at present equal to that in the Community.

14. BEEF AND VEAL (1)1. Introduction

Beef and veal production (adult cattle and calves) accounted for 15.8% of the value of final agricultural production in 1979.

The number of farms engaged in beef and veal production is now down to about 2.5 million, or roughly two thirds of all farms in the Community. Since 1973, the number of cattle farmers has dropped at an average annual rate of 4.1%. Land used for fodder production represents about 60% of the Community's UAA and, since cattle rearing is essentially dependent on the land, it is not surprising that most beef and veal is produced in the countries with large areas of pasture.

The Community, with nearly 15% of world production, is in third place among world producers of beef and veal, just behind the USSR but far behind the USA.

2. Productiona) Cattle numbers

Cattle numbers in the Community have remained relatively stable; the Community market in beef and veal was thus relatively balanced in 1979.

The survey of cattle numbers in December 1979 revealed 78.0 million head of cattle including 31.1 million cows, up 0.2% and down 0.3% respectively on the previous year, which indicates a stabilization of cattle numbers at 1-2% below the 1973/74 figure.

In December 1979 the number of calves (cattle less than one year old) was again about 1% up on December 1978, but the number of beef cows had dropped by 1%, whereas in 1978 there had been a slight increase in suckler herds.

In the past, the average increase in cattle numbers has been about 1% per year, while the number of cows has remained relatively unchanged.

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(1) See Tables M.14.1 to M.14.7

b) Production of beef and veal

In 1979 a large number of both cows and calves went for slaughter.

Slaughterings

In 1979 slaughterings of adult cattle amounted to about 21.2 million head, i.e. over 5% more than in 1978; in the first half of 1980 the number of adult cattle slaughtered was up by a further 3-4% and the number of cows slaughtered by about 5.5%.

On the basis of the trend in the Community cattle herd and in view of the slaughterings of cows under the reorganization programme in the milk sector, it is estimated that the number of adult cattle marketed in 1980 will be as large as in 1979.

It is expected that more steers (Ireland) and fewer young bulls will be slaughtered and that the number of cows and heifers slaughtered will remain high.

Slaughterings of adult cattle have shown a different trend from slaughterings of calves in recent years: there has been a slight increase in the former and a fall in the latter.

In 1979 slaughterings of calves, amounting to 7.1 million head, also showed an increase (over 2%) on the 1978 figure; during the first half of 1980, however, the number of calves slaughtered fell slightly - by about 1-2% - compared with the level recorded in the first half of 1979.

Slaughtering coefficient (i.e. the relationship between slaughterings and cattle numbers)

With a substantial increase in 1979, the slaughtering coefficient returned to a level comparable with that recorded in 1974 and 1975.

Average slaughter weight

In 1979 average slaughter weights, 284.9 kg for adult cattle and 111.6 kg for calves, were over 3 kg heavier than those recorded in 1978, i.e. increases of 1.1 and 3.1% respectively.

Since feed prices were relatively low, the average slaughter weight of adult cattle continued to rise in 1979 and for calves the rise was even more marked.

#### Production of beef and veal

After reaching the trough of the cycle in 1976 and 1977, production of beef and veal showed a slight recovery in 1978 and a further improvement in 1979. Net production of beef and veal, 6.828 million t in 1979, was 6.2% up on 1978.

In 1979 beef production increased by 6.3% in the Community; during the first half of 1980 production continued to rise, at a rate of 4%.

Production of veal rose by 5.5% in 1979 as a result of the marked increase in average slaughter weight. During the first half of 1980 veal production was the same as in the first half of 1979.

Beef and veal production showed an average annual increase of over 2% up to 1973, but since then the rate has been much lower: about 1.6%.

In recent years cattle-rearing structures have greatly changed:

- the number of cattle farmers has been falling at the rate of 4.5% a year, mainly owing to the disappearance of small farms, and
- the number of animals per farm has been increasing.

Thus, in December 1977, the average size of cattle herd per farm was over 28 head for the Community, about 12 in Italy and 72 in the United Kingdom.

Beef and veal producers fall into three main categories, corresponding to the three categories of animals reared, namely:

- culled cows and young calves (milk production),
- grass-reared adult cattle (beef animals),
- young male cattle fattened on cereal-based feedingstuffs (maize silage) in special production units.

As a result of the great expansion in the organized production of young bulls, young male animals now account for about one third of all adult cattle slaughtered.

### 3. Consumption

#### a) Consumption of beef and veal

Despite continuing economic difficulties, such as the fall in the growth rate as a result of the energy crisis and the significant increase in unemployment, beef and veal consumption again increased substantially in 1979, as in 1977 and 1978.

As supplies were still plentiful, consumption of beef and veal increased by about 1.5% to 6.8 million tonnes. The consumption trend for the coming years is expected to be less favourable, one reason being that there is relatively little income/demand elasticity in the Community at the moment.

Bearing in mind the general economic problems and the unemployment situation in the Community, there is unlikely to be an increase in beef and veal consumption in 1980.

The trend of beef and veal consumption is affected by the following factors:

- population growth, which in recent years has slowed down considerably;
- expansion of the economy, and the pattern of private expenditure in particular;
- the availability of meat on the market and the short-term fluctuations in its price;
- lastly, the size of the trading margin between producer and consumer prices.

a) Annual per capita consumption of beef and veal increased steadily between 1964 and 1971; in 1972 and 1973, however, it stabilized in the Community at around 24.5 kg, about 1 kg less than the maximum attained in 1971. After marked growth again in 1974, per capita consumption levelled out from 1975 to 1977 at just over 25 kg. In 1979, per capita consumption rose again to over 26 kg (compared with 25.8 kg in 1978): 23.1 kg for beef and 3.0 kg for veal.

Up to 1973 per capita consumption had been increasing by an average of over 1% per year. As a result of the economic difficulties connected with the energy crisis, however, the annual increase is now well below 1%.

Over the medium to long term, per capita consumption of beef has increased, while per capita consumption of veal has declined.

b) Thanks to substantial population growth, overall consumption of beef and veal increased considerably up to the beginning of the 1970s (by more than 1.5%); but in 1972 and 1973 it fell slightly, no doubt on account of the cyclical fall in production.

In 1974 consumption increased markedly when production of beef and veal rose sharply; then in 1975 and 1976 consumption increased only slightly; but in 1977, 1978 and 1979 it rose steadily to 6.6, 6.7 and 6.8 million t respectively.

The annual rise in total beef and veal consumption will probably be less in future than in the decade preceding 1973 because of the drop in the birth rate and in the level of economic activity.

#### b) Self-supply rate

In past years the Community market had had abundant supplies of beef and veal, as a result of fairly steady production, the import commitments entered into and intervention stocks.

Over 100% in 1974 and 1975, the self-supply rate for beef and veal dropped to less than 100% for the next three years. In 1979 the self-supply rate was again 100%. Community consumption has not been keeping pace with supply in recent years, as is evidenced by the stocks of intervention meat.

If public stocks have not yet been run down, this is largely because sizeable imports and intervention buying-in have continued. The quantities of intervention meat (including meat qualifying for private storage aid) still in storage in autumn 1980 amounted to some 0.24 million t., expressed in terms of unboned meat. It is likely, therefore, that there will still be a considerable quantity in storage at the end of 1980.

#### Trade

Intra-Community trade in beef and veal, after expanding rapidly during the first few years following the accession of the United Kingdom, Ireland and Denmark, has levelled out over the past three years at around 1.3 million t.

Since 1974 imports of beef and veal from non-member countries have averaged about 0.4 million t:

455 000 t in 1974  
 289 000 t in 1975  
 415 000 t in 1976  
 379 000 t in 1977  
 415 000 t in 1978  
 412 000 t in 1979

It should be noted that many of these imports enter the Community under special conditions.

