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PART II

THE STATE OF AGRICULTURE IN THE COMMUNITY

1974 REPORT

Part II - Analysis

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The state of agriculture in the Community

1974 Report

Part II - Analysis

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1. OVERALL REVIEW OF AGRICULTURAL TRADE IN THE COMMUNITY¹

1. The situation of Community agricultural trade in a world context¹

During the period 1960 - 1972, world trade in industrial products rose by 255% and in agricultural produce by 77.8%. The share of agricultural produce in world trade is thus declining. In fact, it fell from 32.4% in 1960 to 19.3% in 1972.

A similar tendency can be seen in Community trade. However, the share of agricultural produce in Community imports is higher (28.5%) than in total world trade (19.3%).

Consequently, the Community accounts for a considerable part of world trade in agricultural produce (about 33%) whilst in the industrial sector, its share is more modest (26.5%).

As regards Community exports of agricultural produce, it should be noted that the Community's share of world trade has scarcely changed, amounting to 8.7% in 1968 and 8.5% in 1972.

2. The structure of Community agricultural trade

As regards the composition of Community agricultural trade by product sector in 1972, fruit and vegetables were the largest single item. The "meat and live animals" sector was in second place followed by tropical produce (non-competitive).

Non-edible raw materials of agricultural origin (hides and skins, natural rubber, wood, textile fibres, raw materials) together accounted for about one third of Community imports.

In individual sectors, the Community has a preponderant share of world trade in fruit and vegetables and animal feedingstuffs (81.7%).

For the rest, the Community's place in world trade is particularly important in relation to raw materials of agricultural origin.

¹See tables II A/1.1 to II A/2.2 in the Annex.

Among the Community's suppliers, three countries or groups of countries have comparable positions with regard to EEC imports (of the order of 15%); these are the industrialized countries of the Commonwealth, the Latin American countries and the United States. A second group of countries, having a somewhat lesser share of around 8 to 11%, consists of the Community's neighbours, the countries of the Mediterranean, the Western European countries, the state trading countries and the developing countries of Africa, the Caribbean and the Pacific which are associated - or eligible for association - with the EEC.

3. Trends in world markets

During the year 1972/73 a change in the world market situation occurred as a result of price increases in most of the major agricultural products.

In the year 1973/74, this trend continued, even becoming more pronounced.

Whereas in the past agricultural production grew more rapidly than demand from solvent sources and stocks held by the principal exporting countries reached disquieting levels, the situation has changed radically since rather more than eighteen months ago. For many agricultural and food products, the disequilibrium that exists between world supply and demand has brought about a substantial decline in stocks and a spectacular and generalized rise in prices.

For the Community, these recent changes in the pattern of production, consumption and supply and demand at a world level result from the combined effect of fortuitous circumstances and of new trends which have shown themselves in the past few years.

Since as long ago as 1972, prices on the sugar market have been showing a steady upward movement, since production has increased more slowly than consumption.

Furthermore, in 1973 world markets were affected by an exceptionally strong demand for cereals and soya resulting from new purchasers entering the market on a large scale and a drastic decline in the supply of fishmeal and rice; this market imbalance developed against a background of accelerating inflation.

The 1974 situation suggests that this phenomenon is persisting.

These events occurred at a time when, for most agricultural products, the annual growth rate had been tending to slow down since the end of the last decade - a tendency sometimes marked by year-to-year fluctuations, but particularly noticeable in the developing countries.

The steady decline in stocks, which proved to be insufficient during the events of 1972/73, is a manifestation of this tendency.

It is difficult to identify the factors causing this production trend. Some of them may, however, be listed without attempting to determine the precise role in each case:

- (i) weather factors - which play an important role every year - appear to have affected production more than usual in recent years;
- (ii) the steady rate of production growth reached at the end of the sixties was only made possible by more intensified use of available resources, investment and inputs. Unused factors of production undoubtedly still exist but they are not inexhaustible and their exploitation is becoming more and more costly;
- (iii) the price instability of certain major agricultural products on world markets has led producers to adopt a cautious policy in production planning;
- (iv) in addition, it appears that in the absence of an international concertation of agricultural policies, there is sometimes a tendency to react directly to year-to-year fluctuations in production and prices, without taking sufficient account of the world situation as a whole.

At the same time, consumption has maintained its overall rate of increase as a result of demographic pressure and rising incomes - this last factor, incidentally, resulting in a switch in the pattern of consumption towards expensive and protein-rich food products.

This combination of short-term and structural phenomena, including those relating to the general economic situation (inflation, energy crisis, speculation), has brought about a considerable rise in prices on world markets which have, in any case, always tended to be unstable, seeing that international supply and demand represent only a small percentage of world production. Conversely, Community internal prices, which have remained almost stable, are now below world market levels for many major consumer products.

4. The framework for the development of Community trade

For the Community, 1974 was marked by the successful completion of the negotiations by which the enlarged Community accepts responsibility for the commitments of the Six and the obligations of the three new Member States are transposed accordingly.

In addition, the year has seen the development of important world initiatives, in which the enlarged Community will participate.

5. Measures arising from the Acts of Accession

Within the multilateral framework of the GATT, the new negotiations undertaken in accordance with Article XXIV(6) were concluded on 30 July 1974. The tariff concessions granted by the Community appear in a new list deposited with the GATT. The new concessions in the agricultural sector - in addition to those granted by the Six, which have been extended to the enlarged Community - reduce tariffs, mostly already consolidated, on products such as horses for slaughter, edible offals, fresh or preserved salmon, apples and pears in the summer season, tinned pears, high quality Burley and Virginia tobaccos, summer oranges and grapefruit, and coffee and palm oil (on which duty had already been suspended unilaterally).

As a whole, the negotiations were concluded on a satisfactory note both for the Community and its partners. It should, however, be noted that the negotiations with the United States and Australia ended with declarations in which the Community and its partners agreed to seek solutions to the cereal problem in future international negotiations.

In respect of the developing countries as a whole, the Community of Six - besides the new Member States - had introduced a system of preferential tariffs in 1971 in conformity with the Resolution of the second UNCTAD Conference in New Delhi.

Pursuant to Protocol No 23 and to the Declaration of Intent contained in the Act of Accession, on 1 January 1974 the Community began to apply the new system of generalized preferences for the enlarged Community representing, in the agricultural sector, a substantial improvement over that previously applying, particularly in the Community of Six, both in the number of products covered and in the percentage of preference granted (volume of trade affected: 400 million u.a.).

As regards preferences, by virtue of Protocol No 22 to the Act of Accession, the Community entered into negotiations with all countries benefiting from the Yaoundé and Arusha¹ Conventions besides the developing countries of the Commonwealth in Africa, the Caribbean and the Pacific (ACP countries). Member countries of the Community have reached agreement among themselves on the nature of the concessions to be offered to these countries; they will also cover non-tropical agricultural products.

With regard to the latter products, the Community's offer to the ACP countries will include concessions of the same kind as those appearing in previous agreements with the African countries and Madagascar; i.e., account has been taken of the specific internal problems affecting these products and the principles of the agricultural policy have been respected. However, certain changes have been made compared with the Yaoundé and Arusha agreements in order to broaden the range of products and improve the concessions offered. The products covered include vegetable oils, certain feed grains and products derived therefrom, certain preserved fruits and vegetables and raw tobacco. However, one of the most important elements in these negotiations - on which an agreement in principle has already been reached between the Community and its partners - is the fact that a stabilization system for revenue derived from exports of basic products from the ACP countries to the Community is to be established. This system will be designed to alleviate the harmful effects, on the economies of the countries concerned, of drops in price or quantity of the principal products exported.

Similarly within the framework of its preference policy, the original Community concluded agreements with the Mediterranean countries. The entry of the three new Member States into the Community has brought about substantial changes both in the economic relations and in the structure of trade between the Mediterranean countries and the Community, making it necessary to review these relations to bring them back into balance.

¹Tanzania, Kenya and Uganda.

At the Paris Summit meetings in the autumn of 1972, the requisite political will was expressed and in June 1973 the Council, on a proposal by the Commission, delineated an overall approach for the Community's relations with several Mediterranean countries, it being understood that this approach could be extended to all these countries plus Jordan¹. Negotiations with these countries are still in progress, but it can already be said that the agricultural sector is important for all the countries concerned by the overall approach and that, here again, in working out the concessions to be offered to these countries, the need to respect the principles and mechanisms of the common agricultural policy was borne in mind.

Since 1 November 1974, the association with Greece has led to the establishment of a Customs Union covering a certain number of products - especially in the fruit, vegetables and tobacco sectors - which account for a substantial proportion of Greek agricultural exports to the Community. However, until the Additional Protocol is signed, the Association Agreement applies only to the Member States of the original Community.

The Association with Turkey, following the entry into force on 1 January 1974 of the second stage, as laid down in the agreement, and the first agricultural meeting, also provided for in the agreement, has led to the introduction of certain additional concessions concerning agricultural produce (especially raisins, dried figs, hazel nuts and tobacco), besides other products covering altogether between 80 and 90% of Turkey's agricultural exports. These concessions apply to the whole Community.

6. Other action

As regards bilateral relations with the state-trading countries, it was agreed this year, in line with what has been achieved in the field of Community commercial policy, that Member States would not renew national agreements on 31 December 1974 and that a Community policy, whether unilateral or by Treaty, would instead be applied with effect from that date. This policy, which is at present being worked out, covers agricultural products.

¹ Countries bordering on the Mediterranean, including Jordan but excluding Yugoslavia.

As regards the initiatives of a general nature in which the Community intends to participate, the World Food Conference should first be noted; this latter, after examining the future outlook for world food supplies, will propose action at a national and international level to solve the problems arising. Secondly, the multilateral GATT negotiations, begun in Tokyo in 1973, should be mentioned. For these latter, a negotiating brief which will include a chapter on agriculture is at present being prepared by the Community authorities, in accordance with the general policy line adopted in 1973.

As regards food aid, in 1973 and 1974 the Community took unilateral measures besides measures proceeding from treaty obligations. The Community of Nine decided to continue to participate in the Food Aid Convention on cereals (for the period 1 July 1974 - 30 June 1975). In this connection, the Community undertook to grant 1 287 000 metric tons of wheat (together with a certain amount of rice) to the developing countries under the food aid arrangements. As regards cereals, this undertaking represents the conclusion of food supply agreements, covering a total of 684 900 metric tons, under the Food Aid Convention. For other products, the Community's unilateral programmes, carried out solely as Community action, concern 49 450 metric tons of skimmed milk powder, 6 000 metric tons of butteroil and 6 062 metric tons of sugar besides a cash grant of 1.61 million u.a. for the purchase of food supplies.

Overall, in the year 1973, the Community undertook to provide food products (cereals, skimmed milk powder, butteroil, sugar and cash grants for the purchase of other food products) to a total value of 173 million u.a. (as against 53.9 million u.a. in 1972).

Supplies of cereals amounted to 464 647 metric tons, the other products sent being skimmed milk powder (46 136 tons) butteroil (15 000 tons) sugar (8 212 tons) and egg powder (300 tons), together with cash grants for the purchase of other food supplies (2 457 000 u.a.).

As regards food aid commitments entered into by the Community in the first three quarters of 1974, the Council has concluded agreements to supply cereals to the developing countries to a total amount of 396 500 metric tons; in addition, it decided to make grants of 41 000 tons of skimmed milk powder, 39 000 tons of butteroil and 6 094 tons of sugar.

Furthermore, the Commission submitted a memorandum to the Council concerning the general guidelines for Community food aid policy during the coming three years.

Intra-Community discussions are still in progress on this point. It has already been agreed, however, that the Community should continue to provide food aid and that the latter should cover a wider range of the products which recipient countries need and which are available in the Community. The Community's reactions to the proposals made on this subject during the World Food Conference in November 1974 were based on these considerations.

7. Trade with non-member countries by the original Community and the enlarged Community

Imports

The establishment of a common agricultural market has stimulated imports. Between 1963 and 1973, for example, the annual rate of increase was 7.4%; in 1973, the overall value of imports of agricultural and food products amounted to 19.074 million u.a., i.e., an increase of about 36.3% on the previous year. For imports of regulated products, the increase was even greater (42.8%), whilst for non-regulated products the increase was only 30.4%. However, the substantial rise in 1973 was largely due to the increase in world market prices.

With regard to sources it may be noted that the annual rate of increase for all agricultural products during the period 1963-1973 was 8.2% for the industrialized countries, 5.5% for the developing countries and 9.9% for the state-trading countries. The rates for regulated agricultural products were 9.3% for the industrialized countries, 5.3% for the developing countries and 10% for the state-trading countries.

It may therefore be concluded that the industrialized countries and state-trading countries obtained the greatest advantage from the rise in value of the Community's agricultural imports.

During the period 1968-1973 and especially in 1972/73 yearly rates of increase were more advantageous for the developing countries than the industrialized countries.

As in the past, the United States recorded the largest increases.

The overall value of imports of regulated agricultural products by the enlarged Community in 1973 amounted to 26 004 million u.a.

As regards imports by the original Community from the three new Member States, an upward trend has been in evidence since 1968 whilst a spectacular increase of 62% occurred in 1973 (the first year following accession) as compared with 1972.

Exports

Exports of agricultural and food products to non-member countries have grown steadily during the past few years. The annual rate of growth of exports of agricultural and food products to non-member countries was 10.5% in the period 1963-1973, the increase was very considerable, the total value reaching 6 703 million u.a. against 4 663 million u.a. for 1972, i.e., an increase of 43.6%. The figure for regulated agricultural products was 53%. However, an important factor in this increase was the rise in world market prices; it mainly reflected the upward trend of exports of food products, which rose from 3 063 million u.a. in 1972 to 4 511 million u.a. in 1973, an increase of 47%. In particular, exports of cereals rose by 85%, beverages and tobacco by 32%, natural textile fibres by 68%, fats and oils by 29% and wood and cork by 100%.

The principal buyers of Community agricultural products are the industrialized countries; in fact about 60% of Community exports go to these countries. Nevertheless, the rates of increase of exports to the developing countries and the state-trading countries have also been high, particularly in the years 1972 and 1973, when they were 39% and 50.1% respectively; for the industrialized countries, the annual rate of 45% is increasing.

The overall value of exports of agricultural and food products by the Community of Nine amounted to 7 772 million u.a. in 1973.

Exports by the original Community to the three new Member States developed very satisfactorily from 1968 onwards, whilst a spectacular increase occurred in 1973 (70.7%) compared with the previous year.

B. AGRICULTURAL MARKETS

(a) Analysis by sector

1. Cereals¹

1. Introduction

(a) The economic situation:

Since the summer of 1972 the cereals policy of the Community has been increasingly dominated by problems arising from world shortages of cereals. During most of the 1973/74 marketing year the Community has experienced prices which were below those on world markets and this situation is likely to continue at least for the 1974/75 marketing year. The result of this is that day-to-day management has concentrated principally on preventing prices from rising, in contrast with the previous situation in which the problem was to support prices whilst disposing of surpluses.

(b) Cereals in Community agriculture:

In 1972 cereals accounted for 10.6% by value of the final output of agriculture. However, in terms of area cereals are much more important, being 28.5% of the utilized agricultural area (UAA) in 1973. The area of cereals was 26.7 million ha in 1973 and it has changed very little since 1950 whereas the total UAA has decreased significantly. According to the 1970 farm structure inquiry cereals (including rice) were grown on 72% of the holdings in the original Community; this percentage seems to be lower in the UK and higher in Denmark.

(c) The Community in world cereals production:

World production of cereals (excluding rice) in 1973 amounted to 1 050 million metric tons (according to FAO statistics) of which the Community accounted for 10.1%. The area devoted to cereals in the Community, however, only represented 4.6% of the world total.

2. Production

Community production of cereals increased by 2.4% in 1973 to a total of 106 million metric tons. This total has changed little in 1974 according to the provisional estimates. Comparison of the 1974 production with "1968" indicates an average increase of 2.5% per year, this being due entirely to increasing yields, since the area has tended to decrease slightly. In 1974, by contrast, yields have tended to be marginally lower than in the previous year mainly as a result of poorer yields of maize.

¹See Tables II. B/1.1 to II. B/1.16 in the Annex

(a) Common wheat:

Production of common wheat is widespread throughout the Community though it is particularly important in the Paris basin and central France, in Bavaria, in northern Italy and eastern England. The total area has been stable over the past 7 or 8 years though yields and hence production increased markedly in 1971 and have remained at a high level since then. The yield in 1974 is expected to show a small increase (0.7%) but it is widely reported that the quality is much poorer than usual, particularly in terms of protein content; this is due to climatic conditions and to the switch to more profitable feed wheat varieties (eg. Maris Huntsman). This switch is expected to continue in 1975 though there is at present considerable uncertainty as to whether it will be possible to sow the normal amount of winter wheat in the northern part of the Community this year following persistent bad weather.

(b) Durum wheat:

Durum wheat production is concentrated in Italy and in parts of France; Italy is the only country where it represents an important part of the wheat area (42%). Production has increased considerably in 1974 following the abnormally low level in 1973.

(c) Rye¹ :

Rye production is concentrated principally in northern Germany with smaller amounts in Bavaria, the Netherlands and Denmark. Production in 1974 is expected to decline, in line with the long term decline in area and production.

(d) Barley:

Barley production is widespread in the Community except in the southern half of France and in Italy. Both area and yield have experienced less variation than with other cereals though there have been considerable year-to-year variations, particularly in yield. Production in 1974 has decreased slightly (by 1%) following small reductions in both area and yield. It is possible that the poor sowing conditions for winter cereals this autumn may result in some increase in the spring-sown barley area in 1975 if sufficient seed is available.

(e) Oats:

The area of oats in the Community has been declining since 1967 though production has only declined a little, due to increased yields. The provi-

¹including mixed winter cereals.

sional estimates for 1974 suggest a continuation of this trend.

(f) Maize:

Maize is mainly grown in Italy and France though the distribution has shifted markedly to the north as earlier maturing varieties have been introduced. Since 1968, the area has expanded by an average of 12% per year in France and this was mainly in the north; at the same time yields have steadily improved. In 1974, however, the area has only increased very slightly and yields are likely to be poor even according to the early estimates. As these estimates were made before harvesting had taken place in the more northerly areas, it must be assumed that the wet weather since that time will have caused further deterioration.

3. Consumption

In 1972/73, the total volume of cereals available in the Community amounted to 113 700 metric tons, i.e., 3.1% more than in 1971/72. About 37% consisted of wheat and 63% of coarse grain, of which 28% was accounted for by barley and 22% by maize. In 1972/73, total utilization of cereals was made up as follows: human consumption, 25.4%; animal feed, 62.8%; industrial use, 7.5%; and seed and losses 4.3%. Obviously, these proportions vary substantially from cereal to cereal, from one Member State to another and from year to year. For information, a breakdown of the overall cereal consumption in the Community in 1972/73 is given below:

Cereal consumption in 1972/73 (Breakdown by cereals)

(% figures)

	Gross human consumption	Animal consumption	Industrial use	Seed and losses	Total consumption
Wheat (Durum and Common)	60.7	33.8	0.3	5.2	100.0
Rye and meslin	35.3	57.5	1.4	5.3	100.0
Barley	0.4	78.0	16.2	5.4	100.0
Oats and summer mixtures	2.9	92.4	0	4.7	100.0
Maize	6.2	79.9	12.8	1.1	100.0

(a) Human consumption

From 1971/72 to 1972/73, total net human consumption of cereals continued at approximately the same level in the Community, rising from 21.4 to 21.5 million metric tons, whilst per capita consumption declined by 0.5%, from 84.4 kg in 1971/72 to 84.0 kg in 1972/73. In the original Community, per capita consumption has declined since 1967 at an annual rate of 0.6%. The average extraction rate in 1972/73 was 74.4%. A breakdown of net human consumption and changes for each cereal is given below:

Net human consumption of cereals in 1972/73 (breakdown by cereal)

	Net overall human consumption (in '000 metric tons)	Net per capita consumption		
		kg per capita	%	Change, 1971/72 to 1972/73 ¹
Wheat (Durum and Common)	10 142	84.4	88.6	- 0.4 %
Rye and meslin	1 126	1.3	5.2	- 1.8 %
Barley	23	0.1	0.3	- 6.3 %
Oats and summer mixtures	110	0.5	0.8	+ 5.6 %
Maize	1 116	4.7	5.1	- 1.2 %
Total	13 517	21.5	100.0	- 0.5 %

¹Since the population of the Community grew by 0.7% from 1971/72 to 1972/73, to obtain the rate of increase of overall consumption in this period 0.7 should be added to the figures in this column.

As can be seen, the per capita consumption of cereals is declining. In the original Community, the consumption of common wheat per capita was trending strongly downwards from 1971/72 to 1972/73 (61.7 kg against 63.5 kg, i.e., a decline of 2.8%), whilst at the same time consumption of durum wheat was rising sharply (16.3 kg against 14.8 kg, i.e., a rise of 10.1%).

- (b) Animal consumption: running at 71.4 million metric tons in 1972/73, this item was up by 5.6% on 1971/72. It accounted for 63% of total cereal consumption in 1972/73.

Animal consumption of cereals is steadily expanding (by 2.7% per annum since "1967" in the original Community), notably in 1972/73 as a result of the rise in prices of supplementary raw materials employed in the manufacture of compound feedingstuffs and of the wheat offered for intervention and denatured. As regards the growth of the item "feedingstuffs", which varies according to the cereal used, fluctuations occur from year to year; the rate is, however, obviously steadier in the case of barley and maize.

- (c) Industrial use: At 8.5 million metric tons in 1972/73, this item has scarcely changed from the previous year. Industrial use accounts for 7.5% of total cereal consumption in the Community.

The cereals most widely used in industry are barley (brewing) and maize (starch manufacture and brewing). "Industrial use" has a higher average rate of increase than any other item in total Community consumption (5% per annum since "1967" in the original Community).

- (d) Self-sufficiency: In 1972/73, the Community's degree of self-sufficiency declined to 89.8%, corresponding to a shortfall of 11.5 million metric tons; this rate was slightly lower than that recorded in 1971/72 (90.7%, with a shortfall of 10.3 million metric tons).

In 1972/73, the gap between production and domestic demand for cereals in the Community was covered by drawing 0.8 million metric tons from stocks and by net imports of 10.7 million metric tons. A cereal-by-cereal breakdown of these aggregates in 1972/73 is given in the following table:

Summary of the cereal situation in 1972/73

(in million tons)

	Wheat (common and durum)	Rye and meslin	Barley	Oats and summer mixtures	Maize	Other	Total
Change in stocks ¹	+ 1.2	+ 0.4	- 0.2	+ 0.1	- 0.6	0	+ 0.8
Net external balance ²	0	- 0.4	- 1.8	+ 0.3	+ 12.1	+ 0.4	+ 10.7
Domestic demand less production	+ 1.2	0	- 2.0	+ 0.4	+ 11.5	+ 0.4	+ 11.5
Self-sufficiency (%)	97.1	99.8	106.5	95.9	54.0	39.6	89.8

¹ + = drawings on stocks; - = additions to stocks.

² + = net imports; - = net exports.

4. Trade:

(a) Between Member States:

Trade in cereals between the Member States of the original Community has been increasing at a rate of 17-18% per year since the inception of the Common Agricultural Policy and this rate has not altered noticeably since the end of the transitional period in 1967. The most important exporter to other Member States is France, the main products involved being common wheat, barley and maize; there are also relatively large quantities of imported maize and wheat re-exported to other Member States after initial import into the Netherlands and Belgium. In 1972/73 the principal recipients of this intra-trade were Germany and Benelux in respect of common wheat, barley and maize and the United Kingdom in respect of common wheat and maize. In 1973/74 it is probable that the UK will also have imported substantial quantities of barley from other Member States but this situation may again be reversed in 1974/75.

(b) With third countries:

Imports from third countries into the original Community have declined slightly since "1967/68" (1.7% per year) though it is likely that the opposite would be true for the enlarged Community. There are, however, large year-to-year variations; for example, imports of maize into the original Community decreased by 18% in 1971/72 and increased by 23% in 1972/73. The main imported cereals are wheat and maize, though there are also significant imports of barley into Italy. On the other hand, exports from the original Community have been rising at an annual rate of 5 to 6% since "1963/64"; these exports have consisted mainly of wheat and barley from France.

In 1972/73 the trade in wheat was roughly in balance, the imports of durum and high protein common wheats, mainly from the USA and Canada, equalling the exports of common wheat and flour to a variety of destinations. 1973/74 is expected to be similar in that the deficit of around 1 million metric tons of durum wheat will be balanced by a similar surplus of common wheat. It is worth noting that exports of flour have become an important part of the total, being (in wheat-equivalent) 2.6 million metric tons in 1972/73 out of total exports of 6.7 million metric tons for the original Community; this quantity is expected to have risen still further to about 3 million metric tons out of a total of around 5 million metric tons in 1973/74.

For barley the Community was in surplus in 1972/73 to the extent of 1.8 million metric tons net though total exports were 4.2 million metric tons of which some 0.9 million metric tons were in the form of malt. In 1973/74 the surplus is expected to be very much smaller (around 0.2 million metric tons) and exports are expected to be down to about 1.7 million metric tons. Trade in barley from the original Community had been expanding, but for the enlarged Community a marked reduction in both imports and exports is expected for 1973/74.

The maize deficit for the enlarged Community amounted to 12.1 million metric tons net in 1972/73, exports to third countries being very slight. The principal supplier of maize to the Community remains the USA though Argentina also supplies significant quantities, particularly to Italy. The deficit in 1973/74 is expected to be about 12.5 million metric tons, imports being about 13.3 million metric tons; the level of imports thus remains at a much higher level than in previous years.

5. Prices

(a) Common prices

The 1974/75 target prices for cereals have been raised by 6.5% for maize, 6% for common wheat and rye, and by 5% for barley. Principally as a result of incorporating direct aid into the common price, the target price of durum wheat has gone up by 36.5%. Compared with 1967/68, the target price has gone up by 27% for rye, 21% for barley and maize, and 15% for common wheat. The new general increase of 5%, decided in October 1974, comes on top of these figures.

(b) Market prices

In 1973/74, the cereal market was strongly influenced by trends on world markets, on which substantial price increases took place. This brought about a significant reduction in import levies and even the introduction of export levies.

During the 1973/74 marketing year market prices have in general exceeded intervention prices by a substantial margin. The average difference was as follows in 1973/74:

(% figures)

	Durum Wheat	Common Wheat	Rye	Barley	Maize
Germany	-	1.8	7.7	3.2	-
France	-	7.1	-	7.8	21.9
Italy	103.3	-	-	-	58.5
Netherlands	-	2.9	4.2	8.7	-
Belgium	-	7.1	-	4.2	-
United Kingdom	-	83.8	-	90.6	-
Ireland	-	-	-	-	-
Denmark	-	-	7.4	13.8	-

The fact that market prices exceeded intervention prices by a smaller margin in Germany and the Benelux countries is due to the existence of the rule concerning the limitation of the monetary compensatory amounts (see 7e 2).

The very high percentage noted for the UK is due to the fact that trends on world markets had the effect of raising cereal prices to an exceptional extent, to at least the level of Community prices; at the same time, the common prices applying to this Member State, under the terms of the Treaty of Accession, were still much lower (2/3) than Community prices.

In the Community as a whole, the price of maize, influenced by the world market, rose in 1973/74 for the first time to a more realistic level in relation to its nutritive value as compared with other cereals.

(c) World prices

In 1973/74, world prices of cereals, as of other raw materials, fluctuated wildly. Apart from the general causes of this upward movement of prices (speculation, inflation), special causes played a part - such as the increase in demand from solvent countries, together with smaller than expected harvests (for example, wheat in the United States) resulting in lower carry-over stocks, especially of wheat. Consequently, the 1973/74 marketing year was marked by world disequilibrium in two major products; wheat and soya (which in turn influenced the market in feed grains). As a result, in 1973/74 CIF prices rose in relation to the preceding year by 108 - 141% for durum wheat, 51 - 85% for common wheat, 41 - 48% for maize and 39 - 44% for barley.

Since March 1974 a downward trend was noted, which was immediately followed, from June onwards, by a renewed upward trend. There were a number of possible reasons for this rise which, as the 1974/75 marketing year proceeded, have proved to be correct:

- inadequate harvests in a certain number of importing countries;
- low levels of stocks in the producer countries;
- reports of smaller harvests in certain producer countries (barley in the USA and Canada, maize and soya in the USA).

In July 1974, CIF prices still 47 - 49% higher than in July 1973 for durum wheat, common wheat and rye, 19% higher for maize and 15% higher for barley.

At the same time, import levies have declined appreciably (see Graph II.B/1.15). They were suspended altogether during certain periods; furthermore, the Community has even been obliged to introduce export levies.

(d) Consumer prices

In 1973, the price of bread rose on average by about 9%, with extremes of 17% in Italy and 4% in the Netherlands. As against this, from 1972/73 to 1973/74, the intervention price for common wheat rose by 1%. A more exact comparison may be obtained from market prices, which varied as shown in the table below:

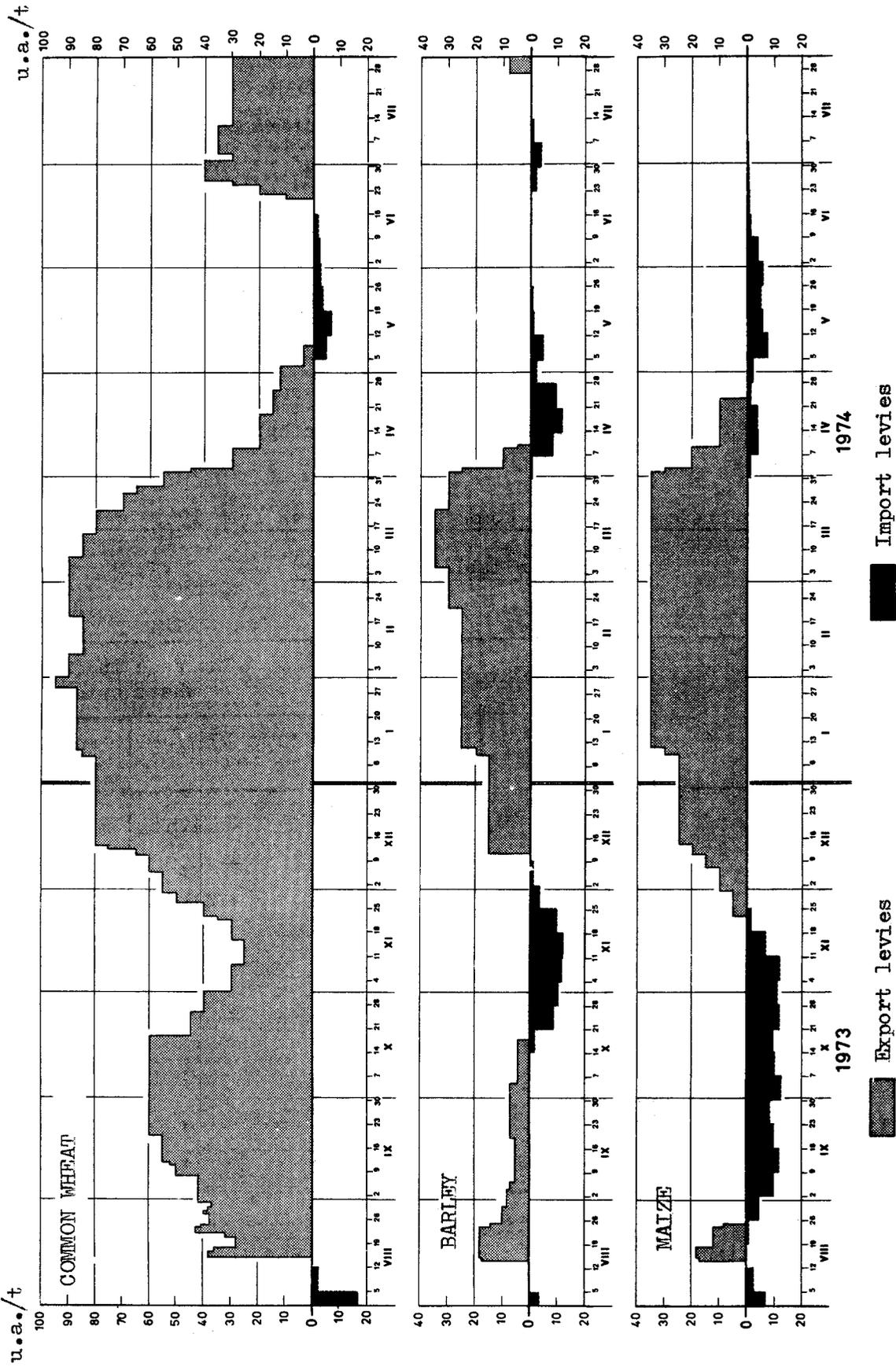
Increases in bread prices and common wheat prices from 1967 to 1973:

comparative table (% figures)

	Increase in bread prices		Increase in common wheat prices	
	from 1967 to 1973	from 1972 to 1973	from 1967/68 to 1973/74	from 1972/73 to 1973/74
Germany	39.5	8.8	- 1.5	+ 2.1
France	142.9	5.2	+ 28.0	+ 6.3
Italy ²	34.8 to 115.3	9.6 to 17.0	+ 41.7	+ 29.5
Netherlands	47.0	4.3	+ 6.3	- 4.4
Belgium	43.6	9.5	+ 8.8	+ 0.9
United Kingdom	55.7	7.9	:	+ 54.8
Ireland	59.2	0.8	:	+ 40.8
Denmark	79.6	19.4	:	+ 13.1

²The first figure is based on the Milan market and the second on the Rome market.

Levies, CEREALS



CEC - DG VI - G2 - 74.10.92

GRAPH II B/1.15

6. Short-term outlook

For the 1974/75 marketing year, Community cereal production (common and durum wheat, barley and maize) is very slightly higher than in 1973/74.

In view of the trend of **consumption**, it was expected that Community gross exports of cereals would amount to about 8 million metric tons in 1974/75, including 7 million tons of wheat, and that the gross import requirement for cereals would amount to about 17 million metric tons including 8.8 million metric tons of maize - i.e., net imports of 12 million metric tons of cereals. According to the latest information, however, the 12 million metric tons of maize cannot be imported. As a result, exports of common wheat may be lower than forecast unless consumption declines as a result - inter alia - of lower livestock production.

7. Economic aspects of the measures taken

(a) Levies and refunds

(1) Import levies

The import levies had no effect on the quantities imported during the 1973/74 marketing year, since for common wheat, for example, no levy was applied during the entire period; whilst for maize, no levy was applied during 3 periods totalling about 7 months - during which there was zero advance fixing. Import licences issued correspond to Community forecasts.

Comparison between forecasts and licences issued, 1973/74

(figures in million metric tons)

	<u>Forecasts</u>	<u>Licences</u>
Durum wheat	1.25	1.34
Common wheat	4.20	3.97
Barley	1.60	1.56
Maize	13.60	14.38
Sorghum	1.10	1.60

(2) Export levies

Export levies, a new measure designed to meet a new situation, were applied during long periods during 1973/74 and during the most critical periods on world markets; the level was so fixed as to give priority to the Community's own supply. Prices on internal markets were undoubtedly very high, but thanks to the levies - which functioned perfectly - world market levels were never reached. The single exception concerned durum wheat, in which the Community has a substantial shortfall; it was principally in Italy, in which this product has a particular importance, that Community prices rose to world levels despite a ban on exports to non-member countries. The pattern of trade between the Community and its traditional clients was not disrupted, however, thanks to another measure; i.e., the use of tendering procedures for given quantities with export levy.

As a result of these two measures, export levies and tendering for the levy, the Commission was able to maintain control over the market and safeguard Community supplies during the most critical periods.

During less turbulent periods, and where less exposed types of cereals were concerned (oats, rye), export levies were often replaced by a ban on advance-fixing, as in the case of refunds; this had the effect of prohibiting commitments to export large quantities in view of the threat to introduce a levy if necessary.

(3) Refunds

With the object of maintaining certain patterns of trade or easing conditions on the internal market, export refunds, fixed at a very low level, were applied at certain periods and to certain products.

(b) International agreements and food aid

Pursuant to the International Food Aid Convention, the Community undertook to supply 1 287 000 metric tons of cereals in 1973/74. This total is made up of 580 000 tons of Community aid and 707 000 tons of national aid. As regards Community aid, on 31 July 1974 the position reached in executing these commitments was as follows: of the Community's total commitments of 1.8 million metric tons arising from the four programmes, 600 000 tons were supplied before 1 August 1973, a further 600 000 tons in 1973/74, whilst another 600 000 tons have still to be supplied. As regards national aid, in July 1974 the situation was as follows: out of national commitments amounting to 2.7 million metric tons arising from the four programmes, 1.3 million tons had been supplied by 1 August 1973 and 400 000 tons in 1973/74, whilst a further 1 million tons is still to be supplied.

(c) Quantities submitted for intervention and quantities denatured

In 1973/74, the quantities of cereals submitted for intervention were as follows: common wheat, about 1.3 million metric tons; rye, 0.1 million tons; barley, 0.4 million tons. The total therefore amounted to 1.8 million tons, of which Germany accounted for 1.2 million. Since the three new Member States did not submit any cereals for intervention in 1973/74, these results can be compared with those for previous years and it may be said that the quantities submitted in 1973/74 were relatively high - though not alarmingly so - mainly as a result of the abolition of the compensatory allowance on common wheat.

Regarding the quantities denatured, it should be recalled that on 10 February 1974 the denaturing premium was reduced to zero. From 1 August 1973 to 10 February 1974, 4.4 million tons of common wheat, including 1.5 million tons from the three new Member States, were denatured. The amounts denatured in the original Community were about the same during the same periods of 1972/73 (3.5 million tons) and 1973/74 (3.2 million tons).

(d) Stock situation

At the beginning of the 1973/74 marketing year, stocks amounted to 4.5 million metric tons for common wheat, 1.6 million tons for barley, 2.6 million tons for maize, 0.4 million tons for durum wheat and 0.5 million tons for rye; i.e., an overall total of 9.6 million tons.

By the end of the 1973/74 marketing year stocks may be expected to amount to about 8.8 - 9.8 million metric tons, including 5 or 6 million tons of common wheat (13-16% of production), 1.7 million tons of barley (5% of production), 2.5 million tons of maize (15% of production), 0.3 million tons of durum wheat (10% of production) and 0.2 million tons of rye (6% of production). It may be said, therefore, that the cereal stock situation is normal.

(e) Uniformity of prices

(1) Accession compensatory amounts

Mainly as regards the UK, the prices fixed for local cereals for 1973/74 depart substantially from Community prices; theoretically, therefore, quite high accession compensatory amounts should have been applied.

Intervention prices: August 1973

(in u.a./metric ton)

	<u>Common wheat</u>	<u>Barley</u>
Duisbourg	105.80	96.66
Rouen	102.30	93.08
Rotterdam	105.12	95.97
London	67.02	58.18
Enniscorthy	98.28	80.84
Køberhaven	94.44	87.26

In practice, as a result of the world market situation, accession compensatory amounts have not been applied during the greater part of the marketing year. In fact, market prices in the UK have in many cases been higher than those prevailing on the markets of member countries of the original Community, since British prices were influenced by world market prices to a greater extent than expected.

(2) Monetary compensatory amounts

In member countries with weak currencies, in accordance with the principle of the limitation of compensatory amounts¹, these were not applied to basic cereals in 1973/74 during very long periods since there was no levy on imports from non-member countries.

¹Regulation No 974/71 of the Council, of 12 May 1971, OJ L 106.

(1) Trade with non-member countries

In Member States with weak currencies, since the monetary compensatory amounts were not applied, exports were not taxed and imports were not subsidized. For those Member States with strong currencies, on the other hand, compensatory amounts were fixed for all products, thus corresponding to a subsidy on exports and a levy on imports.

(2) Trade between Member States

The non-application, in 1973/74 of the monetary compensatory amounts in Member States with weak currencies created certain distortions; for example, the movement of abnormally large quantities of cereals from France (common wheat and barley) to the Benelux countries and Germany. This even led, in certain cases, to market intervention - unusual in Germany.

The gap in percentage terms between the market prices of cereals in France and the intervention prices was at that time less than the fluctuation margin of the French franc. Since French cereal products were not taxed on leaving France and only lightly taxed on arrival in Germany or the Benelux countries, the prices of these cereals were below regional intervention prices.

Similar distortions occurred in the trade in processed products, flour, cereal groats and meal.

3. Financing costs

Expenditure by the EAGGF Guarantee Section in the cereal sector amounted to 908.2 million u.a. in 1972, 1 029.5 million u.a. in 1973 and has been estimated at 420 million u.a. for 1974; i.e., respectively 39.27 and 12.3% of the Guarantee Section's total expenditure. In 1974, the total of 420 million u.a. will include 80 million u.a. in export refunds, 34.4 million in intervention storage measures and 305.6 million in price subsidies.

2. Rice¹

1. Introduction

In 1973, rice² represented 0.3% by value of final agricultural production and accounted for 0.2% of total UAA.

Rice is produced in only two Member States; Italy, which accounted for 93.7% of the 1973 harvest, and France. In 1973, 207 000 hectares were under rice, an increase of 3.62% per annum since 1963.

The world rice harvest was estimated at 309.8 million metric tons of paddy rice in 1973; according to information provided by the rice-producing Member States, Community production in the same year amounted to 1.12 million m.t. of paddy rice, or 0.36% of total world production. According to the FAO, the total world area under rice cultivation in 1973 was 135.8 million hectares, of which the Community accounted for 0.208 million, or 0.15%. The difference between the percentages for production and area is due to the fact that yields per hectare in the Community (53.8 quintals/hectare of paddy rice) are more than double the world average (22.8 quintals/hectare).

The following is a breakdown of Community production and area under rice cultivation in 1973/74:

	Italy	France
Production ('000/metric tons)	835	56
Yield (quintals/hectare)	43.9	32.9
Area ('000 hectares)	190	17

2. Production

In 1973, rice production in the Community amounted to 0.89 million m.t., an increase of 40.5% on 1972 (or of 5.2 per annum since 1963). This rise is due partly to an increase of 3% in the area cultivated (207 000 hectares in 1973 against 201 000 in 1972) and partly to the fact that yields have risen by 36.8% (43.1 quintals/hectare in 1973 against 31.5 quintals/hectare in 1972).

To resume, the area under rice cultivation in the Community has risen steadily (by 3.62% per annum from 1963 to 1973) although divergences can be seen between the two rice-producing member countries (1963 to 1973: France, -5.53% per annum; Italy, +5.15% per annum).