The Community's external trade

'000 t

Trade	Period	1973	1974	1975	1976	1977	1978	1979
: <u>Imports</u> from non-member countries	:	:	:	:	:	:	:	:
: Beef and veal	:	990	445	289	415	379	415	412
: of which live animals ('000 head)	:	168	102	35	54	46	67	73
: Fresh or chilled meat	:	(846)	(517)	(183)	(265)	(257)	(385)	(451)
: Frozen meat	:	235	83	29	47	48	62	63
: Preserves	:	548	171	77	154	141	122	141
:	:	39(1)	99	148	160	144	164	135
: <u>Exports</u>	:	86	200	237	209	152	168	338
: of which preserves	:	11(1)	22	20	38	41	38	70
:	:	:	:	:	:	:	:	:
: Net trade balance	:	904	255	52	206	227	247	74
:	:	:	:	:	:	:	:	:

(1) EUR 6 only.

Exports of beef and veal, which had exceeded 200 000 t from 1974 to 1976, fell to 152 000 t in 1977 and totalled 168 000 t in 1978. In 1979 they were double the 1978 figure.

The beef and veal deficit in the Community's external trade, more than 200 000 t in both 1977 and 1978, was thus reduced to about 74 000 t in 1979.

The main suppliers of beef and veal to the Community in 1979 were:

- Latin American countries, notably Argentina and Uruguay, supplying around 40% of total imports and over 60% of imports of frozen meat;
- East European countries, supplying about one fifth of total imports and two thirds of the live animals imported, Hungary and Poland accounting for 56%;
- Australia and New Zealand, supplying around 5% of total imports;
- Yugoslavia, supplying about 15% of imports of live animals and fresh and chilled meat;
- Austria, supplying around 20% of live animal and fresh meat imports;
- lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar), supplying about 7% of total imports.

Our main customers in 1979 were:

- Mediterranean European countries (Spain, Yugoslavia, Greece), taking around 30% of our total exports,
- East European countries, also taking around 30% of our total exports,
- African countries, particularly Libya and the Maghreb countries, for over 10% of our total exports, especially live animals,
- Middle East countries, taking under 5% of our total exports.

## 5. Prices

### a) Common prices

The guide price for adult cattle for the 1980/81 marketing year has been fixed at 160.76 ECU/100 kg liveweight for the whole Community.

The guide price, which is applicable to all categories of adult cattle sold on representative markets in the Community, is the price which it is sought to achieve in a normal marketing year by means of Community rules.

The Council has also fixed the intervention price at 144.68 ECU/100 kg liveweight or 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for this marketing year.

b) Market prices

For the past three years market prices for adult cattle, expressed in terms of ECUs, have remained relatively stable, about 130-131 ECU/100 kg liveweight.

In 1979, the average Community market price for adult cattle rose by only 0.2%, which was well below the inflation rate (1). The average prices for adult cattle settled at around 82.25% of the guide price, i.e. at a level well below the Community intervention price.

In mid-September 1980, Community market prices for all qualities of adult cattle still stood at around 81.5% of the guide price.

The Community market price for calves fell by 0.3% in 1979 and during the early months of 1980 there was a further drop of about 3%.

Prices for adult cattle

ECU/100 kg liveweight

Price	Period	1978/79	1979/80	1980/81	% change
Guide price		152.29	154.58	160.76	+ 4 %
Intervention price		137.06	139.12	144.68	+ 4 %
Market price					
- in money terms		130.55	130.65	131.88 <sup>o</sup>	- 0.4 %
- as percentage of					
guide price		86.1	84.8	83.1	
Import price		76.47	82.55	84.50 <sup>o</sup>	+ 3.6 %

<sup>o</sup>April to September 1980

(1) In national currencies, however, this rise averaged about 6%.

c) Import prices

From 1975, the free-at-frontier offer price, although about 20% less than in 1973, varied little up to the end of 1978.

However, over the past two years (1979-80) the offer price for live animals and fresh or chilled meat has risen by about 10% and the offer price for frozen meat has increased even more (by about 40%).

d) Consumer prices

Consumer prices for beef and veal have risen fairly sharply over the years; in 1979 they rose again by over 9% on average in national currencies. This increase is, however, less than the rate of inflation in most Member States.

e) Cost of animal feed

World prices for feed grains rose in 1979 but from a relatively low level in 1978; this, coupled with relatively stable prices for protein-rich products used in animal feed, meant that there was only a slight rise in the cost of commercial feedingstuffs in 1979.

6. Outlook

- a) After the successive falls in cattle numbers recorded up to 1977, there was a rise in cattle numbers in the Community as a whole between December 1977 and December 1978, although the level was still 2% down on the 1973/74 figure.

In 1980, Community production of beef and veal is expected to be higher than the 1979 figure, i.e. some 6.9 million t.

It is estimated that 1981 will see no change.

Consumption of beef and veal rose by about 1.4% in 1979.

Since consumption of beef and veal depends not only on the general economic and employment situations and on the rate of population growth but also on the supply of beef and veal as compared with other red meats, consumption of beef and veal is expected to increase slightly in the coming years.

Given the probable production and consumption trends and the stocks of intervention meat to be sold in the coming months, the Community market will continue to be well supplied with beef and veal in 1980 and 1981.

The self-supply rate will be around 100% in the coming years, as in 1979.

The economic difficulties influencing demand for meat indicate that there will be no marked rise in market prices for adult cattle in 1981.

- b) The decline in the production of beef and veal which began in 1978 is going to continue not only in the major non-member countries using intensive rearing methods, particularly the USA, but also in exporting countries which use extensive methods.

As the import requirements of the traditional importing non-member countries such as the USA will probably exceed availabilities and now that new markets have opened up (Middle East), world prices can be expected to remain firm in 1981.

7. Economic aspects of the measures taken under the common organization of the market in beef and veal

a) Market support measures

In order to support the beef and veal market the Community has continued to apply a number of measures:

- market clearance measures:
  - . granting of export refunds with the possibility of advance fixing of these amounts,
  - . direct buying-in by public intervention agencies:
    - 23 000 t in 1973 (from July 1973)
    - 465 000 t in 1974
    - 414 000 t in 1975
    - 362 000 t in 1976
    - 260 000 t in 1977
    - 227 000 t in 1978
    - 330 000 t in 1979, representing 5.5% of Community beef production.

Up to 1 December 1980 394 000 t had been bought in by the intervention agencies, i.e. about 30% more than during the corresponding period of 1979;

- . granting of private storage aid, in 1979 for forequarters and hindquarters of adult cattle and in 1980 for hindquarters only from October onwards (with provision for boning and/or export after a minimum period of storage).

- measures to stimulate consumption (sale of intervention meat by intervention agencies for direct consumption, allocation of a certain amount of frozen meat from intervention stocks to industry for processing in the Community), reduced-price sales of intervention meat to social welfare organizations.
- aid measures
  - . possibility of granting variable premiums for the slaughter of certain beef cattle (clean cattle); only the United Kingdom has availed itself of this possibility;
  - . the continued grant of a calving premium in Italy;
  - . lastly, to supplement the income of producers specializing in quality meat, the grant of a premium for keeping suckler herds, with effect from the 1980/81 marketing year;
- adjustments to the intervention system  
Following the Commission's proposals for fixing the guide price on a deadweight basis for the standard quality defined by reference to a Community scale for the classification of adult carcasses, the Council decided to introduce the Community scale with effect from the 1981/82 marketing year for carcasses of adult cattle slaughtered in the Community, in particular for price recording and intervention purposes.

b) International agreements

In addition to the normal system of importing beef and veal, the Community has committed itself to importing large quantities of beef and veal annually on the basis of multilateral and bilateral agreements.

Under GATT the Community opens annual tariff quotas for the import of:

- 38 000 head (18 000 on an autonomous basis) of heifers and cows of certain mountain breeds at the rate of 6% and 5 000 head of certain Alpine breeds, other than animals intended for slaughter, at the rate of 4%;
- 50 000 t (in terms of boned meat) of frozen beef and veal, at the rate of 20%.

Under the arrangement for so-called high-quality cuts the Community opens an annual tariff quota for imports of 21 000 (in terms of boned meat) of fresh, chilled and frozen beef and veal, at the rate of 20%, as follows:

- 10 000 t from the United States of America
- 5 000 t from Australia
- 5 000 t from Argentina
- 1 000 t from Uruguay

and a tariff quota for imports of 2 250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the ACP/EEC Lomé Convention special arrangements were introduced for the import of 30 000 t (in terms of boned meat) of beef and veal from Botswana, Swaziland, Kenya and Madagascar. The agreement provides for exemption from customs duties and the reduction of other import charges.