¹See Tables II.B/2.1 to II.B/2.8 in the Annex.

²In this document, the word "rice" means husked rice unless otherwise stated.

It is unlikely that this expansion in Italy can continue at the same pace. As a result of the special conditions required for rice cultivation, any future increase in area utilized can only be marginal.

Yields have varied sharply from one year to another as a result of weather conditions, fertilizers employed and varieties sown. It may nevertheless be noted that, since 1963, yields have increased by 1.2% per annum.

3. Consumption

In 1972/73, the enlarged Community's total rice resources amounted to 1 464 million metric tons, of which 0.946 million m.t. were utilized within the Community, i.e., 9.3% more than in 1971/72. This latter amount was made up as follows: human consumption, 85.6%; industrial use, 5.5%; feedingstuffs and losses, 5.1%; seed, 3.8%.

(a) Human consumption

From 1971/72 to 1972/73, total gross human consumption of rice in the original Community increased from 0.546 million to 0.614 million metric tons, whilst the per capita consumption of prepared rice rose by 22.7% (2.7 kg in 1972/73 against 2.2 kg in 1971/72). However, it should be noted that per capita consumption declined between 1965/66 and 1971/72 (by 3.4% per annum).

(b) Animal consumption

Animal consumption, which is relatively small in the case of rice (44 000 m.t. in 1972/73 against 41 000 in 1971/72) has been rising constantly (by 6.6% per annum from 1968/69 to 1972/73).

(c) Industrial use

In 1972/73, 51 000 m.t. of rice, including 47 000 m.t. of broken rice, were used in industry (against 66 000 m.t., including 53 000 m.t. of broken rice, in 1971/72). The volume of rice used in industry varies significantly from one year to another, and is influenced especially by worldmarket prices for broken rice which, for long periods - particularly in 1972/73 and 1973/74 - exceeded the Community threshold price.

(d) Self-sufficiency

In 1972/73, the self-sufficiency rate of the original Community was 84.6%, whilst that for the enlarged Community was 67%. The 1972/73 rate was lower than that for 1971/72, when it was 112% for the original Community and 90% for the enlarged Community.

4. Trade

The original Community's total rice imports from non-member countries amounted to 0.443 million metric tons in 1972/73, i.e., 0.305 million m.t. more than in 1971/72. Imports rose by 22.5% annually from 1967/68 to 1972/73. For 1972/73, the enlarged Community's imports should amount to about 0.6 million m.t.

In 1972/73, the original Community's total exports of rice to non-member countries amounted to 0.2 million m.t. (about 0.205 million m.t. for the enlarged Community). For the original Community, this represents a decline of 0.261 million m.t. compared with 1971/72 and a decline of 7.5% per annum since 1967/68.

For the original Community, therefore, the external balance for 1972/73 was in deficit by 0.105 million m.t., as against a net surplus of 0.323 million m.t. in 1971/72. In 1972/73, the external position fluctuated widely in relation to previous years as a result of lower production, an increase in the internal utilization of rice and the low levels of stocks at the end of the 1971/72 marketing year. The following table gives the original Community's external balance from the year 1969/70 onwards:

1969/70:	+0.327 m.t.
1970/71:	+0.323 m.t.
1971/72:	+0.323 m.t.
1972/73:	-0.105 m.t.

According to the FAO, the Community's share of world trade in 1972 was 6.2% for exports and 11.4% for imports. The Community's principal suppliers of rice are the United States, Thailand and South America. The Community's exports mainly go to Africa, the Mediterranean countries and Italy's neighbours. Occasionally, substantial quantities are exported to countries with rice shortfalls in Asia or Oceania.

Imports may be expected to decline slightly in the years to come, since both production and consumption are relatively stable, whilst intra-Community trade in rice is tending to grow.

In 1972/73, intra-Community trade amounted to 0.172 million metric tons for the original Member States and 0.225 million tons approximately for the enlarged Community. Since 1967/68, intra-Community trade has increased steadily, the annual rate of increase up to 1972/73 being 27% for the original Community.

5. Prices

(a) Common prices

The target price for rice was raised by 6% on 1 September 1974 for the 1974/75 marketing year. It was raised by a further 5% on 7 October in the context of the general adjustment of agricultural prices. In comparison with 1967/68, the target price for rice has risen by 31%.

(b) Market prices

In 1973/74, the rice market was affected by rice shortages on world markets and prices were particularly high. Nevertheless, Community internal prices were maintained at a level substantially lower than those current on world markets, and export levies were introduced to safeguard the Community's rice supply.

In 1973/74, the market price of standard quality paddy rice was up by an average of 11% on 1972/73 and by 47% on 1971/72.

(c) World prices

As a result of the world shortage of rice, which was due to bad harvests in 1972, prices on world markets reached record levels. For round-grained husked rice, the average price cif Rotterdam in 1971/72 was 103.5 u.a./ton; it rose to 203.3 u.a./ton in 1972/73 and 357.2 u.a./ton in 1973/74, the highest level, 443.6 u.a./ton, being reached in February 1974. At the beginning of October 1974, Rotterdam cif prices were higher than Community threshold prices by the following percentages:

Round-grained husked rice, 45%;
Long-grained husked rice, 21%;
Round-grained milled rice, 24%;
Long-grained milled rice, 5%;
Broken rice, 77%.

Import levies were reduced to zero from 9 February 1973 for husked rice and from 23 March 1973 for rice in other stages of preparation. From May 1973 to mid-October 1973, the Commission issued export certificates only for food aid consignments. Since mid-October 1973, export levies were applied, with rates as high as 500 u.a./ton. To maintain quantitative control over exports of Community rice surpluses, tenders for export levies were introduced early in 1974.

(d) Consumer prices

The only statistics available concerning consumer prices were supplied by one producer country, Italy, and by one non-producer country, Germany:

Member State		1968	1969	1970	1971	1972	1973
Italy	Lit/kg						
	Rome	276	278	283	284	294	468 ¹
	Milan	251	260	264	278	288	362 ¹
Germany	DM/kg	1.90	1.98	2.11	2.37	2.50	2.64

¹January to October 1973

Source: Commission of the European Communities, DG VI

In 1973, prices in Italy rose by 59% in Rome and 26% in Milan (a crop area) in relation to 1972 levels. In Germany, on the contrary, consumer prices rose by only 5.6% in 1973 compared with the previous year.

6. Outlook

(a) Short-term

The Community harvest for the 1973/74 marketing year has been estimated at 897 000 metric tons of rice - a record figure - whilst a figure of about 865 000 m.t. is forecast for the 1974/75 harvest, since yields are expected to be lower and the area under cultivation will be about the same.

Despite the rise in consumption (in Italy, a further 50 000 m.t. of milled rice were consumed as a substitute for pasta in 1973/74) and the expansion of intra-Community trade, there will be an exportable surplus of over 200 000 m.t. in 1974/75. Tendering for export with export levy should not result in any shortage of rice in the Community, nor raise prices unduly in the producer areas.

(b) Medium-term

The area under rice cultivation can only be marginally increased. In the Community, yields - which are already very high - could still improve slightly. This being the case, Community rice harvests could regularly exceed 1 million metric tons of paddy rice. Since deliveries of rice from the producer countries to the consumer countries within the Community are constantly increasing and rice consumption seems similarly to be rising, it is to be expected that except when outstandingly large harvests are obtained, exports to non-member countries will tend to decline.

7. Economic aspects of measures taken

(a) Levies and refunds

1. Import levies

Since March 1973, import levies have been fixed at zero, with the result that they have no further influence on the quantity of rice imported. It should be noted, however, that - according to import licences issued - in the absence of any levy, including the protection of industry component, more milled rice and less husked rice has been imported.

2. Export refunds

Since prices were higher on world markets than on Community markets, export refunds were abolished with effect from 2 February 1973.

3. Export levies

Since the end of October 1973, export levies were applied to rice at all stages of preparation to discourage the export of excessive quantities, or consignments at prices lower than those current on world markets.

The tendering for export with levy, introduced early in 1974, has made possible the gradual export of Community rice surpluses, since by this system control can be exercised over the quantities exported.

(b) Food aid

In 1973/74, 17 300 metric tons of rice were delivered under the terms of the International Food Aid Convention.

(c) Quantities submitted for intervention

In 1972/73, 3 088 m.t. of paddy rice were submitted for intervention and subsequently resold on the market during the same marketing year. In 1973/74, no intervention took place in respect of rice.

(d) Stocks

At the beginning of the 1973/74 marketing year, rice stocks amounted to 273 000 m.t. for the original Community. Stocks now amount to 73 000 m.t., a level 32% higher than at the beginning of 1972/73. This situation may be considered as normal.

(e) Price fluidity

1. Accession compensatory amounts

The accession compensatory amounts for rice, fixed at the same level for all three new Member States, reflected - at their first fixing - the gap between world and Community prices. In theory, these amounts would be very high; however, in practice they are limited to the amount of the import levy, which has in fact been zero since March 1973.

2. Monetary compensatory amounts

Up to the present no monetary compensatory amount has been fixed for rice.

3. Financing costs

Expenditure by the Guarantee Section of EAGGF in respect of the rice sector amounted to 50.4 million u.a. in 1972, 11.4 million u.a. in 1973 and is estimated at 2 million u.a. for 1974; these figures represent respectively 2.2%, 0.3% and 0.06% of the Guarantee Section's total expenditure. In 1974, the total expenditure of 2 million u.a. was made up of 1.4 million u.a. in export refunds and 0.6 million u.a. in price subsidies.

3. Sugar¹

1. Introduction

The 1973/74 marketing year was the sixth year of application of the production quota system since the beginning of the common market organization in the sugar sector involving common prices. The extension of the market organization to include the three new Member States went fairly smoothly. The system of quotas made it possible to combine the expansion of beet-growing in the most suitable regions with support for regions less suited to this crop. In this way marketing losses in respect of sugar surpluses in recent years were borne exclusively by the sugar-beet growers and cane sugar planters as well as by the sugar industry itself.

In the 1973/74 marketing year two aspects of the market organization in the sugar sector were of particular importance. Firstly, a policy had to be worked out with regard to the quota regulation, the 7-year transitional period which ends on 30 June 1975, and with regard to the agreement to be concluded by the end of 1974 or the beginning of 1975 on sugar trade preferences with the ACP countries². An initial memorandum on the future sugar policy of the Community was presented to the Council as early as the middle of 1973 because of its connection with the International Sugar Agreement expiring at the end of 1973. The second aspect was the change in the terms

¹See Tables II.B/3.1 to II.B/3.10 in the Annex.

²Associated Countries of Africa, the Caribbean and the Pacific.

of foreign trade which occurred in 1973/74 and which obliged the Community to adjust to a situation of rapidly increasing scarcity on the world sugar market.

The reorganization of sugar-beet farming into larger units of cultivation and of the sugar industry into larger production units continued to make progress. In some Member States there has been a noticeable diversification of the production and marketing programme in recent years, so as to cover additional industrial goods as well as other foodstuffs.

The proportion of the utilized agricultural area of the Community¹ under sugar beet is at 1.7% (1973) relatively small, as also is the proportion of sugar beet in final agricultural production (about 2.0%).

2. Production

Between 1968 and 1971 the area under sugar beet in the countries of the original Community remained practically constant. This was also the case with the three countries which later joined the Community. For the enlarged Community there was an increase in yield of about 7% for both 1972 and 1973. For 1974 the crop area is put at 1 565 000 ha, about the same as in the previous year. The major crop change is that of Italy, where the sugar-beet

¹Original Community.

area has been decreasing since 1968. This trend was covered, however, by an increase in other Member States, particularly France and Germany. It can be assumed that the climatic conditions prevailing in Italy and the keener competition between sugar beet and cereals owing to soil conditions contributed to the decline in the area under cultivation.

The yield for 1973 was an average of 5.82 metric tons of sugar per hectare for the whole Community - no change on the previous year. However, a comparison of the average yield per hectare of the nine Member States for 1973/74 with the corresponding average for the years 1968/69 to 1970/71 shows an annual increase of 1.8%. In principle, this development is expected for the coming years. The calculations for 1974 point, however, owing to weather conditions to an appreciably lower yield.

The sugar production of the Community was 9.5 million metric tons in the 1973/74 marketing year and will probably be only 8.6 to 8.8 million metric tons in 1974/75.

In Italy and in the French overseas departments the production, as in previous years, was less than the basic quota. In the same year, the amount subject to levy produced between the basic and maximum quota was more than 1.3 million metric tons, and 660 000 metric tons of sugar were produced over and above the maximum quota.

The sugar supply position in the original Community was one of steadily increasing structural surpluses: the degree of self-sufficiency varied between 110% and 125%. The enlargement of the Community changed this situation into one of net import requirements, with a degree of self-sufficiency of between 92% and 94% for the marketing years 1972/73 and 1973/74. Since the Community had committed itself to import sugar from the British Commonwealth countries, it turned out in fact that there was an appreciably higher degree of self-sufficiency for both years.

3. Consumption

In the original Community, human consumption of sugar increased on average by 2% per annum in recent years. The Member States who already had a high per capita consumption showed a smaller increase than Italy where the general level of consumption is appreciably lower.

Certain increases in consumption, mostly of short duration, were attributed in the past as a rule to heavier stocking up by the trade or, indeed, the ultimate buyer. This occurred, for instance, prior to an announced or expected increase in prices which, when it occurred, was almost invariably followed by a corresponding drop in buying.

The 1973/74 marketing year showed an erratic increase in consumption. This started first of all in autumn of 1973 as a result of the oil crisis and continued later when it was seen that as a result of the inadequacy of supplies from the Commonwealth countries the Community would be in short supply.

The development mentioned in the "prices" sector was partly responsible for renewed precautionary buying. Thus, statistics show human consumption of sugar in 1973/74 at about 10.18 million metric tons. This increase in consumption of 7.9% on the previous year is exceptional and can be attributed only to the above-mentioned special circumstances. Will there be a decline in consumption in the marketing year 1974/75? Human consumption of sugar is provisionally put at about 9.8 to 10.3 million metric tons for this year.

In view of the very low production forecast for 1974/75 (8.6 to 8.8 million metric tons) and the dwindling of Community stocks in 1973/74, and in the expectancy that the quantities of sugar still to be delivered from the ACP countries will not completely cover the Community import requirements, the Council decided in October 1974 to grant import subsidies for sugar. This Decision assumes that an amount of sugar equivalent to the subsidized imports can be exported during the 1975/76 marketing year.

In addition to human consumption, certain amounts of sugar were made available in the past under the system of denaturing premiums. In 1973/74 premiums were granted only in respect of 8 000 metric tons of bee-food. The consumption of sugar in the chemical industry has gradually increased in recent years and is put at 90 000 metric tons for 1973/74. In accordance with the provisions applying (level of world market prices) export refunds were in fact granted (in 1973/74) only for the production of goods which

could alternatively be made from cereals or potato-starch. By virtue of the Decision of the Council, however, the obligation to grant production refunds for these products has been abolished, and no refunds have been granted since October 1974.

4. Trade

The increase in intra-Community trade recorded in recent years for sugar as well as for sugar-containing manufactures can also be confirmed for 1973/74. The three new Member States play a considerable role in this trade.

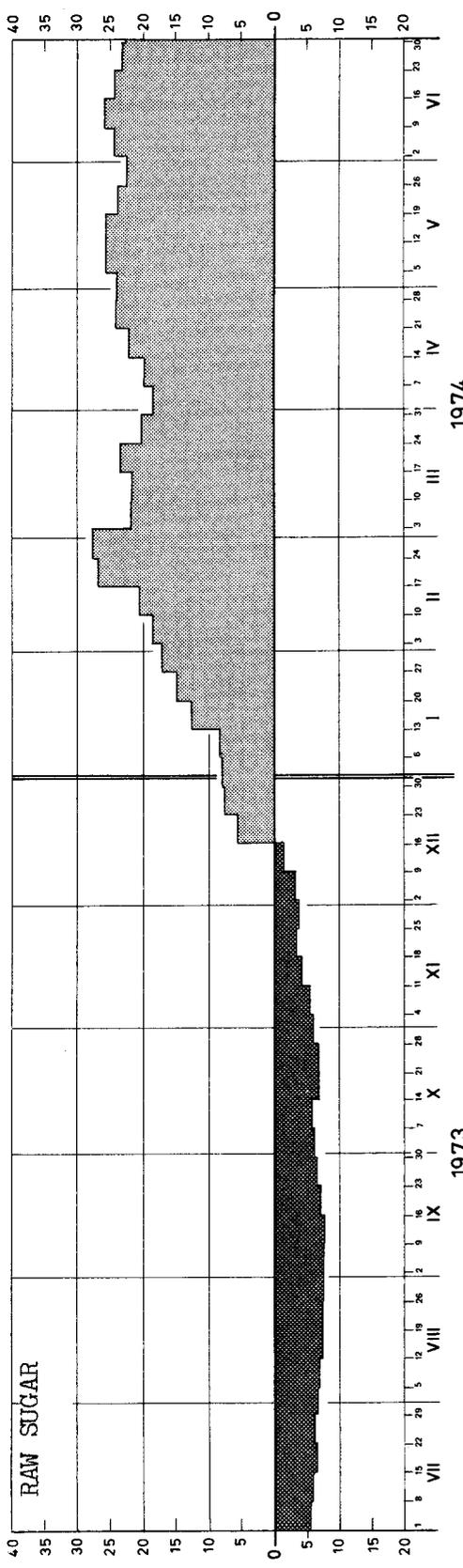
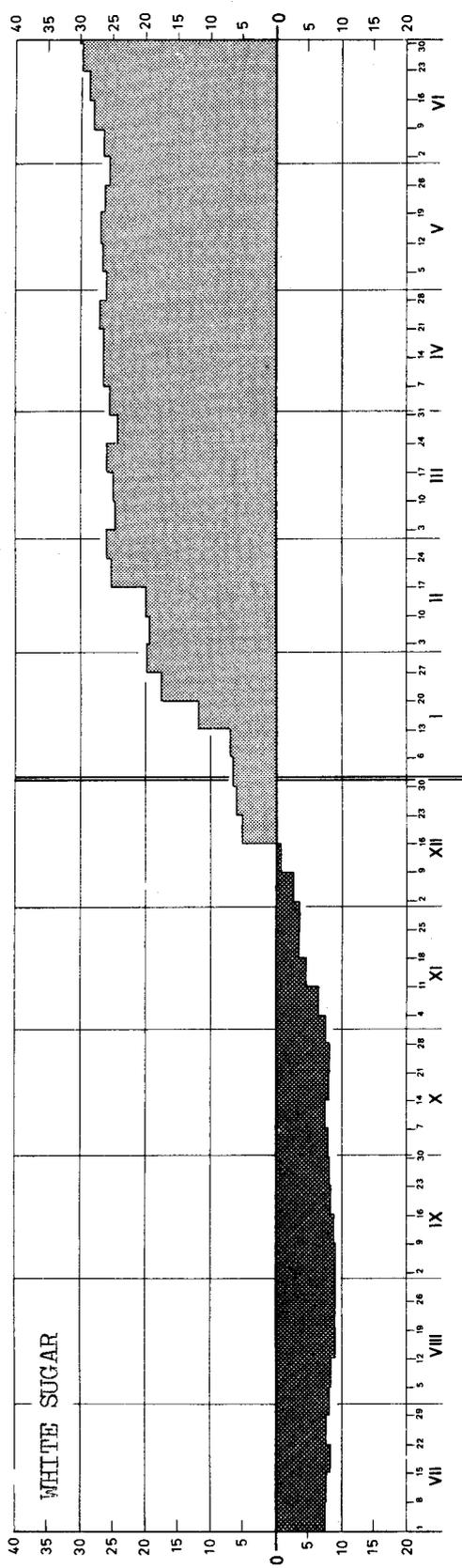
Given the moderate harvest yields of 1973/74, the total exports from the Community to non-member countries in that year showed a sharp decline which is attributable to the exceptional increase in consumption in the previous year. About 250 000 metric tons of sugar were exported in the form of manufactured goods. The sugar produced by beet growers over and above the maximum quota amounted to 665 000 metric tons in 1973/74 and was sold on the world market at their own risk.

1973/74 was a transitional farm year for sugar. At the beginning of the year, exports under Community export tendering procedures allowed only for limited quantities corresponding to the supply and demand expectations at that time. At the end of November 1973, levies were imposed on the export of unprocessed sugar, the level of which has since been regularly adapted to the market situation. This level has in the meantime risen to a multiple of the sugar-price level within the Community. Since the introduction of the levies on exports no economically significant exports have taken place with the exception of the sugar produced in 1973 over and above

Levies : SUGAR

u.a./100 kg

u.a./100 kg



Export levies

Import levies

the maximum quota which was exempt from the levy. In the summer of 1974 it was decided that of future harvests, sugar produced over and above the maximum quota will be subject to 80% of the export levies, which should basically safeguard Community requirements.

5. Prices

(a) Community prices

In 1973/74 there was a uniform 1% rise in sugar beet prices and sugar prices. In 1974/75 the price increases took place in two steps. The two steps together constitute a rise of 10.8% over 1973/74 for sugar beet prices and 12.4% for intervention prices for sugar. In addition, Italy was authorized to increase the nationally financed subsidy for sugar-beet growing from 1.80 u.a. per ton to 4.0 u.a. per ton. The existing Italian national subsidies of 1.46 u.a. per 100 kg of sugar produced were maintained at that level.