Under the forward estimates for 1980 the Community provided for the possibility of importing:

- 50 000 t (in terms of unboned meat) of frozen beef and veal for processing;
- 230 000 head of young male cattle for fattening.

Under the new commercial agreement with Yugoslavia 34 800 t of fresh or chilled baby beef may be imported annually from that country with a reduced levy.

Under an agreement reached with Austria, Sweden and Switzerland, specific levies may be fixed on imports on live cattle and fresh and chilled beef and veal from those countries.

Given the length of time required for sea transport, the Community has also agreed to the advance fixing of the levy for fresh and chilled meat imported from Argentina and Uruguay.

It is also possible to fix levies in advance on frozen meat imported from Romania, Argentina, Uruguay, Australia and New Zealand.

Lastly, there is provision for imports with customs duties bound under GATT, i.e. with no levy or quantitative limit; this applies to pure-bred breeding animals (exemption from customs duty) and to pure beef preserves (at the rate of 26%).

## 8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on beef and veal amounted to 748.2 million EUA in 1979, is forecast at 1 178.0 million EUA in 1980 and estimated at 1236.0 million EUA in 1981, i.e. 7.2%, 10.2% and 9.6% respectively of total Guarantee Section expenditure. The sum of 1 178.0 million EUA may be broken down into 460.0 million EUA for refunds and 718.0 million EUA for intervention expenditure, including 514.0 million EUA for public and private storage and 88.0 million EUA for premiums, mainly the calving premium and the suckler herd premium.

15. PIGMEAT (1)1. Introduction

In December 1979 there were in the Community altogether 75.0 million pigs on about 2.1 million farms.

Farms with more than 200 pigs numbered about 87 000, or 4% of the total (3% in 1975).

There are still considerable structural differences in pig production from country to country: 225 pigs per farm in the United Kingdom, 9 in Italy, with a Community average of about 36. The average size of the farms continues to increase in the Community Member States but the range between the extremes is steadily widening (in 1977, 196 pigs per farm in the United Kingdom and 8 in Italy, Community average 26).

Specialization in pig farming is still progressing: between 1977 and 1979 the number of farms with over 200 pigs increased by 11.35% while farms with less than 50 pigs are becoming fewer in all Community countries (2.9 million in 1979 compared with 2.2 million in 1977), although they still represent almost 87% of all pig-farms.

The decline in numbers of the smallest farms (1-2 pigs) is slower than that of the average-sized farms with a slightly larger number of pigs (3 to 50 pigs), especially in France and Italy. Given the uncertain economic situation in recent years, many families still fatten a pig to make sure of the supply of a reasonable quantity of cheap meat for their own use.

The size of farms with 10 sows and over is still increasing. The number of such farms decreased by 3.5% between 1977 and 1979 but the number of sows per farm increased.

The number of small farms (1 to 9 sows) decreased by 20% between 1977 and 1979 and the number of sows kept on them also dropped by 20% over the same period.

In terms of geographical distribution, pig production is still concentrated in the areas bordering the North Sea and the English Channel and in Northern Italy.

In 1979, pigmeat accounted for almost 12.1% by value of gross final agricultural production and 42.8% of the total tonnage of meat produced in the Community.

The Community is still the second largest pig producer in the world after China.

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(1) See Tables M.15.1 to M.15.7

## 2. Production

On 1 December 1979, there were in the whole Community 75.4 million pigs, including 8.7 million sows.

Compared with December 1978, the total number of pigs had risen by 0.5%, and sows by 0.2%. The results of the surveys of pig numbers at 1 August 1980 showed that potential supplies had ceased to rise; compared with August 1978, the total number of pigs was 0.2% greater, but that of sows 0.1% smaller. The surveys continue to show a widening difference in potential between countries. In 1979, the Community produced 9.8 million tonnes of pigmeat, 5.0% more than in 1978. The increase in production has continued in 1980: during the first 6 months pigmeat produced by slaughterhouses in the Community was about % up on the same period in 1979. The persistence of abundant supplies of pigs led to price support measures for pig carcasses at levels which required further intervention from the spring of 1980.

Although the increase in total pig numbers, and in breeding sows, in particular lost a little momentum, gross home production increased at the same rate as the previous year. This was due mainly to a further increase in the productivity of breeding herds, thanks to improved feeding techniques and the use of stock of better genetic quality. In some countries, pig farmers are adopting a more professional approach, and processors are also better organized, and these factors, too, are reflected in productivity.

## 3. Consumption

In 1979, pigmeat consumption increased in the Community as a whole by some 3.0% compared with 1978 (9.29 million t in 1978 and 9.50 million t in 1979). Per capita consumption increased from 35.6 to 37.0 kg.

	Internal consumption	kg/inhabitant	Self-supply rate
	1000 tonnes		
EUR 9	9 671	37.1	100.9
BLEU	418	41.0	161.7
Denmark	245	47.9	368.2
Germany	3 889	56.9	88.5
France	2 045	38.2	84.7
Ireland	108	32.1	143.5
Italy	1 296	22.8	74.8
Netherlands	574	40.9	225.1
United Kingdom	1 496	26.7	62.8

Pigmeat consumption continued to increase in all member countries. Germany, with a per capita consumption of almost 57 kg, remains by far the largest consumer (domestic consumption in Germany accounts for 36.8% of the Community total).

In 1979 the balance between gross home production and consumption corresponded to a self-supply rate of 101%.

Denmark still has the highest self-supply rate in the Community (349.8%) but this has been falling steadily since 1974 (427%). Germany (87.8%) is maintaining its rate. The figure has dropped in France (83.6%), the United Kingdom (61.4%) and Belgium (170.9%). Ireland, even with a fall as against 1977, is maintaining its average since 1974. The rate continues to increase in the Netherlands (224.4%), while in Italy, with a slight improvement, the level has remained much the same for several years.

#### 4. Trade

The export-import balance in the various Member States is as follows (all intra-Community and extra-Community trade):

=====				
:	:	:	:	Percentage change
:	:	:	:	1979/78
:	:	:	:	-----
:	:	:	:	Net imports : Net exports
:	:	:	:	-----
: BLEU	:	:	270 800	: - 0.5
: Denmark	:	:	636 000	: + 14.1
: Germany	:	295 500	:	: - 5.2
: France	:	297 300	:	: - 7.0
: Ireland	:	:	48 300	: + 16.1
: Italy	:	325 100	:	: + 21.9
: Netherlands	:	:	758 600	: + 11.1
: United Kingdom	:	747 400	:	: - 14.4
=====				

The positive trends in intra-Community trade, which has steadily increased over the years, show that the integration of the Community pigmeat market is continuing satisfactorily.

In 1979, the quantity of pigmeat products traded between the member countries amounted to 2.12 million t, an increase of 7.7% over 1978 (1.97 million t). Between 1977 and 1978, intra-Community trade had increased by 11.4%.

In trade with non-member countries in 1979, imports were 224 600 t and exports 243 200 t (1).

The Community's trade balance with non-member countries shows a surplus, with net exports of about 18 600 t, replacing the deficit which had been tending to contract for several years, and more rapidly since 1976. The Community's imports in 1979 were down by 23.1% against 1978, while exports increased by 27.3%.

Incomplete returns for 1980 show a fall in exports and increase in imports as against 1979, and the surplus can be expected to disappear.

The breakdown by type of product imported or exported in 1979 is given in the following table:

	<u>Imports from</u> <u>non-member countries</u>	<u>Exports to</u> <u>non-member countries</u>
- live pigs	13.7%	0.1%
- fresh and salted meat	25.0%	42.8%
- lard	31.8%	2.1%
- offal	21.7%	7.5%
- prepared and preserved meat	7.8%	47.5%
Total		

This breakdown shows that fresh meat is accounting for a larger percentage of the total than in previous years. It is very probable that this is a cyclical development, due to the market situation, which has required a more active export refund policy. The Community is still, however, a net exporter of products processed from pigmeat.

With slight variations, imports break down in much the same way as the previous year.

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(1) DG VI; figures include lard and offal.

In 1979, the Community's external trade was mainly with its traditional trading partners.

However, as in the past, certain East European countries (the German Democratic Republic, Hungary, Poland and Romania) were the main suppliers of live pigs and fresh meat.