The prices for Italy and for the French overseas departments were derived in accordance with the same criteria as in previous years, i.e., with reference to transport costs between surplus and deficit regions. In accordance with the provisions of the Accession Treaty, the prices were rounded upwards for the United Kingdom and Ireland.

(b) Market prices within the Community

In the marketing years up to 1972/73 the Community market price for sugar in the regions having the largest surpluses, such as France and Belgium, was in general at the level of the intervention prices. In the deficit regions of the Community the price managed from time to time to rise above the intervention price by a few per cent. Sugar-beet

growers in some regions were able to obtain a little more than the minimum sugar-beet prices in accordance with the sugar market situation and in some cases by means of special agreements with sugar manufacturers.

Whereas in the 1972/73 marketing year there was a production levy of 3.38 u.a. per 100 kg, for sugar produced between basic quota and maximum quota, this figure is expected to drop by approximately one unit of account for 1973/74.

In line with the short-fall already mentioned in the "consumption" section, special market prices for the supply of sugar from the other Member States began to develop towards the end of the 1973/74 marketing year in the principal deficit regions of the Community, i.e., the United Kingdom and Italy. These prices reach and in some cases exceed the threshold price level. Correspondingly, in some surplus regions market prices moved away from the intervention price level and increased to around the level of the guide price. The sugar-beet growers in the Community could have benefited in varying degrees according to region from this increased market price dependent on their bargaining position with sugar manufacturers.

In view of the prevailing imbalance between the availability and consumption of sugar in many regions of the Community comparatively high market prices for sugar are expected to continue in the 1974/75 marketing year. Since the sugar industry in several Community countries is obliged for national reasons not to exceed a certain price level in the sale of sugar for home consumption, a differentiated market price level has been fixed for the sale of sugar to other Member States. Accordingly a higher future price level prevails particularly for the United Kingdom and Italy. The decision

by the Council to grant subsidies for certain sugar imports from the world market counteracts the high prices,

6. World market developments

Following an 8-year period of higher world surpluses and very low world prices, from 1972/73 onwards a period of hardening prices and scarcer world market supplies began to develop. This development continued in 1973/74 and has led to the present extremely high prices. During the four marketing years from 1970/71 to 1973/74 world sugar consumption exceeded sugar production in varying degrees. Excess consumption is also forecast for 1974/75. Forecasts on consumption, however, suffer from a high uncertainty factor in view of the possible effects of the exceptionally high sugar prices, which will prevail henceforth in many countries of the world. The very high stocks in hand have dropped to a very low position of less than 20% of consumption.

The efforts made to arrive at a new international sugar agreement failed in October 1973 due to inability to reconcile the interests of the importing and exporting countries. The agreement was maintained only as an administrative agreement for mainly statistical purposes.

Taking account of forecasted development of production and consumption, of the depleted stocks and of the extremely tight world supply situation, it can be expected that a relatively high world market price level will prevail again in 1975/76 and possibly for even longer.

4. Olive oil¹

1. Introduction

99% of the Community's olive oil production arises in Italy, where this product on average accounts for 4.1% of the overall value of the country's agricultural production; the remainder is produced in France.

At the present time this production covers only about 70% of the Community's olive oil requirements; total olive plantations in the Community, according to certain estimates, contain about 190 million trees, of which 185 million are in Italy and 5 million in France.

Since the establishment of the common organization of the olive oil market, there does not appear to have been any significant change in the scale of structure of olive cultivation in the original Community; the area cultivated has been practically stable at around 2.3 million hectares (approximately 2.28 million in Italy and 44 000 in France), representing 2.3% of the Community's total UAA. Olive trees are cultivated on more than 1 million farms. Community olive oil production on average represents about 30% of world production.

According to the International Olive Oil Council, the total world area devoted to olive cultivation amounts to about 10 million hectares; the area utilized in the Community, therefore, represents 23% of the world total.

Trends in the olive oil market in the original Community from 1966 to 1972

The difficulties involved in establishing figures for the olive oil market for the years 1966/67 and in analysing market trends were set out by the Commission in a report transmitted to the Council on 26 September 1972².

In establishing figures for the olive oil trade in the Community for subsequent marketing years, difficulties similar to those experienced for the years mentioned above were encountered.

¹See tables II.B/4.1 to II.B/4.10 in the Annex.

²Doc. R/2022/72 AGRI 598 FIN 542.

2. Production

Applications for subsidies relating to the 1972/73 marketing year concerned about 445 000 metric tons in Italy and about 880 metric tons in France.

These quantities are about 39% lower than those for which subsidies were requested in the 1971/72 marketing year; i.e., about 722 000 metric tons.

Up to 12 September 1974, payments made in Italy in respect of subsidies for the 1972/73 marketing year concerned 93 000 tons only; i.e., about 20% of the total quantity for which subsidies had been requested. This delay in payment may partly be due to the new system of supervision established in Italy in the year in question, which calls for more precise fixing of target yields for the various olive-producing zones, an indispensable parameter in determining the quantities of oil eligible for subsidies.

In view of these measures, it may be expected that the quantity of oil accepted by the authorities as eligible for subsidies will amount to about 400 000 metric tons.

In France, in view of the small scale of production and the relatively small number of growers involved, the supervision and granting of aid do not seem to raise serious difficulties.

As regards production in the 1973/74 marketing year, the situation in relation to applications for subsidies in Italy is not yet known; however, according to certain information obtained from the competent national authorities, applications for the marketing year under review relate to about 594 000 metric tons.

In France for the same period, applications relate to about 2 900 tonnes.

3. Consumption

As for previous marketing years, it is difficult to determine the trend of olive oil consumption during the 1972/73 marketing year with any certainty. Whilst the trend of the ratio between olive oil and seed oil prices went strongly against the former - especially during the first part of the marketing year - the quantities of olive oil available were not very much lower than in preceding years.

As a result of the relatively meagre production, the net volume of imports was the highest recorded in the Community. Finally, the market situation at the end of the year - as well as the trend during the 1973/74 year - suggest that carry-over stocks are likely to be barely adequate.

In these circumstances, it can hardly be supposed that there has been any appreciable decline in consumption in the Community.

During the 1973/74 marketing year, the ratio between olive oil and seed oil prices recovered in favour of olive oil. It would still have been reasonable to expect some decline in consumption, especially in view of the high prices current for this oil; however, other factors prevented this, in particular:

- (i) the difficulties experienced in Italy during 1974 in relations to colza oil;
- (ii) supply problems concerning seed oils;
- (iii) the tendency for housewives to build up larger than normal stocks.

The quantities of oil available during this marketing year seem to have been higher than in the previous year. According to available information, the production was good whilst on the basis of import certificates issued up to 30 September 1974, net imports amounted to 167 000 metric tons.

In these circumstances, it seems clear that the apparent level of consumption has been maintained; furthermore, it seems likely that carry-over stocks for the 1974/75 year will be higher than normal, since some reluctance even on the part of producers to sell their products has been noted.

4. Trade

The Community, which is a deficit market for olive oil, is the world's largest net importer. The level of annual imports depends to some extent on the level of Community production. Nevertheless, in general, since the establishment of the common organization of the market in this sector, imports have risen considerably, from 84 000 metric tons in the 1967/68 marketing year to 242 000 tons in the 1972/73 year (original Community).

These figures are the highest recorded since the establishment of a unified market in this sector.

The producer-exporter country which was the largest supplier to the original Community was Spain, with about 80 000 metric tons, followed by Tunisia (44 000 tons), Turkey (36 000 tons), Morocco (27 000 tons) and Greece (22 000 tons).

Intra-Community trade during the year under review amounted to 8 000 tons; this amount, although 50% less than that recorded in the previous year, is virtually the same as for the 1970/71 year. The sharp rise in intra-Community trade occurring in the 1971/72 year (16 000 tons) was exclusively due to the re-export of lamp oil from France to Italy. The average figure for intra-Community trade in the period 1966/67 to 1970/71 was about 5 000 metric tons.

Exports to non-member countries amounted to about 15 000 tons, including 14 000 tons from Italy and 1 000 from France. These quantities, although not far from the average, are about 30% lower than the quantities exported during the previous marketing year, 1971/72. This difference can be accounted for by the fact that during this latter year a considerable quantity of oil was exported as a result of exceptionally high production.

Trade figures for the 1973/74 marketing year are not yet available.

However, in the period 1 November 1973 to 30 September 1974, import and export certificates were issued for 167 000 and 6 800 metric tons (approximate figures) of olive oil respectively.

Of the quantity imported, about 57 000 metric tons were consigned from Tunisia, 52 000 tons from Spain, 21 000 tons from Morocco, 15 000 tons from Greece and 9 000 tons from Turkey.

5. Prices

(a) Common prices

The common prices for olive oil (target production and market prices, threshold and intervention prices) for the 1974/75 marketing year have been maintained at the same level as for the previous year.

In relation to the common prices in force for the 1966/67 marketing year - the first year of operation of the common organization of the market in this sector -

the target production and market prices have both been increased by about 20%.

(b) Market prices

On the Bari market (a main production centre) prices, which until the 1971/72 marketing year were relatively stable in relation to preceding years, began to rise in 1972/73 and have continued this trend until the present time.

The average quotation for standard quality oil (semi-fine 3^o) which during the period 1967/68 to 1971/72 was around 80 u.a./100 kg, with a peak of 82 u.a./100 kg in the 1971/72 marketing year, rose to 121 u.a./100 kg in 1972/73.

This uptrend has continued steadily, with the result that the average quotation for this type of oil in the 1973/74 marketing year was around 162 u.a./100 kg, with a peak of about 184 u.a./100 kg in 1972/73.

The causes of this substantial increase in Community domestic price levels, which has affected all categories of oil, are mainly the following:

- (i) the serious world shortage of oil occurring in 1974;
- (ii) the tendency to hold back oil supplies at all levels, in addition to increased demand from consumers in Italy; these latter, faced by a steady rise in all food prices, seem to have purchased larger quantities than usual.

The consequences of this shortage were aggravated by the export policy followed by the principal supplier countries to the Community. Export measures taken by these countries from the 1972/73 year onwards have had the effect of curbing supply and - consequently - increasing prices of oils offered for sale on world markets. Since the Community is a deficit market for this product, this increase inevitably resulted in price rises on its domestic markets, as indicated above.

6. Outlook

Forecasts for the 1974/75 marketing year suggest that production in Italy will be about average, but that the quality of the products should be better than in 1973/74.

On world markets, it appears that production will be lower, especially in countries such as Spain and Tunisia which are the principal exporters of olive oil to the Community. Consequently, for the year in question, the possibility that supply difficulties will occur on world markets cannot be excluded, especially if the principal exporting country pursues its existing export policy.

In view of the foregoing considerations, it may be expected that the present high prices will be maintained throughout the next marketing year.

Under these circumstances, despite the fact that some similar problems may be expected in relation to the supply of seed oil, it is questionable whether the present level of consumption of olive oil in the Community can be maintained.

7. Economic aspects of the measures taken

(a) Import levies

In view of the high prices on world markets, the import levy on olive oil was reduced to zero in March 1973.

(b) Export levies

Since November 1972, an export levy has been applied in the olive oil sector. This levy covers the difference between the world market price and the target market price in the Community.

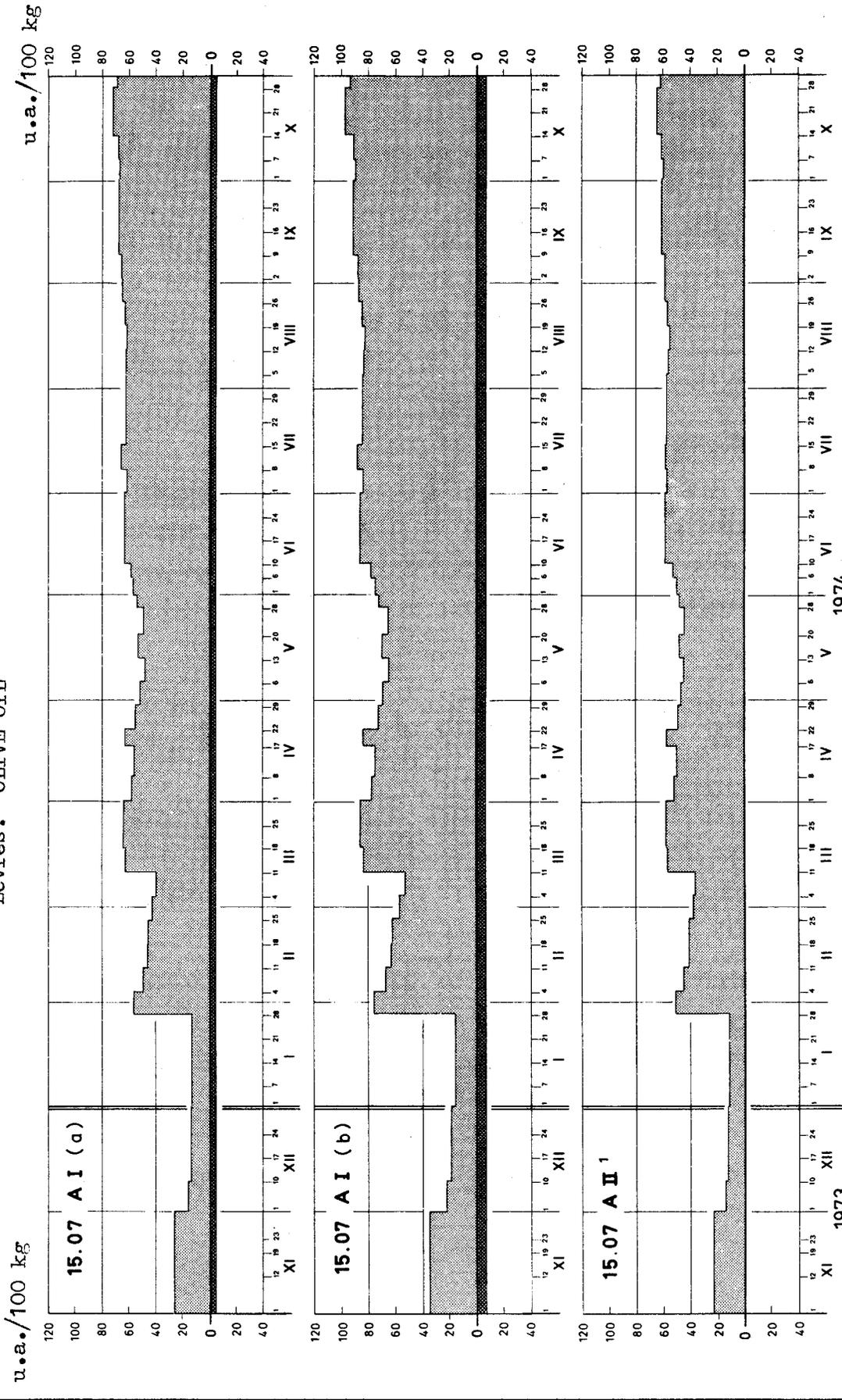
As a result of the Community's deficit position in olive oil and the fact that it is practically the sole buyer on world markets for the oils to which the export levies apply, the measure has little significant economic effect.

(c) Refunds

With the aim of maintaining the traditional export pattern for branded oils in small containers, an export refund is still granted.

In this respect, it should be noted that the simultaneous application of an export levy and an export refund is justified by the following considerations:

Levies: OLIVE OIL



Export levies

Import levies

Standard quality

- (i) two markets exist, one for the raw material and the other for finished products, the two being quite independent. The first market is of particular concern to the Community, which is practically the sole buyer of lamp oil (raw material); the second market concerns the centres of consumption across the Atlantic, especially in the United States;
- (ii) the consequences of the export policy followed by the Community's principal competitor in the centres of consumption. For some time now, this country has maintained restrictive export measures affecting the raw material in a discriminatory way, and encouraging exports of finished products.

(d) Compensatory amounts

The discriminatory policy followed by the principal olive oil exporting country has compelled the Community, with effect from February 1973, to apply a compensatory amount to imports of refined olive oil, especially in small containers, consigned from the country in question.

8. Financing costs

Since no intervention has taken place in recent marketing years, expenditure in this sector solely concerns subsidies for olive oil and export refunds.

Since the Council has decided to maintain the subsidies for the year 1974/75 at the level fixed for the preceding year, whilst expenditure on export refunds is very minor, the costs chargeable to EAGGF will depend on the level of production.

Expenditure by the Guarantee Section of EAGGF in the olive oil sector amounted to 236.2 million u.a. in 1972, 282.2 million u.a. in 1973 and has been estimated at 213 million u.a. for 1974; i.e., respectively 10.1, 7.4 and 8.9% of the total expenditure of the Guarantee Section. The total amount of 236.2 million includes 212.2 million u.a. in price subsidies and 0.8 million u.a. in export refunds.

5. Oil and protein seeds and cotton seed¹

The organization of the market in oilseeds mainly concerns colza, rape and sunflower seeds. Special measures have been taken for cotton seed and, with effect 1 November 1974, a support system will also be applied to soya beans.

5.a. Colza, rape and sunflower seeds

1. Introduction

In 1973, the share of oilseeds in the end value of agricultural production was 0.3%; this crop accounted for 0.6% of the Community's UAA. In 1972, world production of colza amounted to 7.1 million metric tons, whereas Community production was 1.1 million tons, or about 15% of the world total; as regards sunflower seed, in 1972 world production was 9.6 million metric tons, whilst the Community production was 89 200 tons or 0.8% of the world total.

In view of the scale of its oilseed production, the Community only covers a very small part of its own needs in oils and oil cake. The degree of self-sufficiency does not exceed 11% of oil requirements - with the exception of olive oil - and 4 to 5% of oil cake requirements.

2. Production

Production of colza and sunflower seeds in the original Community rose steadily from the establishment of the market organization in 1967/68 to the 1972/73 marketing year. Colza production rose from 578 800 metric tons in 1967/68 to 1 million tons in 1972/73, an increase of 76%; for sunflower seed, production rose in the same period from 25 400 to 89 200 tons, an increase of 250%.

This remarkable expansion of Community production of oilseeds was mainly due to the price levels fixed by the Council from the establishment of the common organization of the market, to the relatively favourable ratio between the price of oilseeds and that of other agricultural products competing with them in crop rotation and to the fact that colza and sunflower form very good main crops for rotation systems.

¹See Tables II.B/5.1 to II.B/5.6 in the Annex.

In 1973/74, for the first time colza production not only failed to increase but actually declined to some extent, whilst sunflower seed production rose once more.

Community colza production in 1973/74 was of the order of 0.9 million metric tons and that of sunflower seed about 117 000 tons. This relative decline in colza production in 1973/74 is due to the fact that in the original Community colza cultivation has reached an equilibrium resulting from the price ratio established until now, and also to the fact that yields were less good than formerly; furthermore, the effect of the common organization of the market in colza in the new Member States has not yet been fully felt, although colza production practically doubled in both Denmark and the United Kingdom in 1973/74. As regards sunflower seed, production might have risen further if it were not in competition with maize - which is more profitable - for the area available, and if certain technological difficulties had not arisen.

The principal producer countries of the Community are, in order of importance, France, Germany and Denmark, whose production together represented 92% of the Community total in 1973/74.

3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oil and oil cake.

The demand for colza and sunflower seed oil and oil cake is determined by overall demand for oil and oil cake and also by the ratios between the prices of colza and sunflower oils and oil cake and of other alternative types of oil and oil cake.

This being the case, it seems appropriate to draw up two sets of consumption figures, one for colza and sunflower oils and the other for oil cake.

Oils

The total amount of colza oil available rose constantly from 1967/68 to 1971/72, when it reached about 488 000 metric tons. From 1972/73 onwards, this quantity has tended to stabilize, and stood at 481 000 tons in the marketing year under review.

This stabilization in the quantity of oil available results from two factors, a slight increase in production in 1972/73 in relation to the previous year, together with a substantial decline in imports of colza seed from non-member countries.

Whilst the ratio between the world market prices of colza seed and soya beans was rather in favour of colza until 1971/72, from the 1972/73 marketing year onwards this trend has been reversed, and during certain periods the profitability of colza milling has diminished.

In this economic context, Community industries have continued to process Community-produced colza, but have appreciably reduced their purchases of colza seed on world markets.

The available information on colza production for the 1973/74 marketing year suggests that the amounts of colza oil available may tend to decline.

The quantity of sunflower seed oil available has fluctuated around 300 000 metric tons since the 1967/68 marketing year.

The quantity available in 1971/72 resulted from the fact that imports of sunflower seed were 40% lower in that year, since the availability of this product on world markets had declined sharply during the marketing year concerned. In 1972/73, sunflower seed availability returned to the level prevailing before the 1971/72 marketing year and even exceeded it; figures to hand for the 1973/74 year suggest that availability will not be far from the level recorded in 1972/73.

Oil cake

As regards the availability of colza oil cake, the volume has practically doubled since 1967/68 and rose once more in 1972/73, mainly as a result of a marked increase in imports, the Community becoming a net importer of this product for the first time since the establishment of the market organization.

As regards sunflower seed oil cake, availability has varied since 1967/68 in accordance with import movements without, however, displaying any identifiable trend. In the 1972/73 marketing year, a recovery occurred in relation to the previous year.

For 1973/74, the figures to hand suggest that the availability of colza and sunflower seed oil cake will run at a level close to that in 1972/73.

4. Trade

Imports of colza and rape seeds from non-member countries, which rose steadily from 1967/68 to 1971/72, fell off sharply in volume terms in 1972/73.