The other main supplier countries were:

- United States of America (mainly offal)
- China (boned meat)
- Sweden (mainly fresh meat and offal)
- Canada (offal and pig fat)
- Spain (lard)

The EEC continued to export to:

- United States (preserves)
- Japan (meat and preserves)
- Sweden (cuts and offal)
- Certain non-member countries in Europe.

## 5. Prices

### Basic price

Management of the Community pigmeat market depends on the basic price, which is fixed annually for the marketing year from 1 November to 31 October and applies to Class II carcasses on the Community scale.

The basic price represents an equilibrium at which pigmeat production can develop and provide a fair return to producers while the balance between supply and demand is maintained.

Intervention provided for in the Community rules can be activated when prices on the representative markets fall below 103% of the basic price.

The level of the basic price for the period from 1 November 1979 to 31 October 1980 was 150.446 ECU/100 kg.

Given the trend in production costs as a whole and the economic situation, the new basic price applicable from 1 November 1980 to 31 October 1981 was fixed at 158.721 ECU/100 kg of pig carcasses (+5.5%).

### Sluice-gate price

The sluice-gate prices, which are fixed every quarter, are considered to be the normal world market offer prices at the Community frontier, at which products from non-member countries may enter, complying with the prices aimed at by Community market regulations. These prices vary with the price of feed grain on the world market. In 1979/80 the sluice-gate prices were slightly higher than during the preceding period.

### b) Market prices

Between the summer of 1978 and August 1979 prices for pig carcasses on the representative markets showed little change. By January 1979, this had already necessitated the reintroduction of intervention measures, which had to be maintained until September (aid to private storage), when the seasonal upswing in demand led to an increase in pig carcass prices which continued until December. In January-February 1980 prices were still at much the same level as in December. However, in March 1980, they began to fall again and further aid for private storage became necessary in May. There was no recovery in prices before the end of August. In September 1980, the seasonal pick-up in demand led to a slight increase in market prices.

The situation in 1980 confirms that the traditional price cycle has been broken, with a steady increase in the supply of pigs despite market prices persistently well below the basic price.

The reasons for this situation are manifold, and include not only better techniques and improved breeding but also the fact that more and more non-cereal products are being fed to pigs. There is also the fact that market prices are at a relatively low level.

(Table "Pig carcasses prices" on next page)

		<u>Pig carcasses prices</u>							
		ECU/100 kg pig carcase							
		1 Nov.73	7 Oct.74	1 Aug.75	15 Mar.76	1 Nov.77	1 Nov.78	1 Nov.79	1 Nov.80
		6 Oct.74	31 Jul.75	14 Mar.76	31 Oct.77	31 Oct.78	31 Oct.79	31 Oct.80	31 Oct.81
<u>Basic price</u>									
Absolute value	103.97	118.05	128.15	138.40	149.32	148.22	150.44	158.72	
Percentage change	100.00	113.50	123.30	133.10	139.80	142.60	144.70	152.66	
<u>Market price</u>									
Absolute value	118.60	121.87	144.23	140.99	135.62	129.00	(133.94)		
Percentage change	100.00	102.70	121.6	118.40	114.40	108.76	(112.93)		
As a percentage of basic price	114.20	103.20	112.50	101.90	93.30	87.03	89.03		
<u>Sluice-gate price</u>									
Absolute value	102.27	117.28	104.21	103.95	83.78	87.04	110.11		
Percentage change	100.00	114.70	101.90	101.60	81.92	85.00	107.67		

c) World prices

Of the "market economy" non-member countries, the USA is the biggest producer.

U.S. pig prices fell from the first quarter of 1979 onwards, due to increasing supply, reaching their lowest point in the spring of 1980. Despite a subsequent fairly sharp recovery, prices are still well below those of the previous year. The trend in Canada has been similar.

The other countries producing pigmeat on a large scale are the East European countries with State-run economies.

d) Consumer prices

The consumption of fresh pigmeat is only about half of all uses, and the cuts and presentations vary from one country to another. Comparison of prices and qualities at European level is therefore very difficult.

A sharp rise in prices at the production stage always forces up retail prices. However, a reduction in prices at the production stage does not necessarily bring about a reduction in retail prices.

When pig carcass prices on the representative markets fell and remained low in 1979 and 1980, consumer prices for pigmeat were not affected and remained generally stable. Indeed, in some countries, they showed a modest increase.

6. Production costsFeedingstuffs

Feed grain prices on the world market rose in the spring of 1979 and fell again in the summer-autumn of 1980.

Feed prices on the Community market, which in 1979 had developed much as on the world market, none the less remained steady in 1980. The ratio of pig carcass prices to feed barley prices rose a little in the autumn and winter of 1979/80 but fell again in the spring of 1980.

- Other costs

Production costs other than feed make up 25 to 35% of the total production costs of pig carcasses.

They are greatly influenced by the general level of inflation, which was high in 1979 and higher still in 1980.

A further increase in production costs is due to the considerable rise in bank interest rates, which was especially serious for young farmers who had borrowed in order to set themselves up.

7. Outlook

The ample supply of pigs in 1979 kept market prices below the basic price all year. However, on the farms the breeding herd continues to increase, as therefore does production of pigmeat.

There should be a further increase in output in 1981, but possibly at a slightly lower rate than in 1980.

8. Economic aspects of the measures taken under the common organization of the market in pigmeat

a) Levies and refunds

The system for trade with non-Community countries includes, on the import side, levies and, where appropriate, additional amounts, and, on the export side, refunds payable to exporters if necessary.

The levies fixed varied with changes in world and Community feed grain prices; in 1980 there has been a slight increase in the sluice-gate price and the levies have declined as against 1979.

Additional amounts had to be reintroduced for certain products in April 1980, for the first time since mid-October 1979.

The economic situation enabled export refunds to be reduced, while keeping the markets of non-member countries accessible to Community produce.

Subsequently a moderate increase in refunds was necessary in the autumn of 1980, more especially for fresh meat. The refund on canned ham for the United States market was increased twice (in November and September 1980) before a level was found which made Community exports viable, after the United States authorities found that the Community's refund policy had not disturbed the American market.

b) Intervention

The somewhat better prices for pig carcasses at the end of 1979 lasted only until February 1980. Since then prices have fallen. In May 1980 support measures in the form of aid to private storage had to be introduced. The first aid measure applied until 21 June and concerned about 46 000 tonnes. On 1 August the same measures had to be reintroduced until 3 October. The quantities involved were about 40 000 tonnes. The effect was a certain stabilization of market prices, and even a slight improvement, in the autumn of 1980.

9. Budgetary expenditure

EAGGF Guarantee Section expenditure in 1980 on pigmeat is of the order of 112 million ECU, including 88 million on export refunds and 24 million of private storage aid (estimates subject to correction).

Total expenditure in 1980 is at least 7% above total expenditure in 1979.

## 16. EGGS (1)

### 1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1978</u>	<u>1979</u>
Eggs/livestock products	6%	6%
Eggs/total agricultural production	3.5%	3.3%

The process of rationalization and concentration of production in a smaller number of larger undertakings continues. In 1975 more than half of Community output came from 0.2% of the undertakings. A variety of types of contractual arrangement and the integrated operation of undertakings are also characteristic features of the sector. However, many eggs are still sold by the producer directly to the consumer, even in countries where the wholesale and retail trades have undergone the greatest degree of rationalization (Germany, United Kingdom).

As regards operators, contacts with the representative associations in the Community have been intensified with a view to setting up a joint-trade body.

### 2. Production, consumption and trade

In 1979 Community production of eggs (3.96 million tonnes) was the same as in the previous year, with the number of laying hens being slightly down on 1978. On the basis of data indicating that chick placings fell by 5% during 1979, it is to be expected that Community production will not change in 1980, with the exception of the Netherlands and France, where output is expected to increase. These are the only two Member States where there has been an appreciable expansion of egg production since the crisis year of 1970.

Overall consumption, already down in 1979 (3.68 million tonnes), will probably not increase in 1980, in view of prices.

Intra-Community trade increased by 12% in 1979, with Germany still being the biggest buyer followed by France. The Netherlands and Belgium were the main suppliers. In 1980 imports of eggs by the United Kingdom, which had been a net exporter for several years, increased.