As mentioned above, this trend is due - among other things - to the fact that until 1971/72 it was in general relatively more profitable to process colza seed than soya beans. In 1972/73, however, this trend was reversed; since at the same time colza and rape seed of Community origin was more freely available, the decline in exports is a natural consequence.

Imports of sunflower seed, on the other hand, were appreciably higher in 1972/73 than in the previous year; this increase was due to the fact that sunflower seed was more readily available on world markets than in the preceding year. The high volume of imports of sunflower seed was mainly due to the considerable shortfall in Community production.

Figures available for the 1973/74 marketing year suggest that the trend noted for sunflower seed has continued; on the other hand, imports of colza seed have begun to recover strongly. This recovery is mainly due to a decision by the United States in June 1973 to place an embargo on its soya bean exports, which compelled Community operators to cover themselves by purchases of available oilseeds - especially colza seed - to avoid running short of raw materials.

Exports of colza and rape seeds to non-member countries were slightly higher in 1972/73 than in 1971/72; this trend seems likely to continue in 1973/74.

As regards sunflower seed, however, exports to non-member countries - which until 1971/72 could be considered as negligible - amounted to 35 392 metric tons in 1972/73. Available figures for the 1973/74 marketing year also indicate that exports of sunflower seed in volume terms should at least equal the 1972/73 level. This phenomenon is mainly due to re-exports by Germany to the Eastern European countries of sunflower seed imported from non-member countries.

Intra-Community trade in colza and rape seeds, which expanded gradually from 1967/68 until 1971/72, has fallen off since Italy - until then the principal buyer - has appreciably reduced its demand (by 24% in relation to 1971/72).

The substantial reduction in demand from Italy is primarily due to the publication on 27 December 1972 of a decree by the Italian Ministry of Health limiting the use of colza oil in the manufacture of oil mixtures to a level such as to ensure that the erucic acid content of the finished product does not exceed 10%. Since oil produced from Community colza seed has an erucic acid content varying between 50 and 55%, limiting the content of oil mixtures to 10% amounts to restricting the use of colza oil in the preparation of seed oil mixtures to a maximum of 20%. This explains the caution shown by Italian industry in 1972/73 in purchasing colza seed, despite the fact that the entry into force of the Decree of 27 December 1972 had been deferred to 1 February 1974.

This tendency on Italy's part to reduce purchases became still more pronounced in 1973/74 in relation to Community colza seed, as a result of a violent press campaign against colza oil in Italy during that year. The same cautious attitude was adopted to purchases of Community colza oil, with the result that Italy's imports in 1973 were about 40% down.

Intra-Community trade in sunflower seeds continues to be stable but very limited in extent; in view of the fact that the availability of this product in the Community is also stable, this trend is likely to continue in the immediate future.

5. Prices

(a) Common prices

In line with the changes to agricultural prices for the 1974/75 marketing year, effective from 7 October 1974, the target price of colza seed for the year was fixed at 23 u.a./100 kg and that of sunflower seed at 23.67 u.a./100 kg. This represents an increase over 1973/74 of 7.2% for colza seed and 11.3% for sunflower seed. In comparison with 1967/68 levels, the target price for colza seed is up by 13.6% and that of sunflower seed by 16.9%.

(b) Market prices

In 1973/74, the market in oil seeds in the Community was strongly affected by trends on world markets for these seeds and other competing products, involving considerable price increases. This resulted, during the opening months of the year, in a relatively low level of subsidies for both colza and sunflower seeds. From the beginning of December 1973, subsidies for both these products were fixed at zero for the entire marketing year. The greater part of the Community harvest was marketed at satisfactory prices, especially in France where price levels were on average from 2 to 8 u.a./100 kg above the intervention price.

In Germany, where the greater part of the harvest was sold at the beginning of the marketing year in the absence of adequate warehousing facilities, price levels were very close to the intervention price.

(c) World prices

The following table shows the trend of colza seed prices since the establishment of the common organization of the market:

	u.a./100 kg						
Marketing year	67/68	68/69	69/70	70/71	71/72	72/73	73/74
Average price	10.6	9.8	12.6	14.4	12.7	15.3	26.2
Lower limit	9.7	9.2	9.4	13.3	11.4	11.4	19.9
Upper limit	12.4	10.7	14.5	16.3	14.5	20.7	32.7

World market prices for sunflower seed have followed a similar trend during the period under consideration. It should nevertheless be noted that it has not been possible to keep regular records of the sunflower seed supply situation, especially during recent marketing years, in the absence of adequate data.

A number of factors contributed to the sharp rise in the prices of oilseeds during the 1973/74 marketing year. They were the same as in the case of the price increases affecting most other raw materials. As regards products resulting from oilseed processing, it should be noted that the upward trend of prices was particularly marked in the case of oils, for which there was a strong demand; the rise in oil cake prices, however, was less strong as a result of an appreciable weakening in the market for animal products.

6. Outlook

As already noted, in 1973/74 both colza and rape seed production were slightly lower in the original Community. According to the latest information available, colza seed production in the enlarged Community in 1974/75 is also likely to be down on the preceding year - although Denmark and the United Kingdom are still increasing production. This new drop is mainly due to lower production in France, which is the Community's largest producer of colza seed. The reason is probably the appreciable decline in yields in this country in 1974/75 as a result of poor weather conditions and the substitution, for the first time in large-scale cultivation, of the PRIMOR variety - which gives a low erucic acid content - for traditional varieties with a high content.

As regards sunflower seed, which is only produced in two countries, France and Italy, the area cultivated is relatively stable and production in 1974/75 should be close to the previous year's level of about 100 000 tons.

Taking a longer-term viewpoint, a recovery in colza cultivation and a significant expansion in sunflower cultivation are not improbable if the price levels for these products on world markets are maintained or increased further.

Under the arrangements for the common organization of the market in oils and fats, when world market prices are higher than Community prices, the latter tend to rise to the same level. It is possible that the existing ratio between the world market prices of colza seed, sunflower seed and other products competing with them in the crop rotation - cereals especially - may lead in the future to an increase in the area devoted to colza and especially sunflower seed.

Consumption of colza oil in the enlarged Community, which fell off sharply in 1973/74, mainly as a result of the measures taken in Italy to limit erucic acid, is likely to decline further in 1974/75 since a substantial part of total production (20%) was exported to non-member countries, especially Japan, and imports have declined substantially. However, the introduction of erucic acid-free varieties of colza seed in the Community should lead to a recovery in internal consumption of this oil at a later date.

The consumption of sunflower seed oil is stable, any increase being unlikely unless the availability of this product also increases.

The trade in colza and sunflower seed with non-member countries is not expected to vary appreciably from 1974/75 levels in the years to come, in the absence of additional supplies of this product; availability could, however, increase as a result of current high prices. On the other hand, intra-Community trade could return to the 1971/72 level if, as a result of the production of erucic acid-free colza seed, Italy once more becomes the Community's largest buyer of this product.

Finally, as regards market prices, the high current levels are not expected to change to any great extent during the 1974/75 marketing year or in the following year.

7. Economic aspects and measures taken

(a) Refunds

In view of the price situation for colza, rape and sunflower seed on world markets, no refund has been fixed from the beginning of the 1973/74 marketing year until the present; available information concerning short-term trends on world markets for colza and sunflower seed suggest that none will be fixed until the end of 1974/75.

(b) Intervention

The 500 metric tons of colza and rape seed submitted for intervention in the Netherlands during the 1972/73 marketing year were sold in October 1972.

During the 1973/74 marketing year, 2 147 metric tons were submitted for intervention in Germany; this seed was sold on 28 May 1974. The quantities of colza seed submitted for intervention during the last two years were negligible, representing 0.05 and 0.2% respectively of Community harvests of colza and rape.

(c) Uniformity of prices

1. Accession compensatory amounts

With the accession of the new Member States on 1 February 1972, "accession" compensatory amounts were introduced for colza and rape seed produced in the UK and Denmark only. In Ireland, Community prices were applicable from the time of accession. These "accession" compensatory amounts were fixed at 1.15 u.a./100 kg for Denmark and 5.14 u.a./100 kg for the UK in 1973/74. For 1974/75, they were 0.96 u.a./100 kg and 4.22 u.a./100 kg respectively.

2. Differential amounts

In view of the present monetary situation, the system of differential amounts introduced on 20 July 1972 was applied throughout the 1973/74 marketing year and continues in force at present. This system was, however, modified by the adoption of EEC Regulation No 2300/73, designed to adapt it better to the needs of the market.

8. Financing costs

In view of the price levels reached during the 1973/74 marketing year for colza, rape and sunflower seed, subsidies, refunds and differential amounts were fixed at zero; furthermore, in the year under review, interventions represented only 0.2% of the Community harvest of colza seed. As a result, the financial cost of the market organization for oils and fats can be regarded as negligible in relation to colza, rape and sunflower seed for the 1973/74 harvest; the same is likely to be true for the 1974/75 harvest.

Expenditure by the Guarantee Section of EAGGF in respect of oleaginous products amounted to 99.5 million u.a. in 1972, 86.3 million u.a. in 1973 and is estimated at 10.8 million u.a. for 1974; i.e., respectively 4.3, 2.3 and 0.3% of the Guarantee Section's total expenditure. In 1974, the estimated amount of 10.8 million u.a. will be allocated solely to price subsidies.

5.b. Soya beans

On 15 July 1974, the Council adopted Regulation (EEC) No 1900/74, introducing special measures for soya beans produced in the Community. Although these measures do not enter into force until 1 November 1974, it seems appropriate to emphasize the growing importance of soya beans in the oils and fats sector; this product is at present the principal source of proteins and oil, as can be seen from the following figures:

1. Imports of soya beans by the original Community rose from 1 970 903 metric tons in 1963 to 5 889 904 tons in 1973, an increase of 198%; in addition to this, in 1973 the three new Member States imported 1 168 000 tons.
2. Imports of oil cake by the original Community rose from 726 857 metric tons in 1963 to 2 888 023 tons in 1973, an increase of 297%; in addition, the new Member States imported 410 000 tons of soya oil cake in 1973. As a result of its soya bean imports, the enlarged Community's available supply of oil cake amounted to about 8 800 000 tons in 1973.
3. Imports of soya oil, on the other hand, which were already low in 1963, have been declining constantly since then, from 37 418 metric tons in 1963 to 5 972 in 1973. Consumption of soya oil in the original Community rose from 402 000 tons in 1963/64 to 679 000 tons in 1971/72, the last year for which official figures are available; this represents an increase of 69%. According to preliminary estimates, soya oil consumption in 1972/73 amounted to about 839 000 tons and could even reach 1 000 000 tons in 1973/74; in addition, the three new Member States appear to have consumed 188 000 tons of soya oil in 1973.
4. In this connection, it should be noted that soya bean production in the Community is in its infancy. At the present time, production is concentrated in France and should, in 1974, amount to about 8 000 tons.

5.c. Cotton seed

The share of cotton in the end value of agricultural production, in the Community UAA and in world production (34 million hectares in 1972) is infinitesimal.

This crop is only cultivated in some of the poorer regions in Italy - especially Sicily; the area concerned was only 3 200 hectares in 1973, giving a yield of 1 200 tons of seed and 900 tons of fibres.

In 1963, the area down to this crop was about 16 000 hectares; it has since declined sharply. As a result of Community subsidies and world prices for both cotton seed and cotton fibre, which have returned to a high level, the sharp decline occurring during the past few years seems to have been halted.

According to preliminary information, the area should hold steady at about 3 000 hectares in 1974.

There is at present no reason to believe that producers will show appreciably greater interest in this crop in the future.

The subsidy, fixed at 80 u.a./hectare in 1972/73, was increased by 2.5% to 82 u.a. in 1973/74. For 1974/75 it has been fixed at 87.78 u.a./hectare, a further increase of 7%.

The EAGGF's expenditure in respect of cotton seed for 1973 has been estimated at about 200 000 u.a. In subsequent years, this amount should only increase very slightly.

6. Dehydrated fodder¹

1. Introduction

The common organization of the market in dehydrated fodder, decided by the Council to improve the Community's protein supply, did not come into force until 1 May 1974. It is therefore too early to assess the effects of the aid provided for by this organization on the level of Community dehydrated fodder production.

However, an analysis of the trends in this sector during the past few years will provide a basis on which future trends can be assessed.

The importance of this product in the range of animal **feedingsuffs** can be seen by comparing it with oil cake, the principal source of protein.

In 1972/73, oil cake consumption was 14.5 million metric tons, whereas the consumption of dehydrated fodder amounted to only 1.8 million tons, or 12% of the former, in 1973.

As, however, the protein content of dehydrated fodder is lower than that of oil cake, in the period under consideration the quantity of protein provided by the former represented only 4.6% of that provided by the latter.

2. Production

In 1973, Community dehydrated fodder production amounted to 1.5 million metric tons, a higher figure than in preceding years. Production is concentrated mainly in France and Denmark.

In 1973, fodder production in the original Community was 976 000 metric tons as against 326 000 in 1963.

Production has therefore tripled in ten years. It did not rise steadily, however; at the beginning of this period, in the absence of any measures applying to imports, large quantities were consigned from non-member countries. Imports varied between 178 000 metric tons in 1963 and 355 000 tons in 1968; this caused prices to collapse, resulting in serious difficulties for Community producers. During the past few marketing years, the situation has improved; in 1973, imports from non-member countries amounted to only 87 000 tons, making possible a significant recovery in Community production.

¹See Tables II B./6.1 to II B./6.5 in the Annex.

A study of trends in each individual country shows that in France production was not affected by the same difficulties as in other Community countries, and grew steadily from 115 000 tons in 1963 to 675 000 tons in 1973. This steady progress was achieved as a result of cooperation between the processing concerns and the public authorities; one consequence of this was the establishment of export sales promotion offices, with the result that foreign sales now represent one-third of total production.

In Denmark, the second largest producer in the Community, installations have also been expanded. The slight decline occurring in 1973 in relation to the preceding year was due partly to unfavourable weather conditions and partly to the fact that some important changes in crop rotation had been made as a result of Denmark's recent entry into the Community.

3. Consumption

The Community consumes slightly more dehydrated fodder than it produces. At present, production covers 94% of consumption.

This situation, together with the trend of the markets in protein substances since 1972, has made it possible to dispose of the entire production without difficulty to manufacturers and stock farmers.

Consumption is divided fairly evenly between Member States. The principal user is France, followed by Germany and the Netherlands, whilst Ireland still consumes only very small quantities of dehydrated fodder. It should be noted, however, that for some time stock farmers have increasingly tended to add a protein-rich substance, such as dehydrated lucerne, to their usual cattle feed instead of a cereal-based substance as formerly. Furthermore, in view of the rise in prices of certain protein-rich substances, manufacturers of feedingstuffs are showing more and more interest in dehydrated lucerne.

In view of all this, the demand for dehydrated fodder has risen steadily in recent years.

4. Trade

In the absence of comparable data, trade trends in the Member States of the original Community cannot be compared with those in the three new Member States.

Denmark and France - which at present exports one-third of its production - consign this product mainly to Germany and the Netherlands.

Belgium imports between 80 and 90 000 tons, mainly from France. Italy, whose production is of high quality, consumes its own products but also imports relatively large quantities; imports, however, have been tending to decline every year.

The United Kingdom and Ireland, which consume their own production, trade between themselves to some extent.

5. Prices

Up to 1968, price trends were affected by low-priced imports from certain non-member countries, which exported their surplus production to the Community at the beginning of the marketing year, when the Community's own production was appearing on the market.

The manufacturers of feeding-stuffs, who are the principal buyers, took advantage of these low-priced foreign imports; as a result, manufacturers of dehydrated products were compelled to align their prices on the same levels, which did not always leave green fodder producers a profit margin.

Since 1970, the prices of imports from non-member countries have risen and the Community market has gradually recovered.

In 1973, as a result of soya bean supply problems, a spectacular upsurge in prices occurred.

However, the increase in fuel oil prices, which tripled in 1973 in relation to 1971 levels, has raised the cost of dehydration processes, since fuel costs represent a substantial part of total costs. As a result, the increase in selling prices has only partly counterbalanced the rise in production costs.

6. Outlook

Short-term

In the short run, the subsidies decided by the Council in March 1974 have had only a marginal effect on production in the current marketing year, since sowing had already been carried out.

The trend of the market, together with the subsidies provided for in the regulations, have made it possible for manufacturers of dehydrated products to guarantee better prices for producers; this may encourage the latter to plan for more lucerne and grass in their crop rotation next year.

It would be difficult to predict the trend of the markets in these products over the longer term with any certainty, since prices depend on soya oil cake and cereal prices as well as on the trend of demand.

It may be supposed, however, that if the prices of soya beans and other protein-rich feedingstuffs maintain their present level, dehydrated fodder could find profitable outlets which would lead to expansion at a later date.

7. Financing costs

Expenditure by the Guarantee Section of EAGGF has been estimated at 5 million u.a. for 1974, or 0.1% of the total expenditure of the section.

7. Flax and hemp¹

1. Introduction

The area under fibre flax represents less than 1% of Community UAA, whilst that under seed flax and hemp is no more than an infinitesimal part.

Fibre-flax cultivation is confined to certain areas in north-west France, the Netherlands and Belgium, and involves between 10 000 and 15 000 farmers annually. The flax straw produced is converted into fibres by about 300 retting and scutching concerns.

Flax straw production amounts to about 500 000 metric tons per annum and constitutes a by no means negligible source of raw materials for various industries:

65 000 metric tons of long fibres for spinning (flax and others);
35 000 metric tons of short fibres for spinning and paper manufacture;
45 000 metric tons of seed for sowing and oilseed (oil and oil cake);
200 000 metric tons of chips for chipboard panels.

Seed flax, which is grown almost exclusively in France and Italy, provides a relatively small proportion of the Community's substantial oil and protein requirements.

Textile hemp is grown only in Italy, where it is barely holding its own; paper hemp, however, which is grown in France, has increased somewhat in importance and at present provides between 25 000 and 30 000 tons of raw materials annually for the manufacture of paper (special types).

Community production of flax and, especially, hemp represents only a very small part of total world production.

According to the FAO, the total world area used for fibre flax cultivation was 1.5 million hectares in 1972, giving a total yield of 648 000 metric tons. With a cultivated area of 1.2 million hectares (81.6%) and a production of 460 000 metric tons (70%), the USSR is by far the largest producer. The Community's share represents only 3.4% of total world area; as a result of above average yields, however, its share in world fibre production amounts to 15%.

Total world area under seed flax was 3.8 million hectares in 1972, giving 1.9 million tons of seed, of which only 3 000 tons was produced in the Community, from an area of 3 700 hectares. India, Canada, the United States and Argentina

¹See Tables II.B/7.1 to 7.6 in the Annex

are the main producers, together accounting for 3.4 million hectares with a production of 1.7 million metric tons.

The Community's share in world hemp production - to which the countries of Eastern Europe are major contributors - is also very limited.

2. Production

In 1973, 47 200 hectares were utilized for fibre flax cultivation in the Community, representing a decline of 9.6% with respect to the previous year.

In France, the largest producer, the area utilized was 35 900 hectares, followed by Belgium with 6 300 hectares and the Netherlands with 5 000 hectares; compared with 1972, these figures represent declines of 5.8%, 24.5% and 19.4% respectively.

In 1972, the area under fibre flax had already declined by 20% with respect to 1971. The decline has not been halted, therefore, but the downward trend slackened in 1973 (- 9.6% as against - 20%). The area at present under this crop is very much smaller than it was ten years ago, the figure for 1963 being as high as 121 600 hectares. At that time, demand for this product was much higher than today; it has since tended to decline even faster than production, resulting in a surplus of fibres which has been burdening the market for some years. During the last few years, however, a new equilibrium between production and demand has been found - although at a much lower level of production than before.

In 1973, the production of flax straw declined with respect to the previous year to a greater extent than the area utilized (by 31.4%), since 1972 yields were above average.

Flax fibre production likewise declined sharply in 1973, being down by 26.9% on the 1972 level.

There is no trade in flax straw with non-member countries. Part of the French and Dutch output, however, is used to supply the Belgian retting and scutching industry, which purchased 102 000 metric tons of foreign flax straw in 1972-73 as against 82 000 in 1971-72, an increase of 25%. This increase was due to lower domestic production; ten years ago, imports were as high as 174 000 metric tons, but at that time activity in this sector was much brisker.

In 1973, 5 700 hectares were devoted to seed flax; this represents an increase of 54% compared with the preceding year but is only one quarter of the area under this crop in 1963 (23 000 hectares).

Seed production in 1973 can be estimated at about 5 000 metric tons, as against 3 000 in 1972.

The amount of seed produced from fibre flax can be estimated at 37 000 metric tons; total seed production would therefore have been about 42 000 tons in 1973, a figure comparable with that for the preceding year.

Textile hemp production is barely surviving, since certain problems relating to the modernization of manufacturing processes have not yet been overcome. This crop, at present confined to Italy, now accounts for only a few hundred hectares as against a total of 14 700 in 1963, of which 12 000 were in Italy and 2 700 in France.

Paper hemp cultivation, on the other hand, which is confined to France, has been expanding. In 1963, it concerned only 1 200 hectares; in 1972 and 1973, however, it accounted for 4 200 hectares with a production of 27 800 metric tons of green straw for the manufacture of fine-quality paper.

3. Trade

The following is an outline of the trade in flax fibres.

Flax fibre production in the three producer countries of the Community (France, Belgium and the Netherlands) exceeds their industry's requirements for this product. The surplus is exported partly to other Member States, which are users but not producers, and partly to non-member countries. Exports to non-member countries consist mainly of long fibres, though smaller quantities of short fibres are also exported. One reason for this is that, on the average, two-thirds of Community production consists of long fibres, owing to a better straw quality; another reason is that the Community's spinning industry uses mainly short fibres. Users in non-member countries, on the other hand, purchase mainly long fibres from the Community. Since the Community production of short fibres is inadequate to cover requirements, relatively large quantities are imported, chiefly from the countries of Eastern Europe.

As a result of a decline in the availabilities, exports to non-member countries were lower in 1973 than in 1972 and considerably lower than in 1970. Imports

from non-member countries increased somewhat in 1973 as compared with the preceding year but were still lower than in 1970. The enlargement of the Community has also affected the volume of trade, since none of the new Member States are fibre producers but the UK is a large-scale user. Consequently, trade within the enlarged Community has risen at the expense of trade with non-member countries. In 1973, for example, the original Community exported 46 300 metric tons, whilst the enlarged Community exported only 30 000 tons. Owing to the UK's requirements, imports from non-member countries by the enlarged Community exceed those of the original Community.

As a result, the enlarged Community's exports to non-member countries barely exceed its imports, in contrast to the substantial export surplus of the original Six.

As regards hemp fibres, intra-Community trade and exports to non-member countries are both on a very small scale, but in 1973 the enlarged Community imported 20 200 metric tons of hemp from non-member countries.

4. Prices

Flax fibre prices in the Community, which rose in 1972-73 as compared with the preceding year, increased still further in 1973-74.

In the case of water-retted flax, the rise in 1973-74 with respect to the preceding year was about 35% for medium-quality scutched flax, 42% for high-quality scutched flax and 48% for broken flax.

For earth-retted flax, the price increase was less marked. In 1973-74, quotations for French earth-retted flax fibres were up on the previous year by 25.4% for short fibres, 31.1% for scutched flax and 25% for broken flax.

The upward trend of prices seems to have halted towards the end of the 1973-74 marketing year; for certain grades, prices were even somewhat lower in July 1974 than in the preceding month.

Despite a substantial rise in the costs involved in retting and scutching processes (wages, energy, interest rates), the increase in fibre prices benefited producers, at least to some extent. In view of differing qualities, it is difficult to compare flax straw prices relating to different harvests.

On the average, however, French producers sold their flax straw production in 1973 at prices 23.7% higher than in 1972.

The upward movement of linseed producer prices in the Community, which began at the end of 1971, continued in 1973. In the 1973-74 marketing year, prices were up by 110% in Belgium and 69% in the Netherlands on the previous year's levels. This trend seems to have been halted about the middle of 1974, but at that time prices were nearly three times those prevailing at the end of 1971.

Paper hemp cultivation is carried on under contract with paper manufacturers, who fix straw prices every year in agreement with producers' representatives. Since 1971-72, the price has been 46.8 u.a./metric ton. In view of the small quantities marketed, it is very difficult to obtain quotations for hemp fibre.

5. Prospects

For textile hemp, the situation regarding the area under cultivation was reversed in 1974. Preliminary information indicates that, after declining in 1972 and 1973, the utilized area has - owing to higher profitability - been expanded to 58 200 hectares, a rise of 23.3% with respect to 1973. This area is divided as follows among the countries concerned: France, 41 700 hectares (+ 16.1%); Belgium, 9 000 hectares (+ 42.9%); Netherlands, 7 500 hectares (+ 50%). The harvest should yield 475 000 metric tons of straw and 85 000 tons of fibres, including 58 000 tons of long fibres and 27 000 tons of short fibres, in addition to 45 000 tons of seed. The overall yield of all three products is very satisfactory. As a result of bad weather during the retting period, however, about 2 000 hectares were badly damaged.

Initially, market conditions were very favourable to straw producers, but sales have recently slowed down and prices declined owing to a worsening of the situation since the beginning of the year. Nevertheless, it seems unlikely that either imports or the demand from users in the Community and in non-member countries will vary greatly in 1974-75; hence no major problems should arise as regards sales of fibres from the 1974 harvest.

For seed flax, the first figures available for 1974 relate to an area of 7 650 hectares, an increase of 34% with respect to 1973. In France, the area sown with this crop has more than doubled, rising to 5 150 hectares; in Italy, the estimates relate to an area of 2 500 hectares, a lower figure than in the preceding year. A production of 7 500 metric tons of seed may be expected. In view of the world market situation, there should be no difficulty in finding buyers.

In 1974, the area under textile hemp was only about 200 hectares, whereas that under paper hemp expanded from 4 120 hectares in 1973 to 5 560 hectares in 1974, production being estimated at 32 500 metric tons of straw. No difficulty will be encountered in marketing this crop, since it is grown entirely under contract. The selling price for the 1974 harvest will be 50.4 u.a./ton, an increase of 7.7% over that of previous years.

6. Forecasts for the 1975-76 marketing year

The area utilized for fibre flax cultivation in 1975 will be determined by the probable trend on world market in seeds and, especially, fibres.

There is no reason to believe that seed price levels will fluctuate greatly. As regards the fibres market, on the other hand, the situation in 1974-75 is likely to be in balance, but developments in 1975-76 are more difficult to forecast.

It may be doubted whether the present level of demand will be maintained in view of the problems currently affecting activity in certain branches of the textile industry. There is reason to believe, however, that the repercussions of this situation on the flax sector will be limited, since flax is reserved mainly for specialized applications, in respect of which the demand is likely to continue at its present level.

On the assumption that demand will be substantially the same as in 1974-75, a slight increase in production would be desirable in order to ensure an adequate supply for users, unless the latter were to find that fibres were more freely available from non-member countries. In that case, the equilibrium achieved during the past few years would be compromised.

Whilst the hemp market is directly affected by trends on the flax market, efforts are being made by users to conclude fixed-price production contracts, a development which could help to improve the market equilibrium.

7. Financing costs

Since the economic conditions for the application of the storage contracts system for flax and hemp fibres are not yet fulfilled, the EAGGF's expenditure in respect of these products has so far been confined to subsidies based on areas harvested.

The area utilized may increase slightly in 1975-76; if the level of subsidies continues unchanged, therefore, expenditure is likely to rise.

Expenditure by the EAGGF Guarantee Section in respect of flax and hemp amounted to 10.6 million u.a. in 1972, 6.4 million u.a. in 1973 and is estimated at 11 million u.a. for 1974, i.e., 0.5, 0.2 and 0.3% respectively of the "guarantee" section's total expenditure.

8. Seeds*

1. Introduction

The common organization of the market in the seed sector, adopted on 26 October 1971, covers the following varieties:

Dried leguminous vegetables for sowing	CCT 07.05
Hybrid maize for sowing	CCT 10.05 A
Oil seeds and oleaginous fruit for sowing	CCT 12.01
Seeds, fruit and spores, of a kind used for sowing	CCT 12.03

2. Production

The Community produces more than one million quintals of fodder crop seeds, corresponding to 20 - 25% of world production. The Community's largest producer is Denmark, which provides about 30% of total Community production, followed by France, the Netherlands, the UK and Germany. France and Italy produce more leguminous than graminaceous crops (lucerne, purple clover, field beans), whilst in the northern countries the reverse is the case. Denmark, however, produces substantial quantities of white clover and France has a sizeable production of Italian rye-grass.

Community production in 1973 was 1 110 385 quintals, i.e., slightly lower than in 1972 (by about 80 000 quintals), but the area utilized also declined, by about 8 000 hectares.

In 1974, on the other hand, Community sowings of this crop increased by 43 165 hectares (from 180 889 hectares in 1973 to 224 054 hectares in 1974).

* See Tables II.B/8.1 to II.B/8.3 in the Annex.

This increase seems to have been due mainly to the very satisfactory producer prices prevailing during the preceding year, especially for graminaceous crops. Subsidies may also have played a part in the case of leguminous crops.

3. Supply situation

The Community is not completely self-sufficient in this sector. It imports graminaceous seeds from the United States, Canada, New Zealand and certain Eastern bloc countries. Where the last-mentioned countries are concerned, most imports are covered by multiplication contracts.

The following table gives the figures for imports and exports in 1972, in quintals:

	<u>Imports</u>	<u>Exports</u>
Denmark	-	379 110
Netherlands	91 720	160 410
Germany	184 259	20 289
France	188 525	50 131
Italy	89 209	16 060
United Kingdom	177 579	25 517
Luxembourg	2 000	325
Belgium	no data available	no data available
Ireland	no data available	no data available
Total:	733 292	651 842

Figures supplied by Member States.

For the 1974-75 marketing year, owing to the shortage of protein-yielding crops in the Community, two species of field bean (*Vicia faba* var. *equina* et *Vicia faba* var. *minor*) have been added to the list of varieties qualifying for subsidies. For the same reason, certain varieties of legumes are eligible for slightly higher subsidies than in 1973-74.

4. Prices

A per quintal subsidy is granted for all fodder crop seeds. For each type of hybrid, however, a reference price is fixed annually on the basis of import prices during the preceding three years. If the price delivered at the frontier plus customs duty (consolidated at 4% under GATT but at present exempted unilaterally, i.e., zero rate) is lower than the fixed reference price, a countervailing duty, equal to the difference between these two prices, is charged.

For the year 1974-75, reference prices were raised.

5. Prospects

Certain difficulties are encountered in assessing the outlook for Community seed markets, in view of the interdependence of the latter and the world market, which is subject to substantial variations both in production and in prices. Nevertheless, the upward trend of Community sowings that emerged in 1974 may well continue for the next few years in view of the satisfactory prices for graminaceous seeds and the Community's policy of support for protein crop production. Furthermore, the policy introduced by the Community (marketing directives) will undoubtedly help to encourage an increased use of Community-grown seed in European agriculture.

6. Financing costs

Expenditure by the EAGGF Guarantee Section in respect of seed amounted to 0.1 million u.a. in 1972 and 14.6 million u.a. in 1973, whilst the estimate for 1974 is 15 million u.a.; these figures represent 0.004, 0.4 and 0.4% respectively of the Guarantee Section's total expenditure. The entire amount is allocated to price subsidies.

9. Wine¹

1. Introduction

In 1973, the share of wine in Community final agricultural production amounted to 6.8% by values, whilst the area under vines represented 2.8% of the Community UAA. In 1966/67, the number of farms which included vineyards was 2.1 million, or 33.4% of the total number of farms in the Community; these farms together cultivated 2.5 million hectares in 1966/67. In 1972/73, the total area under vines was 2.3 million hectares - substantially lower than in 1950/51, when the figure was 3.1 million hectares. In 1971, world production amounted to 286 million hl according to the FAO, whilst Community production was 133 million hl, or 46.5% of the total. According to the OIV², total world area under vines was 9.7 million hectares, of which the Community accounted for 2.3 million, or 23.7%. The difference between the percentage figures for production and area is due to the fact that the average yield in the Community (56.8 hl/ha) is higher than the world average (29.4 hl/ha).

The largest Community producers are France and Italy, whose output varies between 60 and 70 million hl per annum. Germany (about 7 million hl) and Luxembourg (about 150 000 hl) account for a relatively small part of Community production.

2. Production

In relation to the average for the past ten years, the 1972 harvest was poor, producing 128 million hl, or 4% less than in 1971. The 1972 harvest was slightly larger than the average for the five years from 1960 to 1964 inclusive.

Wine production varies very sharply from one year to another according to weather conditions; for example, production in 1971 was 13.8% lower than in 1970. However, the tendency for production to rise can be seen very clearly when longer periods are compared and when the exceptional harvests of 1970 (154 million hl) and 1973 (168 million hl) are taken into account. The same trend may be seen in all wine-producing Member States.

¹See Tables II.B/9.1 to II.B/9.5 in the Annex.

²Office International de la Vigne.

3. Consumption

The small harvests in 1971 and 1972 resulted in a slight decline in consumption - to around 140 million hl - in the 1971/72 and 1972/73 marketing years; on the average, consumption varies between 145 and 150 million hl.

(a) Human consumption

Human consumption rose from 125 million hl in 1971/72 to 127 million hl in 1972/73. Per capita consumption was stable during these two periods, at 66 litres.

(b) Processing

The quantity used in processing declined from 14 million hl in 1971/72 to 12 million hl in 1972/73; this was mainly due to the fact that in 1973 no exceptional distillation measures to absorb surplus production were decided.

(c) Self-sufficiency

The Community's self-sufficiency rate was 95% in 1971/72 and 89% in 1972/73, in relation to total internal consumption.

If the distillation of wine reckoned as surplus (2.8 million hl) is subtracted from the total supply figure, however, the self-sufficiency rate for 1971/72 is then 97%.

Even during these two reference years in which production was relatively low, however, it still exceeded the amount required for human consumption. In relation to total human consumption, the self-sufficiency rate was 106% in 1971/72 and 100% in 1972/73.

The difference between supply and demand was covered partly by drawings on stocks (8.1 million hl in 1971/72 and 12.1 million hl in 1972/73) and partly by net imports of 0.9 million hl (original Community) in 1972/73.

4. Trade

In 1972/73, imports by the enlarged Community amounted to 8 million hl. The corresponding figure for the original Community was 5.9 million hl, against 2.8 million in 1971/72 - an increase of 112%. In relation to the years 1962/63 and 1967/68, however, this figure represents a decline of about 10%. Exports by the enlarged Community were 3.4 million hl in 1972/73, whilst exports by the original Community rose to 5 million hl in 1972/73 against 3.4 million hl in 1971/72, an increase of 44%.

The original Community had a deficit of 0.7 million hl in this product in 1972/73, against a surplus of 0.9 million hl in 1971/72.

It may therefore be concluded that the foreign trade balance in this sector was approximately in equilibrium in the low harvest years, 1971/72 and 1972/73.

5. Prices

(a) Common prices

The guide prices for wine for the 1974/75 marketing year were raised by 16% for table wines of types R I, A I, R III, A II and A III, and by 20% for table wine of type R II, compared with the levels in 1973/74. In relation to the first common price fixing in 1970, the average increase for the various types of table wine amounts to 26%.

(b) Market prices

During the 1973/74 marketing year, prices for all types of table wine were in general lower than in the preceding year, when prices moved upwards as a result of reduced supply on the internal market. However, in 1973/74 prices on most Community markets remained higher than the corresponding guide price levels. In the past, the trend for the various types of table wine was very different. The prices of types A II and R III table wines declined sharply once the size of the 1973 harvest was known; however, the prices of other types of table wine - especially R I and A I - were unaffected until April 1974. In the latter cases, prices were affected only to a limited extent in the sense that they fell substantially on only one market out of twelve for type R I and three markets out of eleven for type A I.

In 1973/74, prices fluctuated between + 10.3% and - 22.3% of the previous year's levels, according to the individual market.

The decline in average price levels was caused partly by the exceptionally abundant harvest in 1973 and partly by large-scale imports at the end of the year arising from contracts concluded during the period in which prices on internal markets exceeded reference prices.

Average quotations remained at levels substantially higher than the activating prices for all types of table wines, with the exception of R III and A II.

(c) World prices

Wine prices on world markets in 1973/74 were generally lower than Community prices in respect of trade with non-member countries. Quotations as low as about 1.20 u.a./°/hl were recorded, i.e., 90.9% of the lowest activating price in the Community. Consignments were offered to Community countries at cif prices of 1.60 u.a./°/hl or more for ordinary quality red wine, thus respecting the corresponding reference price when customs dues are taken into account.

6. Outlook

(a) Short term

Preliminary information suggests that the 1974/75 harvest will give less wine than in the previous year. Nevertheless, according to preliminary estimates by Member States, the quantity harvested should amount to 158 million hl, exceeding total foreseeable utilization, which is estimated at a maximum of 150 million hl. Since consumption is declining in the two largest consumer countries, the surplus may even exceed 8 million hl with a large harvest and stocks already very high, it may be assumed that imports will be small. Despite the abundant supplies on the market, it is unlikely that exports will rise unless refunds are increased substantially and the list of destinations qualifying for refunds is broadened.

(b) Medium term

In view of the trend of production and consumption in recent years, structural surpluses may be expected in the fairly near future. The increase in production is due partly to higher yields and partly to new plantings. Human consumption per head can be expected at the best to be stable seeing that it is declining in France and Italy and rising to some extent in the other countries of the Community.

It is unlikely that any substantial change will occur in the quantities processed, which at present amount to about 12-14 million hl, in theory confined to spirits, aromatized wines and vinegar. This being the case, the self-sufficiency rate may be estimated at around 105%.

7. Economic aspects of measures taken

(a) Levies and refunds

1. Import levies

The import levies, known as "countervailing charges" in the wine sector, were unchanged in 1973/74 in relation to the previous year.

The countervailing charges play only a very minor part in the wine sector, since the Community's principal suppliers have undertaken to respect the reference prices, and the countervailing charges are not applied to the 17 countries which have given this undertaking.

2. Refunds

Refunds for the 1973/74 marketing year were unchanged on the previous year. They were granted only for table wines consigned to Norway, Sweden and Denmark.

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

In 1973/74, all the intervention measures provided for in the Community's regulations were applied. For example, storage contracts were concluded covering a monthly average of 12.5 million hl, with a maximum of 33.3 million hl. This level has never been reached since the establishment of the common organization in this sector, the previous peak being 20 million hl. Intervention by subsidized distillation of surpluses was never before carried out on such a scale in this sector. Nine million hl of wine were distilled in 1974, rather more than half this amount being covered by a Council Decision¹.

(c) Stock situation

At the beginning of 1973/74, stocks held by producers and in trade totalled 61.6 million hl. At the end of the marketing year, it may be expected that stocks will total 95 million hl, a figure never reached since the establishment of the common organization.

(d) Uniformity of prices

Since the new Member States have applied the common prices, their accession has not resulted in the establishment of divergent price levels in the wine sector.

The monetary decisions taken in relation to Italy resulted, for the period 1 January 1974 to 15 December 1974 inclusive, in the establishment of activating prices expressed in Italian currency at a level 7.79% lower than that resulting from the application of the corresponding representative rates.

The application of the compensatory amounts in trade with non-member countries raised certain problems where the latter had signed an undertaking to respect the reference prices.

¹Regulation No 1794/74, 10 July 1974 - OJ No L 187/29, 11 July 1974.

²Regulation No 1930/74, 22 July 1974 - OJ No L 202/8, 24 July 1974.

A considerable time may elapse between the despatch of a consignment of wine from a non-member country and the day on which it is imported; consequently, it is difficult for non-member countries to fix their sales prices in accordance with the reference price and compensatory amount applicable on the day of importation.

In trade between Member States, the partial application of compensatory amounts on wine sector products led to certain distortions; i.e., to an abnormal increase in the trade in processed products not subject to compensatory amounts.

8. Financing costs

Expenditure by the Guarantee Section of the EAGGF amounted to 55.7 million u.a. in 1972, 12.4 million in 1973 and has been estimated at 70 million u.a. for 1974; i.e., respectively 2.4, 0.3 and 2.0% of the section's total expenditure. The total amount of 70 million u.a. for 1974 breaks down as follows: 0.2 million u.a. for export refunds; 24 million u.a. for private storage contracts; 28 million u.a. for distillation and aid to the rehousing of table wines; and 17.8 million u.a. for distillation costs relating to the by-products of wine-making.

10. Raw tobacco¹

1. Introduction

The share of tobacco in the final agricultural production of the original Community amounts on average to 0.5% by value.

Tobacco is mainly cultivated in small family undertakings; the average area of individual plantations is no greater than 0.6 hectares. The average total crop area, 70 000 hectares (\pm 2% of arable land) is worked by about 120 000 planters.

In 1973, world tobacco production amounted to about 4 800 000 metric tons, of which 152 000 tons, i.e., 3% of the total, were produced by the Community. The Community has four producer countries, Italy, France, Germany and Belgium. In Germany and Belgium, the crop is only of minor importance, whilst in France and Italy, which together account for not less than 90% of the Community harvest, it represents an appreciable share of agricultural production. In these two latter countries, production is often concentrated in the less favoured regions, where it represents the principal source of agricultural income.

2. Production

The area under tobacco in the Community has been declining almost uninterruptedly since 1958. At the same time, raw tobacco production has also been declining,

¹See Tables II.B/10.1 to II.B/10.7 in the Annex.

from 158 000 metric tons in 1958 to about 130 000 tons in 1968. Since 1970, however, the first year of the common organization of the market and of the easing of restrictions on tobacco growing in countries with monopoly systems, the trend has turned upwards.

This last statement must, however, be qualified since in Italy, due to special features of the market, final net production figures - i.e., the quantities actually marketed - are not available until two or three years later. On the basis of experience in 1970, when "declared" production was 78 000 tons and net production¹ only 70 000 tons, the figures for Italy should be cut by 8 - 10%.

Between 1970 and 1973, the total area under tobacco rose from 66 to 74 000 hectares, returning to the 1968 level. During the same period, production rose from 136 to 152 000 tons, whilst from 1972 to 1973, production and crop area rose respectively by 4 and 6%.