Trade with non-Community countries amounted to more than 94 000 tonnes, with exports at 66 000 tonnes and imports at 28 000 tonnes. Although exports account for only about 2% of Community output, they have major repercussions on the internal market, because of the low elasticity of Community demand. Supported by high refunds, exports increased sharply in 1979 and remained high in 1980. Imports on the other hand fell during 1979, especially consignments from certain Eastern European countries which had to comply with the sluice-gate price.

(1) See Tables M.16.1. - M.16.6.

### 3. Prices

After the market crisis in 1978 and the first half of 1979, the fall in production and increased exports in the second half of 1979 led to a satisfactory level of prices up to mid-1980. The seasonal fall in the summer of 1980 was not as serious as in the two previous years, but the market is none the less still somewhat unstable.

Consumer prices have not been running exactly parallel with producer prices and there has been a tendency for profit margins to widen, especially when producer prices have risen.

### 4. Outlook

Egg production is following a cycle which "peaked out" in late 1978/early 1979. The fall in prices during this period led to a reduction in the flock and in chick placings in 1979 in most Member States.

However, the improved market situation in late 1979 and 1980 does not seem likely to last long in view of the further increase since January 1980 of chick placings for laying and the long-term expansion in the Netherlands and France. Only in the United Kingdom is the downward trend in output continuing. For the Community as a whole, supplies in 1981 will therefore again be on the increase, and it is thus to be feared that the situation on the Community egg market will again be determined to a large extent by the level of exports outside the Community.

### 5. Measures taken under the common organization of the market

- a) Sluice-gate prices were increased on 1 November 1979 by 5%, in line with the trend in feed grain prices on the world market. At 1 August 1980 they were practically unchanged, while levies had risen 10% as a result of the new grain prices fixed in the Community.
- b) Refunds on eggs in shell were reduced from 24 ECU/100 kg (level set on 1 May 1979) to 21.50 ECU/100 kg on 15 January 1980 and 20 ECU/100 kg on 14 April 1980, while refunds for egg products were reduced only on 15 January 1980. From that date, refunds were introduced on hatching eggs for all non-Community countries except the United States.
- c) Under the measures for better supervision of exports of agricultural products, the Commission adopted on 24 January 1980 a regulation provided for the Member States to provide monthly information on the advance fixing of refunds in the egg sector.

### 6. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on eggs amounted to 15.9 million EUA in 1979; the provisional figure for 1980 is 22 million EUA and the estimate for 1981 is 24.0 million EUA. All this expenditure is on refunds.

The accession of Greece does not substantially alter the situation on the Community market in eggs, except that it opens up the possibility for expansion of trade with that country in certain products in the sector.

17. POULTRYMEAT (1)1. Introduction

In 1979 the relative value of poultrymeat production was still substantial and fairly similar to that of eggs, that is, together about 13.5% of livestock production and 8% of total agricultural production. The figures relating to poultrymeat alone are:

	<u>1978</u>	<u>1979</u>
Poultrymeat/livestock products	7.0%	7%
Poultrymeat/total agricultural production	4.1%	4.1%

Poultrymeat production is still characterized by concentration and by various forms of vertical and horizontal integration. The degree of concentration is greater in the poultrymeat sector than in the egg sector, since in the northern countries of the EEC more than 90% of production is accounted for by holdings with more than 10 000 birds.

2. Production, consumption and trade

In 1979 total Community poultrymeat production (3 740 000 t) increased by 4.2% (+ 7.6% in France and - 1.9% in Belgium, the only country where production fell). The rate of increase as regards chickens (3%), representing about two-thirds of total production, was less marked than for turkeys (+ 11%) and ducks (+ 7%). In 1980 the increase continued at the same rate for chickens (with the exception of Denmark) but was less for turkeys in most Member States, except for France, Italy and Ireland).

With consumption having increased by only 1.9% in 1979, the Community's self-supply rate rose to 105.4%.

Intra-Community trade ceased to increase in 1979 owing to increased production in Germany and rising demand in non-member countries.

Exports to non-member countries in 1979 reached a total of 263 000 t (+ 38%), made up mainly of chickens for the Middle East and the USSR. In 1980 this figure will probably be higher in view of the demand in certain non-member countries. Exports of chickens represent 10% of Community production, and the trend is upward.

Imports represent only 1.8% of consumption. They include geese and ducks (31 000 t) from Eastern European countries, which for the most part benefited from the non-application of additional amounts following the guarantee given by those countries to observe the sluice-gate price. In 1979 imports of turkey meat from the USA were 2 000 t up on 1978. The GATT agreements provide for consultations with the USA if exports exceed the average for 1977/78.

### 3. Prices

After the drop in the market prices for chickens in 1978, there was a general rise in 1979 (with the exception of France) and at the beginning of 1980 prices even gradually rose above the high level of 1977.

This trend can be explained by the fact that European slaughterhouses do not always have sufficient stocks available to meet export demand. Consumer prices have not kept pace with the increase in market prices in Benelux and Germany, which reflects a temporary saturation of those markets, particularly as regards frozen chickens.

### 4. Outlook

It is difficult to forecast poultrymeat production accurately on the basis of parent stock. The problem is that only a very short production period is necessary to increase parent stock - a matter of six to twelve months - and that the number of chicks used can vary greatly in relation to the potential available.

Poultrymeat production is variable and depends on many factors including recent prices, feedingstuff costs, export possibilities and the general trend in demand.

Since parent stock was reduced at the end of 1978 and in 1979 following the fall in market prices in 1978, placings of laying hens of meat breeds rose again considerably (about 7%) in 1980, following the 1979/80 rise in prices. There will therefore be a rapid expansion of Community production potential in 1981 and the market situation will be more dependent on export outlets to non-member countries.

As regards turkeys, the rather unsatisfactory market prices in 1979 have already led to a reduction in the first six months of 1980 in the placings of turkey poults in some Member States. Since world market demand is limited, the Community market situation will probably remain unstable and depend to a large extent on the trend in incomes and on the prices of competing products in the Community. A favourable development has, however, been noted in the turkey cuts and preparations sector which is facilitating the disposal of turkey production.

### 5. Measures taken under the common organization of the market

- a) Following the trend in feed-grain prices on the world market, sluice-gate prices were slightly increased on 1 November 1979 (+2%) and then, on 1 May 1980 reduced again for chickens (-1%). When the new cereals prices were fixed on 1 August 1980, the sluice-gate prices remained practically unchanged but the levies were increased on that date.
- b) On 1 January 1980 the coefficients used for calculating the sluice-gate prices and levies for certain cuts of turkeys and for products derived from turkeys were altered.

- c) The measures taken by the Commission in January 1980 concerning Community exports of certain agricultural products included, with effect from 25 January 1980, a surveillance system for the advance-fixing of export refunds for eggs and poultrymeat, thus enabling the volume and destination of chicken exports to be monitored.
- d) Refunds for chickens were reduced from 25 ECU/100 kg on 15 August 1979 to 22 ECU on 21 January 1980 and to 19 ECU on 14 April 1980, while refunds for certain cuts of poultry remained unchanged.

With effect from 21 January 1980 the list of products for which refunds are granted has been extended to include ducks, turkeys, turkey products and day-old chicks. The refunds are to be granted on exports of these products to all non-member countries with the exception of the United States.

- e) In the light of further research into the problem, the Commission adopted two Regulations in October 1980 concerning technical adjustments to and detailed rules for the application of the Council Regulation laying down common standards concerning the water content of frozen and deep-frozen poultrymeat. Under that Regulation, poultrymeat with an extraneous water content exceeding the inevitable technical minimum may not be marketed as such within the Community unless this is specified on the labelling. The inspection rules will apply with effect from 1 April 1981.

#### 6. Budgetary expenditure

In parallel with the trend in exports and the rates of refunds, expenditure by the Guarantee Section of the EAGGF on poultrymeat doubled from 31.2 million EUA in 1978 to 63.5 million EUA in 1979; the provisional figure for 1980 is 72 and the estimate for 1981 is 80 million EUA.

The accession of Greece will have very little effect on the Community's degree of self-supply for poultrymeat. However, a boost to intra-Community trade with Greece can be expected in the case of some products in the sector.

18. SILKWORMS (1)

Silkworm rearing, which is practised in Italy and on a small scale for research purposes in France, represents only a tiny fraction of Community agricultural activity and of world sericulture (54 800 t of raw silk in 1979 according to the FAO).

Silkworm rearing is practised in Greece as well, mainly to meet the requirements of the domestic market.

Relatively high prices for raw silk on the world market have had a stimulating effect on raw silk production. Approximately 10 500 boxes of seed were used in 1979, but exceptionally bad weather (severe frosts) meant that seed from only 5 500 boxes was successfully cultivated, and hence only 147 t of cocoons were produced. In 1978, 8 700 boxes produced 203 t of cocoons.

For 1980/81 the amount of the aid has been fixed at 61.21 ECU per box, compared with 67.50 ECU for 1979/80 (+ 5.5%).

Expenditure by the EAGGF Guarantee Section on the silkworm sector amounted to 0.5 million EUA in 1979, is forecast at 1,0 million EUA in 1980 and estimated at 1.2 million EUA in 1981.

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(1) See Table M.18.1

19. SHEEPMEAT1. Production

In 1979 the production of sheepmeat and goatmeat (gross domestic production 529 000 tonnes) continued to increase (+ 2.1% in comparison with 1978) following increased slaughtering (+ 3.4% head), whereas the average weight per head fell slightly (17.7 kg/head in 1979 against 18.0 in 1978).

2. Sheep numbers

The number of sheep in the Community continued to rise (as it has been doing almost uninterruptedly since 1971) and stood at 46.8 million in December 1979. However, in 1979 the increase was only 0.6% (compared with 3.9% in 1978).

3. Consumption

Total consumption (809 000 tonnes in 1979 (1)) followed the same rhythm as production (+ 2.1%).

4. Prices

Prices remained stable (except in Ireland and Italy where they rose by approximately 10%).

Prices on the United Kingdom market in 1979 were 73% of French prices (against 55% in 1977 and 72% in 1978).

5. Trade

- in 1979 the Community imported 273 650 tonnes (2) of sheepmeat and goatmeat from non-Community countries, as against 275 440 tonnes in 1978. Intra-Community trade decreased in 1979 (94 233 tonnes, whereas it amounted to 102 500 tonnes in 1978). It continued to be dominated by a flow of roughly 45 000 tonnes towards France.
- The Community exported approximately 10 000 tonnes of sheepmeat to non-Member countries.

6. Self-supply rate

The Community self-supply rate remained steady in 1979 at around 65% (1977: 63.8% - 1978: 65.3% - 1979: 65.3%).

7. Non-member countries

Sheep numbers continued to increase in exporting non-member countries in 1979 (New Zealand: + 1%; Australia: + 2.7%).

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(1) Including 4 000 tonnes for industrial purposes.

(2) Expressed as product weight; the figure for slaughter weight would be approximately 285 000 tonnes.

## 8. Outlook for 1980

In 1980 there was a very steep increase in production (+12.1%) and a considerable increase in consumption (+5.7%) in the Community.

Production increased in all Member States, but particularly in the United Kingdom (+12.9%) and France (+11.6%).

Consumption increased in the United Kingdom (+4%), under the influence of a sharply falling market price (1).

In 1980 the average market price for the Community may be estimated at 287.4 ECU/100 kg or 10% lower than the average price for 1979.

The Community's rate of self-supply for 1980 will be close to 70%.

## 9. Forecast for 1981

In 1981 Community production should increase only slightly (+1% approximately). A further increase in consumption (+2%) is expected, partly as a result of the possibilities open to non-member countries under the voluntary-restraint agreements concluded in respect of quantities totalling some 320 000 t for the Community of Ten (expressed in terms of carcase weight equivalent).

## 10. Consequences of the accession of Greece

The accession of Greece is likely to increase the Community's sheepmeat deficit by about 12 000 t. The estimated figures for the Ten in 1981 are as follows:

Production	678 000 t
Consumption	958 000 t
Difference	280 000 t

Consequently, the degree of self-supply for 1981 is put at 71% for the Ten (69% for the Nine).

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(1) 216 ECU/100 kg, compared with 267 ECU/100 kg in 1979 (-19%).

TABLE No 1

EEC - SHEEPMATE PRODUCTION  
(Gross domestic production)

	1973 (1)	1974 (1)	1975 (1)	1976 (1)	1977 (1)	1978 (1)	1979 (1)	1980 (2)	1981 (3)
Member State	: 14	: 16	: 18	: 18	: 19	: 18.0	: 18	: 18.6	: 20.0
Germany	: 128	: 133	: 131	: 147	: 145	: 147	: 159.5	: 178.0	: 180.0
France	: 32	: 32	: 32	: 34	: 36	: 51.5	: 52	: 60.0	: 65.0
Italy	: 10	: 16	: 18	: 17	: 17	: 18	: 20.5	: 22.0	: 23.0
Netherlands	: 4	: 3	: 4	: 3	: 3	: 4	: 3	: 3.8	: 3.8
BLEU	: 235	: 254	: 263	: 250	: 228	: 237	: 241	: 272.0	: 270.0
United Kingdom	: 42	: 44	: 48	: 38	: 37	: 41	: 34	: 38.0	: 34.4
Ireland	: 1	: 1	: 1	: 1	: 0.5	: 0.5	: 0.5	: 0.7	: 0.7
Denmark	: 466	: 499	: 515	: 508	: 485.5	: 517.0	: 529	: 593.1	: 596.9
EEC total									

- (1) Source SOEC (including goatmeat)  
(2) Estimates (from national sources)  
(3) Forecasts ( " " )  
(4) ISTAT adopted a new method of calculation for 1978 and 1979 (and following years)

TABLE No 2  
CENSUS OF SHEEP IN THE EEC

December census	Total numbers, '000 head												
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
: EEC	41 620	41 501	40 881	40 923	41 775	42 548	43 137	42 865	43 720	44 803	46 520	46 800	47 500
: Germany	830	841	843	850	908	1 016	1 040	1 087	1 091	1 135	1 136	1 145	
: France	9 507	10 037	10 239	10 115	10 191	10 324	10 569	10 803	11 046	11 255	11 642	11 799	
: Italy	8 206	8 138	7 948	7 846	7 770	7 809	7 995	8 152	8 445	8 694	8 973	9 110	
: Netherlands	360	360	375	375	388	430	490	495	510	523	548	585	
: (1)													
: Belgium	84	85	66	66	69	74	81	83	82	84	91	84	
: Luxembourg	4	5	5	5	5	5	5	5	5	5	5	5	
: United Kingdom (1)	19 667	10 157	18 499	18 749	19 447	19 989	20 187	19 536	19 900	20 524	21 651	21 658	
: Ireland	2 852	2 788	2 836	2 862	2 835	2 845	2 711	2 653	2 582	2 526	2 418	2 360	
: Denmark (2)	110	90	70	55	52	56	59	61	59	57	54	57	

(1) May census

(2) June census (excluding Greenland; approx. 20 000 head)

Source: SOEC

TABLE N° 3

EEC - SHEEPMATE PRODUCTION  
(Total human consumption)

	1973 (1)	1974 (1)	1975 (1)	1976 (1)	1977 (1)	1978 (1)	1979 (1)	1980 (2)	1981 (3)
Member State	24	24	38	42	43	46	53	55.0	58.0
Germany	180	182	190	195	198	202	208	219.0	230.0
France	61	62	61	63	61	81.5	84	100.0	100.0
Italy (4)	3	2	3	3	4	5	7	6.5	6.5
Netherlands	11	12	13	16	18	20	21	22.5	22.5
BLEU	468	441	475	438	400	388	403	419.0	420.0
United Kingdom	32	34	34	33	33	30	26	25.0	25.0
Ireland	2	2	2	2	2	3	3	3.6	3.6
Denmark	781	749	816	792	759	775.5	805	850.6	865.6
EEC total									

(1) Source SOEC (including goatmeat)

(2) Estimates (from national sources)

(3) Forecasts ( " " )

(4) ISTAT adopted a new method of calculation for 1978 and 1979 (and following years)