In view of the situation described above, the most marked changes related to individual varieties:

- In Germany, Badischer Burley is expanding appreciably, whilst Virgin SCR is declining steadily. The area under Badischer Geudertheimer, which began to encounter sales resistance in 1973, declined sharply in 1974 (by 23%);
- In France, the slight increase in both yields and area in 1973 raised production to the highest level for ten years, about 2% higher than in 1972. The Paraguay variety accounted for 96% of total production;

¹Net production = quantities for which premiums were paid + quantities submitted for intervention.

- In Belgium, despite an appreciable reduction in the crop area (-15%), production declined by only about 3% as a result of higher yields;
- Trends were the most complex in Italy as a result of the wide range of varieties cultivated.

The sun-cured varieties as a whole have been in decline for several years; this trend is almost entirely due to the Xanti-Yaka variety, the area under this crop having declined by more than 50% between 1968 and 1972. Since 1973 there has been some improvement as a result of the favourable world situation, the area under Xanti-Yaka having declined to a lesser extent (by 11%) whilst the Perustitza and Erzegovina varieties have expanded by 17 and 20% respectively.

The situation of the Bright variety is very similar to that of the sun-cured tobaccos; compared with 1972 area increased by 29% and production by 14%.

The Nostrano and Beneventano varieties, on the other hand, have continued to decline as a result of changing market demand.

In response to a brisk demand, the production of Kentucky has been expanding steadily in recent years; in 1973, production increased to such an extent (by 30%) that serious marketing problems are to be feared.

Burley, which has been expanding constantly for several years, seems to have reached a ceiling at around 37 000 metric tons (1973 production). Despite

a 4% increase in area, however, production declined by 4% in relation to 1972. At the same time, it is interesting to note that the Maryland variety has been in demand on the market, taking the place of Burley in marginal areas; production rose by more than 50% on the 1972 level and production in 1974 is expected to be double that of the previous year.

3. Supply situation

The Community has a considerable deficit in raw tobacco; the self-sufficiency rate was only 30% for the original Community. With the accession of the new Member States the rate fell to about 20%, mainly as a result of these countries' dependence on flue-cured tobacco of non-Community origin (imports of flue-cured tobacco by the enlarged Community represents about 50% of the total). The value of these imports (7 - 800 million dollars in 1973) represents a substantial share of the Community's deficit on agricultural account.

4. Trade

With a volume of 1.2 million metric tons, representing an exported value of 1.5 milliard dollars (in 1972), international trade in raw tobacco involves about 25% of the total world harvest. Whilst 5 countries (United States, Canada, Greece, Turkey and Bulgaria) account for about 60% of world trade, the Community of Nine is the largest importer, with 40% of the total; the United Kingdom is the second largest, followed by Germany. Community

imports from non-member countries rose steadily from 1972 to 1973 (by about 2.5%). Among the associate members enjoying preferential treatment, only Greece and Turkey have been able to increase their exports to the Community to an appreciable extent (by about 30 000 metric tons in 1972). Consignments from the African countries and Madagascar, however, have shown no change for several years (5 - 6 000 tons).

According to import figures supplied by Member States, intra-Community trade increased from 26 000 to 41 000 tons between "1968" and 1972; it should be recalled, however, that in reality this trade only concerns Italian tobacco (Italy being the only member country to export domestic production), the amounts involved being 8 000 tons in "1968" and 19 000 tons in 1972. These amounts, therefore, mainly consist of tobacco imported from non-member countries and subsequently re-exported to other Member States.

The available figures for sales of Italian tobacco in 1973 show that the establishment of the common organization of the market in this product resulted in a sharp expansion, since sales reached 30 600 metric tons (an increase of about 300% compared with 1970) of which 22 000 tons were exported to other Member States. It follows that exports to non-member countries also rose very substantially; in fact, they tripled between 1970 and 1973.

5. Prices

The norm prices for the 1974 harvest have been raised by an average of 11% for the different varieties. In relation to 1970 levels, they have risen less than world prices.

As regards premiums, no change has been proposed on those applicable for the 1973 harvest; in relation to 1970, however, the changes made differ greatly from one variety to another in accordance with the desired pattern of production.

6. Outlook

Any medium-term projection is very difficult to make because of the strong and persistent pressure on world prices and speculative operations designed to rebuild stocks.

It may be predicted, however, that world consumption will increase (by about 3 - 4% per annum) more rapidly than production, despite numerous anti-tobacco campaigns.

Demand will continue to be quite buoyant, with the result that prices - especially for certain varieties - could rise later on.

The Community's deficit position will not improve despite the fact that a production increase is likely for certain varieties; for pedological and climatic reasons, besides technical factors affecting production (manpower shortage), this increase can only be a limited one.

During the first four years following the establishment of the common organization, profound changes took place in the production and marketing structure of the tobacco sector, aimed at better adaptation to the real needs of the market. In this respect, it may be noted that intervention buying-in was 60% less for the 1972 harvest than in 1970 and 1971.

However, marketing problems may continue to arise for certain varieties in view of the permanence of the obstacles to reconversion in certain regions of the Community.

7. Financing costs

Expenditure by the Guarantee Section of the EAGGF in respect of the tobacco sector amounted to 88.5 million u.a. in 1972 and 129.6 million u.a. in 1973, and has been estimated at 176 million u.a. for 1974; i.e., 3.8%, 3.4% and 5.2% respectively of the Guarantee Section's total expenditure. Of the total amount of 176 million u.a., 173.5 million represents price subsidies and 2.5 million storage costs.

11. Fresh and processed fruit and vegetables¹

I. Fresh fruit and vegetables

1. Introduction

Production of fresh fruit and vegetables in 1973 (including the portion intended for processing) represented approximately 11.7% by value of final agricultural production, or 29.2% by value of final crop production, and accounted for 2.7% of the Community's utilized agricultural area.

According to the survey on farm structures conducted in 1966-67, 836 000 farms cultivated vegetables in the original Community and 759 000 had fruit tree plantations, the areas covered being 656 500 and 972 000 hectares respectively.

These figures do not include areas planted with citrus fruit trees or used for the cultivation of berries.

The positions occupied by the main fruit-and vegetable-producing Member States, according to their production expressed in '000 metric tons, are as follows:

1973 (prov.)	1st Member State	2nd Member State	3rd Member State
<u>Fruit</u>	Italy 9 500	France 2 228	Germany 1 700
Apples	Italy 2 050	France 1 600	Germany 1 127
Pears	Italy 1 570	France 400	Germany 164
Peaches	Italy 1 176	France 540	-
Citrus fruits	Italy 2 687	France 18	-
<u>Vegetables</u>	Italy 10 600	France 4 663 (1972)	United Kingdom 2 791 (1972)
Cauliflowers	Italy 615	France 430	United Kingdom 337 (1972)
Tomatoes	Italy 3 295	France 500	Netherlands 365

In the case of Italy, the figures refer to total production, whereas for the other countries they refer to commercial production.

¹See Tables II.B/11.1 to II.B/11.23 in the Annex.

2. Production

In 1973, according to the provisional figures available, commercial fruit production in the original Community reached 15.4 million metric tons, a quantity roughly equivalent to production in the years 1968-71.

The increase of 8% with respect to 1972 is due to the fairly low production in that year.

The production of the new Member States can be assessed at between 680 000 and 770 000 metric tons, but the complete figures for two of the new Member States have not yet been obtained, so that a full analysis of the situation cannot be made.

Despite the marked fluctuations in the size of harvests, due to the well-known phenomenon of alternation, production was fairly stable.

The main products were:

- (a) apples, the production of which - 5.5 million metric tons in the original Community - represented 36% of fruit production.

The production of apples increased by 16% with respect to the previous year but was still 4% less than the maximum production obtained in 1969-70.

- (b) pears, which represented approximately 15% of commercial fruit production in the original Community.

Production in 1973-74 was approximately the same as in 1972-73 and was at one of the lowest levels since 1968/69, representing only 79% of the maximum production recorded in 1970-71.

- (c) peaches, the production of which was 1.7 million metric tons in 1973-74, i.e. about the average level for recent years.
- (d) citrus fruits, with a fairly stable production of about 2.5 million metric tons.

The commercial production of vegetables in the original Community was 15.1 million metric tons in 1973, as against 14.8 million in 1972, not including production in France, for which the latest figures are not available but which is usually just over 5 million metric tons.

In the three new Member States, the production of vegetables was 3.3 and 3.2 million metric tons in 1971 and 1972 respectively. Production for 1973 is not yet known.

The main products include:

- (a) tomatoes, the production of which for the Community as a whole reached 4.5 million metric tons - an increase of 7% over the figure for 1972.
- (b) cauliflowers, with an average production of about 1.6 million metric tons.

3. Consumption

In 1972-73, the total availabilities of fruit, citrus fruit and shell-fruit (including preserves and fruit juices expressed by weight of the fresh product) were almost 240 million metric tons for the Community as a whole, including 20.6 million metric tons for the original Community.

For the original Community, these availabilities represent a decrease of 6.3% in relation to 1970/71 and 1971/72, due mainly to the trend in fruit other than citrus fruit and shell-fruit, for which availabilities have decreased by 8 to 10%.

In 1972-73, according to the figures available for the original Community, the uses to which fruit was put were as shown in the following breakdown.

%

Product	Human consumption	Industrial uses other than for food manufacture	Animal feed	Losses
Fruit	89	2	1	8
of which: apples	84	3	0 ⁺	8
pears	91	1	0 ⁺	8
peaches	87	-	0 ⁺	13
grapes	91	-	-	9
Citrus fruit	93	1	0	6
of which: oranges	94	0 ⁺	0	6
Shell-fruit	96	2	0	2
Total	20	2	1	7

The industrial use of fruit other than for food manufacture is very limited.

The availabilities of vegetables were 27.5 million metric tons for the Community as a whole and 23.1 million for the original Community.

The second figure, compared with those for 1970-71 and 1971-72, represents a decrease of 8 and 4% respectively.

In 1972-73, the use of vegetables in the original Community was as shown below.

%

Product	Human consumption	Industrial uses other than for food manufacture	Animal feed	Losses and seed
Vegetables	87	0	1	12
of which: cauliflowers	91	0	1	8
tomatoes	90	0	0 ⁺	10

(a) Human consumption

The human consumption of fruit in the original Community shows little change, having fluctuated between 18.5 and 19.4 million metric tons in the period 1968-69/1972-73 without showing any upward or downward trend.

This consumption, which also includes processed products, represents about 100 kg per head, broken down roughly into 3.3 kg of shell-fruit and chestnuts, 22-24 kg of citrus fruits and 70-75 kg of other fruit, not including tropical fruit (bananas, pineapples, etc.) and dried fruit.

These are, of course, averages, and individual consumption varies quite considerably from one Member State to another.

From the incomplete data available for the three new Member States it emerges that the consumption of fruit other than citrus fruit and shell-fruit is far lower in these countries than in the original Community as a whole, since in 1972-73 it was only 32 kg in the United Kingdom, 37 kg in Ireland and 42.5 kg in Denmark.

The human consumption of vegetables likewise shows a tendency to fluctuate: since 1967-68 it has wavered between 20.1 and 21.6 million metric tons, giving a per capita consumption which varies between 104 and 115 kg per year for the original Community as a whole, but which differs from one Member State to another (67 kg in Germany, 149 kg in Italy in 1972-73).

According to the information available for the new Member States, the per capita consumption in 1972-73 was 68.2 kg in Ireland and 45.3 kg in Denmark.

(b) Animal consumption and industrial uses

Only very small quantities of fruit and vegetables are absorbed by these two outlets, and the uses are for the most part fortuitous.

(c) Rate of self-sufficiency

In 1972-73, the Community degree of self-sufficiency was particularly high in the case of vegetables, for which it reached 94%; for citrus fruit it was 34%, for shell-fruit 55% and for other fruit 76%.

4. Trade

In 1973, the total imports of fresh fruit and vegetables by the original Community were 5.2 and 2.4 million metric tons respectively; these figures are the same as for 1972 but 30 to 33% more than for 1968.

The total exports from the original Community amounted to 1.9 million metric tons of fruit and 1.7 million metric tons of vegetables; for the former this represents a decrease of 14% with respect to 1972, while for the latter the figure is the same as for the previous year.

Imports of fruit (except bananas and other tropical fruit) from non-member countries were mainly of citrus fruit (more than 2.5 million metric tons in 1972 for the original Community; Spain supplied 45.4%, Israel 18.0%, Morocco 15.0%, the Republic of South Africa 5.6% and the United States 3.6%.

Imports of fresh apples, mainly from Argentina, the Republic of South Africa and New Zealand, totalled more than 0.2 million metric tons, but represented only a quarter of the quantities traded among the Member States.

The only individual figures available for vegetables concern fresh tomatoes, imports of which amounted to about 250 000 metric tons, approximately the same quantity as that traded among the Member States. The main suppliers were Morocco (45.6%), Rumania (17.0%), Spain (16.6%) and Spanish North Africa (15.9%).

The main export from the original Community to non-member countries was apples (352 000 metric tons); these were sent to Austria, the German Democratic Republic, Switzerland, Libya, Sweden, Finland, and, in lesser quantities, to many other countries, including even Venezuela and Brazil. These exports, however, represented only 38.6% of the quantities traded among the Member States.

Exports of citrus fruit to non-member countries amounted to 301 000 metric tons, 63.8% of this quantity being accounted for by lemons.

Exports to non-member countries were mainly for Switzerland, Austria, the USSR and Poland; they represented about nine-tenths of the quantity traded among the Member States.

Stone fruit and pears were also relatively important (133 000 metric tons and 115 000 metric tons respectively): they were exported mainly to European countries, namely Switzerland, Austria, Sweden.

The main buyers of vegetables in 1972, apart from the United Kingdom, were Switzerland (25.6%), Sweden (12%) and Austria (7.4%), but the total exports to countries outside the EEC amounted to only 27.9% of the quantities traded among the Member States.

5. Prices

(a) Common prices

The basic prices and purchasing prices for the marketing year 1974-75 increased to such an extent that the resulting withdrawal prices, at which producer groups buy back their members' unsold produce, are about 10% higher than the withdrawal prices for the marketing year 1973-74, except in the case of apples and pears, for which the increase was about 7% and 4% respectively.

Compared with the withdrawal prices corresponding to the first basic and purchasing prices fixed for a complete marketing year (1967-68), the withdrawal prices resulting from these basic and purchasing prices are on average higher by about 59% for lemons, 58% for tomatoes, 55% for peaches, 50% for mandarins, 37% for table grapes, 29% for cauliflowers, 27% for oranges, 23% for pears and 17% for apples.

It should be emphasized firstly that this is an average increase calculated on the basis of seasonal basic and purchasing prices and that it can therefore vary according to period and product. Secondly, the 5% increase decided upon by the Council in October 1974 is not included, for it would have been difficult to determine its effect upon the various products in view of the differing marketing periods.

The reference prices, which determine the minimum level of entry prices for imported products, showed an average increase between 1973-74 and 1974-75 of about 10% for tomatoes, cherries, plums, peaches and lemons, and 4.5-6% for cucumbers, grapes, pears and apples, an increase which likewise varied according to the period.

It is difficult, if not impossible, to make comparisons with the years preceding 1973-74, owing to the changes in the method of fixing the reference prices and also to the calculation of the entry prices. These changes consisted in the inclusion in the reference prices of a fixed amount determined on the basis of the costs of transporting Community products from the production areas to the Community consumer centres. Previously, in order to calculate the entry prices, the cost of

transporting imported products from the Community frontier crossing points to the representative import markets was deducted.

(b) Market prices

The prices of fruit and vegetables vary enormously from one time of the season to another and, even if all other factors are equal, from one place to another, or - within one and the same market - from one batch to another, and it is not always possible to explain these differences.

An individual analysis of the main products leads to the following conclusions, based on average prices:

- (i) Apples (Golden Delicious variety; quality class I; size not less than 70 mm)

The average prices for the marketing year, 1973-74 were 30-40% lower than for the previous year, although in Denmark the decrease was only about 9%.

This reduction brought prices down to roughly the level for the 1971-72 marketing year. It should be pointed out that the production of apples in 1972-73 had been fairly low and that this had had a particularly favourable effect upon the price situation.

For several months in 1973-74, prices in some Member States (France, Belgium, the Netherlands, Germany) were between 70 and 80% of the basic prices.

- (ii) Pears (various varieties; quality class I; size not less than 60 mm or 70 mm, according to the period).

The average prices for pears in the marketing year 1973-74 were higher than those for the preceding year in a number of Member States (12% in Germany, 27% in the Netherlands, 19% in Belgium and 53% in Denmark) and lower in others (17% in France, 1% in Italy and 8% in the United Kingdom). In all cases, however, they remained higher than those for the marketing year 1971-72 and, except in Italy, they were higher than the basic prices.

- (iii) Table grapes (various varieties; quality class I).

The prices for the beginning of the marketing year 1974 were much higher than the basic prices, but there was a drop in September.

- (iv) Peaches (various varieties; quality class I; size 51/61 mm or 61/67 mm, according to the period).

Compared with those for the preceding year, the average prices for the first part of the marketing year 1974 were appreciably higher

in France and considerably lower in Italy. On the whole the prices were far above the basic prices except on certain Italian markets, where the prices for some varieties did not equal the purchasing price.

(v) Lemons (quality class I; size 53/62 mm)

The average prices for lemons in the marketing year 1973-74 were higher than the basic prices and roughly the same as in the marketing year 1972-73.

(vi) Mandarins (quality class I; size 54/64 mm)

The average prices for the marketing year 1973-74 decreased by more than 14% with respect to the prices for 1972-73, thus returning to approximately their 1971-72 level.

They were on the whole higher than the basic price except on one market in January and February 1974.

(vii) Oranges (various varieties; quality class I; size 67/80 mm)

The average prices of oranges in the marketing year 1973-74 were 30% lower than in 1972-73, but remained higher than in 1971/72.

They were higher than the basic price in December 1973 and January 1974 but dropped slightly below the basic price in February, March and April.

(viii) Tomatoes ('round'; quality class I; size 40/47 mm)

Compared with the 1973 prices, the average prices for the marketing year 1974 showed an increase varying between 7 and 13% in Germany, the United Kingdom, Ireland and Denmark, and a drop of between 21 and 40% in the other Member States.

On the whole, the prices in 1974 were higher than the basic prices. For short periods, however, particularly in Germany, France and Italy, they were lower than the corresponding basic price, while remaining well above the purchasing price.

(ix) Cauliflowers ('with leaves' or 'trimmed'; according to the period; quality class I)

The average prices for cauliflowers were 10 to 40% higher in 1973-74 than in 1972-73 except in Denmark and Germany, where they decreased slightly by about 3 and 2% respectively.

As in the case of tomatoes, the prices were generally higher than the basic price except for short periods during which, in Germany and Italy, they were lower than the basic price though higher than the purchasing price.

(e) World prices

Strictly speaking, there are no world markets for fresh fruit and vegetables, the prices for products being fixed more or less independently on the main existing markets.

For this reason, and in order to limit competition from the products of non-member countries, certain temporary measures have been taken under the system of reference prices and under the preferential arrangements with certain Mediterranean countries in respect of citrus fruit.

(f) Consumer prices

Consumer prices were characterized by an average increase over the 1972 prices which varied from 12 to 22% according to country.

This increase is much larger than that which occurred between 1971 and 1972 and which ranged only from 3 to 8% according to country.

6. Prospects

For a number of reasons, it is particularly difficult to outline the prospects for the production of fruit and vegetables.

As far as vegetables are concerned, the rapid succession of crops on the same land, which often enables two harvests to be obtained per plot, the possibility of using a fixed or movable means of protection (greenhouses in the first case and frames, mobile glasshouses, etc. in the second), the very fragile nature of many of the products, which makes them particularly sensitive to weather conditions, are all factors which can cause a rapid and unexpected increase or decrease in production.

While, in the case of fruit, the trend of the areas planted can provide an indication of production prospects, since there is inevitably a time-lag between planting and the appearance of the first crop - although the trend of the total areas planted results from the combination "existing areas minus liftings plus new plantings" - weather conditions and a certain degree of alternation in the fertility of the trees have a marked effect on the total volume of production.

Nevertheless, a fairly appreciable drop in the production of apples and pears can be forecast for the marketing year 1974-75.

7. Economic aspects of the measures adopted

(a) Import and export measures

1. Countervailing charges on imports

Abolition of the preferential customs duty

For the marketing year 1973-74, a countervailing charge on imports into the Community was levied at certain times on cucumbers and tomatoes from Rumania and Bulgaria and on some varieties of sweet oranges from Algeria, while tariff preference was temporarily withdrawn from Spain for some of its exports of oranges to the Community and from Tunisia for its exports of lemons.

For the 1974-75 marketing year, countervailing charges have already been introduced for cucumbers from Spain, Greece and Bulgaria, tomatoes from Spain, Bulgaria, and Rumania, peaches from Spain and Greece and table grapes from Bulgaria and Rumania.

These measures, some of which have been in force for only a very short time, have resulted in the recovery of the prices of imported products following a drop or even complete halt in shipments to the Community.

2. Refunds

Export refunds have been fixed for some products. These refunds, which vary according to product and which are generally fairly low, were fixed only for destinations which afforded a real export outlet and where justified by difficulties in effecting exports.

During the marketing year 1973-74, there were export refunds on fresh sweet oranges, fresh mandarins, fresh lemons, fresh table grapes, nuts with and without shell, shelled hazel nuts, apples other than cider apples, peaches and tomatoes.

3. Protective measures for peaches

From 4 to 7 November 1974, it was decided to suspend the free circulation in France of peaches originating in non-member countries.