EEC 10 production and consumption of sheepmeat

'000 t Slaughter Weight

	Gross domestic production			total human consumption		
	1979 (1)	1980 (2)	1981 (3)	1979(1a)	1980 (2)	1981 (3)
Germany	18.14	18.60	20.00	53.00	55.00	58.00
France	159.50	178.00	180.00	208.00	219.00	230.00
Italy (4)	52.08	60.00	65.00	84.00	100.00	100.00
Netherlands	20.65	22.00	23.00	7.00	6.50	6.50
Belgium	3.80	3.80	3.80	20.50	22.00	22.00
Luxembourg	0.14	0.14	0.15	0.53	0.53	0.53
United Kingdom	241.00	272.00	270.00	403.00	419.00	420.00
Ireland	34.20	38.00	34.40	26.00	25.00	25.00
Denmark	0.62	0.70	0.70	3.00	3.60	3.60
Greece	80.22	80.14	81.00	91.84	87.10	93.00
EEC total	610.35	673.38	678.05	896.87	937.73	958.63

- (1) Source SOEC (including goatmeat) excluding Belgium, Denmark, Greece and Luxembourg (from national sources)
- (1a) Source SOEC (including goatmeat) excluding Greece and Luxembourg (from national sources)
- (2) Estimates (from national sources)
- (3) Forecasts (from national sources)
- (4) ISTAT adopted a new method of calculation for 1978 and 1979 (and following years)
- (5) including Greenland

20.a AGRICULTURAL ALCOHOL1. Introduction

No progress has been made towards creating a single market.

2. Production

Production of agricultural alcohol remains stable. In 1979 it was almost as high once again as in 1977. This was, however, a 6.3% increase on 1978.

In Italy a slight drop in molasses alcohol production was offset by an increase in vinous alcohol production.

France is still the main producer of agricultural alcohol.

3. Consumption

Total consumption continues at the same level in the Community but consumption of agricultural alcohol is losing ground in Belgium and the Netherlands in favour of synthetic alcohol.

4. Prices

The upward movement in molasses alcohol prices noted last year has continued. Thus the prices of molasses alcohol have not got appreciably closer to those of synthetic alcohol.

5. Trade

Intra-Community trade is still on only a very small scale.

There is, however, a relatively heavy flow of temporary imports of agricultural alcohol under the inward processing arrangements.

6. Outlook

The market in alcohol is tending more and more to settle into patterns corresponding to the individual Member States. This is not helping progress towards the development of a Community system.

7. Expenditure

The Community still has a commitment to grant refunds on exports of spiritous beverages obtained from cereals.

## 8. The accession of Greece does not really alter the situation in this sector.

20.b POTATOES (1)1. Introduction

No common organization of the market yet exists for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 covering the whole range of fresh and processed products.

It provides for:

- marketing standards;
- measures to encourage the formation of producer groups;
- limitation of support measures to those required to keep the market stable;
- a system of trade with non-member countries incorporating a reference price system for new potatoes.

Products such as potato starch (2), dehydrated potatoes (3) and products processed from potatoes (4) are already subject to a common organization. The marketing of seed potatoes is subject to a Council Directive (5).

2. Production

According to FAO statistics the world harvest in 1979 was 283 252 000 t. The Community, with 34 678 000 t, grew about 12% of the world total. The average yield per hectare in the EEC is almost double the world average. The value of potato production represented % of the value of final agricultural production in the Community. Available statistics indicate that 2.4 m holdings (in the enlarged Community) grew potatoes. At national level the production structure is very variable, the average crop area per farm being 5.3 ha in the United Kingdom and about 0.4 ha in France and Italy.

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- (1) See Tables M.19.b.1 to M.19.b.4
  - (2) Regulation (EEC) No 120/67 of 13.6.1967, OJ No L 117 of 19.6.1967, p. 2209
  - (3) Council Regulation (EEC) No 1117/78 of 22 May 1978, OJ No L 142 of 30.5.1978.
  - (4) Council Regulation (EEC) No 516/77 of 14.3.1977, OJ No L 73 of 21.3.1977.
  - (5) Consolidated version of Council Directive of 14.6.1966, OJ No 66 of 8.6.1966, p. 35.

Since 1951-1955 the total area under potatoes in the EEC has dropped by about 66%, from 3 512 000 ha in 1951-55 to 1 200 000 ha in 1979. Because of the increase in yields per hectare, however, production has fallen by only 44% (61 957 000 t in 1951-55, 34 678 000 t in 1979).

The Community is basically self-sufficient but there have been supply problems following very dry years (in 1975 about 33 million t and in 1976 about 29 million t).

Both the area under new potatoes (about 114 000 ha) and production (about 2 million t) have remained almost the same over the past ten years and there continues to be a shortfall, about 450 000 t being imported every year.

In 1979 the area under seed potatoes in the EEC was the same as in 1978, about 112 000 ha. About 3 million t are harvested, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips etc.) are also important in the potato sector. About 3 million t of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and are mainly grown under contracts between farmers and the processing industry. Development has been very rapid and conditions are right for further expansion in the near future of a number of products.

## Consumption

Unprocessed potatoes are used mainly as foodstuffs and are used to a lesser extent for feeding animals. The quantities turned by the processing industry into products for human consumption represent about 16% of total human consumption.

### a) Human consumption

Per capita consumption of fresh potatoes is increasing slightly. After a big drop in 1976/77 as a result of the drought in 1976 (69.1 kg per head), it climbed to 76.2 kg in 1977/78 and to 78.8 kg in 1978/79.

### b) Animal feeding

The amount used for feeding animals varies from 3 million t to 7 million t depending on the volume of the harvest. In 1978/79 it was 6 391 000 t, comprising 3 145 000 t in Germany, 609 000 t in France, 251 000 t in Italy, 617 000 t in the Netherlands, 1 157 000 t in the United Kingdom and 378 000 t in Ireland.

### c) Products processed for human consumption

Consumption of products processed from potatoes (about 3 million t in 1979) continues to increase.

Consumption of certain products such as deep-frozen pre-cooked products should increase further.

## 4. Trade

Intra-Community trade in potatoes absorbs only about 4% of total production, for seed potatoes and new potatoes the figure being between 12 and 15%. The surplus countries are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Italy exports new potatoes and imports seed potatoes and ware potatoes. Denmark and the BLEU also have a large-scale import-export trade.

The structure of Community trade in processed products is similar to that in unprocessed products. The Netherlands and France are exporting countries and the others are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. Seed potatoes are exported to South America, Africa and Asia and new potatoes imported from the countries round the Mediterranean.

## 5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of demand, plentiful harvests tend to force down prices quite sharply. Other factors may affect prices, for example the weather and unexpected exports to countries with shortages.

In 1979/80 prices started at average levels, higher than those of the previous year: at Rotterdam 6.98 EUA/100 kg on 10 September 1979 for Bintje + 35 mm; at Arras 7.67 EUA/100 kg for Bintje + 40 mm; at London 13.48 EUA/100 kg for several varieties.

After the Christmas period, when the trend is set for the rest of the year, prices were slightly higher and were expected to rise still more. But from January onwards they dropped and on 30 May 1980 were as follows: at Rotterdam 3.28 ECU/100 kg for Bintje + 35 mm; at Arras 3.08 ECU/100 kg for Bintje + 40 mm; at London 12.29 ECU/100 kg for several varieties. At the end of the year a number of Member States took measures. The lower prices for late potatoes meant that prices for the 1980 new potatoes were also lower.

The main reasons for the way prices developed during the year are: the very mild winter, which encouraged consumption of other vegetables, the smallness of the 1979 potatoes, which discouraged consumption, the very small quantities of sorting rejects and the selling of seed potato stocks for consumption.

At New York the price for round white-fleshed varieties varied from 12 ECU/100 kg on 5 November to 7.55 ECU/100 kg on 28 April.

The prices of new potatoes and seed potatoes are higher than those of late potatoes. The difference varies by a large amount depending on the size of the harvest and the level of late crop prices. If these are low, the prices of both seed and new potatoes fall.

New potato prices also vary by origin and variety. Seed potatoes for which a monopoly is held are dearer than free varieties.

## 6. Outlook

The 1979/80 marketing year was one of undoubtedly disappointing prices and the first provisional figures from the SOEC put the area under potatoes in 1980 4.5% down on 1979 (1 200 000 ha in 1979, 1 146 000 ha in 1980), the sharpest drops being again in the United Kingdom (- 14.7%) and in Germany (- 5.7%).

The first returns from the Member States show that the crop has been heavy with probably a high percentage of deformed and split tubers and consequently large quantities of sorting rejects. The total harvest is expected to be higher than last year's (34 678 000 t).

The Rotterdam market opened with prices lower than last year's: 6.98 ECU/100 kg for Bintje +35 mm in 1979, 5.56 ECU/100 kg in 1980. In France prices at Arras were also lower: 7.67 ECU/100 kg in 1979, 4.87 ECU/100 kg in 1980. In the United Kingdom 12.48 ECU/100 kg in 1979, 9.45 ECU/100 kg in 1980.

Prices will probably not undergo any substantial changes before Christmas. Long-term market trends will not be discernible before early January. The marketing year will subsequently be influenced, as always, by the weather, by the volume of rejects and by the quantities exported.

## 7. Economic aspects

In the absence of a Community market organization steps have been taken by some Member States: intervention in respect of late potatoes in the United Kingdom, support measures for late potatoes and new potatoes in France.

#### 8. Accession of Greece

Greek production amounts at present to just under 1 million t. Following the accession of Greece the situation in the ware and seed potatoes sector will remain virtually unchanged, while the Community's degree of self-supply for new potatoes is likely to increase slightly.

20.c HONEY (1)1. Introduction

Honey is not subject to a common organization of the market. The only general charge on imports is a 27% customs duty, reduced to 25% on honey from most developing countries and to nil for honey from the 28 least-developed countries and the ACP countries.

2. Production, consumption and trade

In 1978/79 the EEC produced 32 000 t of honey and imported 104 000 t. Germany alone was responsible for 41% of Community production in 1977/78 and France for 28%.

Germany was also the biggest importer (58%) of the Nine, followed by the United Kingdom (19%). The EEC produces only 35% of its requirements but the amounts produced by the Member States vary widely. Basically the EEC may be divided into countries with a high degree of self-supply (France, Italy and Denmark) and those dependent on imports for most of their requirements. France increases its degree of self-supply by applying quantitative restrictions on imports from certain countries and by applying Article 115 of the Treaty of Rome (protective measures to those from certain other countries).

The divergent trade policies of the Member States explain the difficulty of introducing a common market organization.

3. Common measures to assist beekeeping

Between 1968 and 1973 the EEC granted indirect aid to beekeepers in the form of a premium for denatured sugar for feeding bees. This was abolished in 1974 because of the sugar shortage. In 1976 the EEC granted direct aid amounting to 3 million EUA to associations of beekeepers; this aid came from special funds voted by the European Parliament and not from the EAGGF budget.

In 1977 the EEC reintroduced the premium for denatured sugar for feeding to bees.

With the accession of Greece, the Community's production potential will increase by about 30%. However, Greek exports account for only 2-3% of Community imports, so that the common market's honey deficit will not change significantly.

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(1) See Table M.19.d.1.

## 21. FEEDINGSTUFFS

### 1. SUPPLY AND CONSUMPTION IN 1979

Supplies of both energy-giving raw materials and proteins were abundant in 1979. As often happens, there was some apprehension on this point in the spring, but doubts were quickly dispelled when the world supply position became known. Increases in Feedingstuff prices generally lagged behind inflation rates. This tended to boost the volume of compound feedingstuffs used, which in fact increased more than the volume of livestock products. The rate of penetration of compound feedingstuffs is therefore rising.

Slightly more cereals were used in animal feed, partly because Thailand curbed its manioc exports to the Community on a voluntary basis. On the other hand, Indonesia stepped up its exports of this product to the Community very sharply, so that the increase in cereal consumption in the Community is in fact due more to an increase in demand for livestock products.

As a result of certain market measures, skimmed-milk powder for calf feed became scarce, and users felt that a shortage was about to develop.

On the demand side an increase of about 6% in pigmeat production generated an increase in consumption of more than 5%. The relatively low prices for eggs at the beginning of the year were due to an excess of production over final demand. The situation improved at the end of the year and it may be concluded that average demand for feedingstuffs over the year is practically the same as in 1978.

Demand for poultrymeat is going up and an increasing proportion of production is being exported. Total consumption of compound feedingstuffs in the sector rose by about 5%.

Cattle numbers are not increasing, but it would appear that the favourable prices of compound feedingstuffs are inducing producers to allow average slaughter weights to increase. This has been to the benefit of the feedingstuffs industry, and tonnage figures for compound feedingstuffs for cattle are increasing more rapidly than for other animals.

## 2. PRODUCTION OF COMPOUND FEEDINGSTUFFS IN 1979

Production of compound feedingstuffs in the Community in 1979 was 77 920 000 t, an increase of 8.7% on 1978. This increase is not identical for all the Member States or for all feedingstuff types. However, only in the BLEU was there a decline in total production, although the volume of feedingstuffs for cattle increased by more than 13%.

Caution is nonetheless required in interpreting the figures. The increase in production of 10.7% in Germany may be more apparent than real as it was only during 1979 that factories were first required to report production feedingstuffs for pets need not be reported. The drop in production of feedingstuffs for laying hens is a source of concern for German producers, who fear the loss of the egg market to the Netherlands.

In France production is rising more slowly than in any other EEC country except the BLEU. There is no ready explanation for this, as France has a shortfall in meat.

Production in the Netherlands is reaching a very high level. The volume produced is the highest in the EEC per head of population and exceeds domestic requirements.

Production continues to increase in the United Kingdom, Denmark, Ireland.

Comparisons with figures for the different sectors in 1978 show that feedingstuffs for cattle and for animals other than poultry and pigs show the highest rates of increase. Cattle also account for the highest increase in absolute terms (3 400 000 t), but compared with total requirements for this class of livestock, production of compound feed remains very low.

## 3. REQUIREMENTS

In general, requirements increased in all sectors in proportion to the volume of production, but the increase was particularly marked for pigs.

The apparent covering of feedstuff requirements for livestock production shows an improvement of the rate of penetration.

Sector	Requirements		Production of compound feedingstuffs		Percentage of requirements	
	1978	1979	1978	1979	1978	1979
Cattle	166.902	171.492	24.568	27.989	14,7	16,3
Pigs	45.482	47.760	25.049	26.463	55,1	55,4
Poultry	26.492	27.026	19.091	20.046	72,1	74,2
Others	25.410	25.530	2.994	3.422	11,8	13,4
Total	264.286	271.808	71.702	77.920	27,1	28,7

Calculations DG VI

#### OUTLOOK

The feedingstuffs industry which has major problems in its own area, now also has to contend with the general economic situation overshadowed by the energy supply position.

The aim of the feedingstuffs industry is, and will remain over the coming years, to make the best possible use of available resources in order to provide stock-farmers with quality feedingstuffs at the lowest possible prices. The increase in the tonnage of compound feedingstuffs used shows the increasing penetration of industrial feeds in stock-farming. This is helping to improve productivity, largely to the benefit of the consumer, as it is he who determines the level of demand.

As far as raw materials are concerned, the shortfall of proteins remains very serious, despite the Community's efforts to improve the degree of self-supply.

A poor harvest in soya-producing countries, for example, could well, by forcing up prices, impair productivity severely within the Community: imported protein, being of great biological value, enables the Community to make optimum use of farm fodder, both cereals and silage, while in the case of monogastric animals such protein supplies are, of course, indispensable.

There do not appear to be any future problems with regard to energy-producing raw materials, large quantities being available both inside and outside the Community.

The increase in demand for feedingstuffs will remain proportional to that of livestock production. However, the increasing use of concentrates could well, in the medium or long term, lead to far-reaching changes in patterns of animal feeding, especially through a reduction in the proportion of cereals used.

The accession of Greece to the Community will not alter our pattern of trade in supplies of raw materials for animal feed.

Problems may arise in Greece, however, where the policy on purchase and supplies of raw materials differs radically from the pattern in the Nine.

The possibility of trade in animal feed with Greece should not be ruled out unless the industry modernizes rapidly.

Greece will also have some problem maintaining the export links it has at present with the Arab countries.