(b) International agreements

Imports of apples from the southern hemisphere normally arrive between March and August.

In view of the glut of apples in the Community it was agreed, after discussions with the principal exporting countries, that their exports during the period from April to June 1974 should be limited to 85% of the average quantities exported to the Community during the same period in previous years.

(c) Withdrawals from the market

The quantities withdrawn from the market varied according to product during the marketing year 1973-74.

Withdrawals of apples reached the unprecedented level of approximately 356 000 metric tons, thus greatly exceeding the previous highest figure of 296 000 metric tons, recorded in 1967-68, and being the equivalent of about 6.5% of production in the original Community. Withdrawals were particularly heavy in France, where they amounted to 12.9% of national commercial production and ranged between 0.9 and 5.7% of the other Member States' production.

Withdrawals of pears represented 11% of commercial production in the original Community. Most of these withdrawals were made in Italy, where they amounted to 15% of production, but they represented little more than 1% of production in France and 0.75% in the Netherlands.

Withdrawals of peaches, amounting to about 1.2% of Community production, were at one of the lowest levels recorded for this product.

The quantity of cauliflowers withdrawn was negligible (0.1% of Community production).

By contrast, withdrawals of tomatoes were the highest since 1967-68, although the overall total represented less than 1% of Community production. These quantities were at their highest in the Netherlands, both as a percentage of national production (almost 11%) and as an absolute value; the withdrawals were the result of unusual weather conditions which led to the simultaneous presence of the market of hothouse and cold-house production, which normally arrive at different times.

Withdrawals did not prove necessary in the case of other products liable to require them, namely dessert grapes, oranges, mandarins and lemons.

(d) Uniformity of prices

1. Accession compensatory amounts

With effect from 1 February 1973, accession compensatory amounts were introduced for certain products and certain periods. These amounts are reduced progressively after 1 January of each year in accordance with the Treaty of Accession.

2. Monetary compensatory amounts

No monetary compensatory amount was fixed for fruit and vegetables.

(e) Measures to promote the marketing of Community oranges and mandarins
Measures to promote the processing of oranges

For the marketing year 1973-74, the financial compensation, i.e. market penetration premiums¹, under which special measures are taken to improve the production and marketing of Community citrus fruit, was maintained at the previous levels, namely 4.0 u.a. per 100 kg net for mandarins; 5.0 u.a. per 100 kg net for oranges of the Moro, Tarocco, Ovale clabrese, Balladonna, Navel and Valencia late varieties; 4.0 per 100 kg net for oranges of the Sanguinello variety and 3.0 u.a. per 100 kg net for oranges of the Sanguigno and Biondo comune varieties.

In application of the Regulation laying down special measures to encourage the processing of certain varieties of orange², the prices to be paid by processors to producers of oranges were fixed as follows: 5.7 u.a. per 100 kg net for class I products; 4.6 u.a. for class II products; 3.9 u.a. for class III or mixed products. The financial compensation payable to these processors was fixed at 2.6 u.a. per 100 kg net for class I products, 1.5 u.a. for class II products and 0.9 u.a. for class III or mixed products.

¹ Council Regulation (EEC) No 2511/69, 9 December 1969 - OJ No L 318, 28 December 1969.

² Council Regulation (EEC) No 2601/69 of 18 December 1969 - OJ No L 324, 27 December 1969.

8. Financing costs

The expenditure of the Guarantee Section of the EAGGF for fruit and vegetables, including processed fruit and vegetables, was 61.4 million u.a. in 1972, 34.9 million u.a. in 1973 and is estimated at 68 u.a. for 1974, i.e. 2.6%, 0.9% and 2.0% respectively of the total expenditure of the Guarantee Section. The sum of 68 million u.a. can be broken down into 17 million u.a. of expenditure on export refunds, 45.2 million u.a. of expenditure on financial compensation and on purchases and 5.2 million u.a. of expenditure on special measures to promote Community citrus fruit, the processing of certain varieties of orange and the free-of-charge distribution of products withdrawn from the market.

II. Processed fruit and vegetables

1. Introduction

The development of the fruit and vegetable processing industry is of considerable importance for the agricultural sector. Its importance varies among the Member States and depends mainly on the quantities of fresh products bought by the industry for processing. The processing industry constitutes an outlet for the growers which differs in size in proportion to these quantities.

In the Federal Republic of Germany, for example, the industry buys almost 55% of the vegetable harvest and 51% of the fruit harvest. These percentages are 17% and 20% respectively in the Netherlands, and 20% and 6% respectively in France and Italy.

There are some large processing factories, but most are small or medium-sized. Some specialize in either vegetables or fruit and others process both. On the whole, the number of undertakings, particularly the small ones, is decreasing.

1. Production

The total production of the original Community for the whole sector was 3 750 million metric tons in 1972 as against 3 825 metric tons in 1971 and 2 872 metric tons in 1968. The breakdown for the main groups of products is as follows (in '000 metric tons):

Group of products	Original Community		Enlarged Community 1972
	1971	1972	
preserved vegetables	1 615	1 580	2 487
product processed from tomatoes	694	670	670
Total	2 309	2 250	3 157
preserved fruit and compotes	524	528	598
marmalades and jams	300	320	539
tomato juice	22	23	23
fruit juice	570	500	640 ¹
citrus fruit juice	100	125	125
Total	1 516	1 496	1 925
Grand total	3 825	3 746	5 082

¹ Estimate

The main products include:

- (a) tomato concentrates, Community production of which was 125 000 metric tons in 1972, 24% less than in 1971;
- (b) peeled tomatoes, with a total production of about 540 000 metric tons in 1972, an increase of 2% in relation to 1971;
- (c) tomato juice, the production of which was about 21 000 metric tons, about 8% more than in 1971;
- (d) preserved peaches, the production of which was 79 000 metric tons in 1972, as against 80 000 metric tons in 1971;
- (e) orange juice, with a production of 80 000 metric tons in 1972, an increase of 25% in relation to 1971;
- (f) lemon juice, the production of which was 48 000 metric tons in 1972; this is 6% less than the 1971 figure of 51 000 metric tons.

3. Consumption and trade

The available quantities of tomato concentrates were 132 300 metric tons, 19% less than for 1972. This decrease was due mainly to the bad harvest in 1972. Imports increased from 61 150 metric tons in 1971 to 65 000 metric tons in 1972, while exports decreased from 62 000 to 57 700 metric tons in 1972.

The availabilities of peeled tomatoes were also lower in 1972, namely 388 700 metric tons, i.e., 9% less than in 1971. Imports rose from 3 500 to 11 750 metric tons. There was a 46% increase in exports - 162 070 metric tons in 1972 as against 110 650 metric tons in 1971.

There was a 7% increase in the consumption of tomato juice in 1972 (18 250 metric tons). Exports remained roughly the same (3 800 metric tons), while imports decreased from 1 840 metric tons in 1971 to 1 380 metric tons in 1972.

The availabilities of processed peaches in 1972 were 180 000 metric tons in 1972, i.e., 20% higher than in 1971. This increase is the result of a rise in imports from non-member countries from 80 000 to 100 000 metric tons in 1972, intra-Community trade remaining approximately the same at 7 000 metric tons.

Consumption of orange juice was 205 000 metric tons in 1972, 20% more than in 1971. Imports from non-member countries rose 110 000 to 130 000 metric tons in 1973. The level of exports (6 000 metric tons) and the volume of intra-Community trade (about 50 000 metric tons) remained the same.

The availability of lemon juice varied slightly: 41 922 metric tons in 1971 and 38 000 metric tons in 1972. The same applied to trade with non-member countries (imports: about 2 400 metric tons; exports: about 11 500 metric tons) and intra-Community trade, amounting to about 11 500 metric tons.

4. Rate of self-sufficiency

The rate of self-sufficiency for all processed vegetables is about 101.4%. The rates for the various groups of products are respectively 94.8% for preserved vegetables, 135.3% for processed tomatoes, 40.9% for dried vegetables, 95.0% for frozen vegetables and 90.7% for preserved cucumber.

For all processed fruit (excluding juices) the rate is 62.0%. The breakdown of this figure is as follows: preserved fruit 52.7%, jams and marmalades 98.0%, frozen fruit 1.7%. The rate of self-sufficiency for fruit juices (excluding citrus fruit juice) is 64.7%.

5. Prices

There is no price fixing in this sector; Member States still maintain their own commercial policy in trade with non-member countries.

Very high prices have been maintained both in the Community and at world level for tomato concentrates, a product which has become rare since 1972.

6. Prospects

This sector is likely to continue to develop, in view of the support shown by consumers for more easily prepared foodstuffs. The Commission has transmitted to the Council a proposal for a regulation providing for the liberalization of trade with non-member countries, with measures for the protection and supervision of certain sensitive products. It is not yet possible to predict the final form of this proposal, or its effect upon trade.

7. Financing costs

See paragraph 8, under the heading "Fresh fruit and vegetables".

11 a. Live plants¹

1. Introduction

Consumption and production in the live plants sector, which includes bulbs, flowers, nursery seedlings and pot plants, have developed considerably in the Community. Owing to the diverse nature of the sector and the lack of statistics, it is not possible to give a detailed analysis. In 1972 the value of the production of this sector was estimated at 2-3% of the value of the total agricultural production of the Community.

2. Production

The production of live plants in the Community increased, according to the most reliable estimates, from 815 million u.a. in 1963 to 1 700 million u.a. in 1972.

There are important centres for the production of flower bulbs in the Netherlands, the United Kingdom and Belgium. The cultivation of cut flowers is also concentrated in a few areas, although it is also supplemented by local production. The situation is the same for nursery seedlings, while pot plants are produced mainly in local undertakings, with the exception of certain specialities.

3. Consumption

Consumption showed a comparable increase, from 674 million u.a. in 1968 to 1 528 million u.a. in 1972, in the original Community.

4. Prospects

The products in this sector are largely considered by consumers to be luxury goods and are therefore likely to be among the first affected by a reduction in general prosperity. A large proportion of production - particularly cut flowers - has also been affected by the increase in heating costs for greenhouses. It is therefore unlikely that the expansion of recent years in this sector will continue.

¹See Table II.B/11.24 in the Annex.

12. Hops¹

1. Introduction

The market in hops is truly a world market, characterized by vigorous trade between countries. Hops are also very sensitive to variations in climate, to disease and to parasites, and there are consequently considerable market fluctuations from one year to the next. In 1973, world production was about 118 000 metric tons, an increase of 12.7% over 1972. During the period 1969-73, the world's hop-producing areas increased to a greater extent than demand, the result being a drop in prices.

The imbalance between supply and demand results from, among other factors, the increasing use of hop extracts in the brewery industry and from the high demand for varieties rich in alpha acids (Northern Brewer, Brewers Gold). This has resulted in a proportional decrease in the use of hops per unit of beer.

In 1973, there were 10 584 hop growers in the Community: a large proportion of them were members of producer groups, the setting up of which is encouraged under Regulation No 1696/71.

This figure can be broken down as follows:

<u>Country</u>	<u>Number of growers</u>	<u>Average area per grower (ha)</u>	<u>Number of groups</u>	<u>Number of growers belonging to groups</u>	
	(1)	(2)	(3)	(4)	(4)/(1)
Germany	8 591	2.3	3	6 218	72%
France	1 096	1.1	4	1 096	100%
Belgium	411	2.9	2	59	14%
United Kingdom	477	14.2	1 ²	477	100%
Ireland	9	7.0	-	-	
TOTAL	10 584	-	10	7 850	74%

¹See Tables II.B/12.1 to II.B/12.4 in the Annex.

²Hops Marketing Board.

2. Production

Community production was 52 650 metric tons in 1973, about 45% of world production of hops; this represents an increase of 22.8% over 1972. This sharp rise in production is a result of the increase in the Community hop-producing areas, particularly in Germany, and is further accentuated by a yield higher than the average for the last ten years.

The increasing demand for varieties rich in alpha acids has resulted in a very high rate of conversion of varieties in all the Member States.

3. Consumption

The brewery industry is the only consumer of hops. The annual increase in demand for beer is 4-5% in the world, and about 3% in the Community. (The highest increase in the production of beer is in the third world countries). The demand for hops is increasing less rapidly, by about 3% in the world and about 1% in the Community. Since it therefore has greater availabilities, the Community puts up larger quantities of hops for export.

4. Trade

In 1973, the Community exported 25% of its production to non-member countries. Imports of cones and extracts from non-member countries, particularly from the United States, decreased in relation to 1972. Exports of cones to non-member countries continued to increase, but exports of extracts decreased. In 1973, there was an increase in intra-Community trade in extracts, to the detriment of non-member countries, but there was almost no change between 1972 and 1973 in the total quantities exported by the Member States.

The figures show that in intra-Community trade the use of extracts rose between 1972 and 1973 and that trade in cones and powders fell off. This reflects the increasing use of extracts to the detriment of cones and powders for beer-brewing in the industrialized countries.

5. Prices

In 1973, the average prices dropped by 17% in relation to 1972. Prices for hops sold under contracts concluded in advance dropped by only 8%, while prices for hops not sold under contract dropped by 40%. The quantities of hops sold on the free market increased and represented 29% of Community production in 1973, as against only 14% in 1972. In a situation where Community production greatly exceeds internal demand, the tendency of producers to sell more on the free market largely explains the drop in prices. The conclusion of contracts between members of producer groups and buyers is essential in order to achieve a more balanced market and to ensure a certain degree of stability. This is why Community regulations encourage the setting up of producer groups.

6. Estimates

If the tendency to expand the world acreage were to continue at the same rate as for 1969-73 (an average of 4.7% per year), a regular over-production of hops on the world market and a parallel drop in prices could be expected from 1975 onwards.

The results for 1974 show, however, that there is a drop in the rate of increase (acreage increase of about 2% at world level) which seems to be more in keeping with the pattern of demand.

In sum, markets and prices are likely to become more stable in the next two or three years, provided that the trend seen in 1974 continues.

7. Financing costs

The expenditure of the Guarantee Section of the EAGGF for hops was 4.6 million u.a. in 1973 and is estimated at 8 million u.a. for 1974, i.e., 0.1% and 0.2% respectively of the total expenditure of the Guarantee Section. The entire 8 million u.a. is earmarked for compensatory price subsidies.

13. Milk and milk products¹

1. Introduction

In 1973, milk and milk products represented 19.3% by value of the Community final production.

Total world output of milk products in 1973 can be estimated at 380 million metric tons, whilst Community production amounted to 92 million tons, or almost 25%. The Community's output of milk products therefore represents a substantial share of world production.

The survey on the structure of dairy farming, carried out for the first time in the Community in December 1973, drew a clear distinction between dairy cows and others. Results showed that 25.6 million dairy cows were being reared on 2.5 million individual farms, whilst about 6 million non-dairy cows were being reared on 740 000 farms. Of the total number of farmers raising dairy cows, two thirds - accounting for over 26.5% of the total cattle count - owned less than ten animals. About 45 000 farmers (including 22 100 in the United Kingdom), accounting for 13.5% of the total cattle count, own herds of more than 50 cows. The average size of herds in the Community is 10 animals; it varies from 5 in Italy to 62 in Scotland.

Concentration is most advanced in the milk processing sector. In 1973, the number of milk processing concerns fell to below 10 000, of which more than 50% are in Italy. In the framework of the EAGGF (Guidance Section), a total of 444 projects have been granted aid amounting to approximately 152 million u.a. during the past ten years.

In view of the changes to the system of statistical surveys in the milk sector in 1972², most of the data contained in this report are no longer comparable with the figures given in preceding reports. For this reason, it has not been possible to carry out a long-term comparative review in the milk products sector.

The 1973 report on the agricultural situation should be referred to on the subject of the development of dairy farming in the original Community during the years 1968-1972.

¹ See Tables II.B/13.1 to II.B/13.22 in the Annex.

² Council Directive No 72/280/EEC, OJ No L 179, 7 August 1972.

2. Milk production and consumption

(a) In December 1973, the total number of dairy cows in the Community was 25.6 million, an increase of 1.4% in relation to the previous year. Trends differed, however, from one Member State to another. Expansion was particularly marked in the Netherlands, Luxembourg and Ireland, whilst in France the total population of dairy cows has also continued to rise; it showed little further rise in Germany and the United Kingdom, however, and actually declined in Italy, Belgium and Denmark. The latest figures available point to a further slight expansion of dairy herds in the Community as a whole.

(b) The series of sharp increases in milk sales and production recorded in 1972 did not continue.

Milk production, which amounted to 92.1 million metric tons in 1973, rose by only 0.5%. It is expected to rise by 1% in 1974, to reach a production level of 93 million tons. Thus the rate of increase in output roughly corresponds to the annual increase in the Community's population, which is about 1%.

This trend results from the substantial rise in production costs, especially the cost of supplementary feeding stuffs. Income from milk has not risen to the same extent, so that the overall profitability of milk production has fallen.

In 1973, 81.5 million metric tons of milk were delivered to dairies. Except in Belgium, deliveries have continued to expand in all Member States, the growth figure for the Community as a whole being 2.3%. Available statistics suggest that a further increase will occur in 1974, bringing total tonnage to about 83 million.

The following table gives a breakdown of milk utilization in 1973:

Utilization of whole milk (%)

Milk for domestic consumption	26.3
Butter	} 37.5
Skimmed milk powder	
Cheese	17.0
Condensed milk	2.9
Whole milk powder	2.2
Milk for feeding livestock	12.0
Miscellaneous	1.1
Total	100.0

3. Production and consumption of the principal milk products

(a) Milk for human consumption

The downtrend in both production and consumption did not continue in 1973, since total consumption was 26.5 million metric tons, 1.4% more than in 1972. A new trend has appeared in this sector, in the sense that consumption of whole milk is declining, whilst consumption of skimmed and semi-skimmed milk is rising. Cream sales are stagnant. The rise in the consumption of fresh milk products (milk and milk-based beverages, yoghurt) noted in recent years has slowed down.

For 1974, no significant change is expected in the structure of milk utilization for human consumption.

(b) Butter

Total butter production amounted to 1 733 000 metric tons in 1973. At the beginning of the year, the market situation in the Community was affected by excessively high stock levels.

The amounts on offer were swollen by imports previously contracted for, together with a further increase in production of about 50 000 tons (2.9% over the 1972 figure). At the same time, both absolute and per capita consumption continued to decline, and as a result, the butter market was in disequilibrium in 1973; however, the situation has eased since then and in 1974 production will probably be 2% lower than in 1973. The decline

in consumption recorded in previous years has been halted and it may be expected that in 1974 Community consumption will once more increase, as regards both butter sold at market prices and the quantities sold under special conditions. This trend is due to lower butter prices, the granting of aid to consumption in some Member States and the recent rise in the price of margarine, which has in general had the effect of improving the competitive position of butter.

Exports to non-member countries should resume their normal pattern after the massive special sales - sometimes costing considerable sums - effected in 1973 to ease the situation on the butter market.

As a result, stocks at the end of 1974 could amount to between 200 and 250 thousand metric tons, approximately the same level as at the end of 1973.

(c) Skimmed milk powder

Production of skimmed milk powder in 1973 amounted to 1 845 000 metric tons, an increase of 9.2% on the previous year. Community consumption in 1973 rose by about 100 000 tons, or 7.4% on the previous year's level, the total figure being 1 468 000 metric tons. Only about 18% of this tonnage is sold at market prices for human consumption, whereas 72% benefits from substantial subsidies for purposes of utilization in animal feeding stuffs, more especially for calf raising and fattening. Despite the quantities exported in 1973, stocks rose further, by more than 100 000 tons.

As regards skimmed milk powder, the situation may be expected to remain stable in 1974. Although production will be approximately the same as in 1973, sales for utilization in animal feeding stuffs will rise slightly in the Community. Exports will probably reach the previous year's level, with the result that at the end of 1974, overall stocks should scarcely be larger than at the end of 1973. However, public stocks are expected

to amount to 300 - 350 000 metric tons as against 166 000 at the end of 1973, whilst stocks held by producers, manufacturers and in trade will be correspondingly lower.

(c) Cheese

In 1973, cheese production in the Community amounted to 2 690 000 metric tons, exceeding the 1972 level by 1.5%. In 1974, production is expected to rise to about 2 800 000 tons.

Production and consumption of cheese are clearly no longer showing the high rates of expansion seen in preceding years. Overall cheese consumption appears to have reached a level which is unlikely to rise appreciably in the near term; per capita consumption reached 10.5 kg in 1973.

On the other hand, the trends noted in recent years relating to the consumption of the various types and qualities will probably continue.

(d) Whole milk powder

In 1973, the output of whole milk powder rose to 424 000 metric tons, 1.9% more than in 1972. About 60% of total production is consumed in the Community, whilst 40% is exported to non-member countries.

No appreciable change is expected in this sector in 1974; production will probably continue to rise slightly.

(e) Condensed milk

Condensed milk production further declined by about 1.3% in 1973, amounting to only 1 334 000 metric tons. Lower internal consumption was only partially counterbalanced by increased exports. Consumption is not expected to increase in 1974; on the other hand, the outlook for sales on world markets is generally considered favourable.

(f) Casein

In 1973, Community production of casein was practically unchanged in relation to the previous year, amounting to about 56 000 metric tons. In 1974, on the other hand, production rose strongly - especially in France. This trend is due to a decline in imports from non-member countries, since the principal supplier countries to world markets have sharply reduced their output of casein whilst increasing that of skimmed milk powder, which commands relatively high prices.

4. World Market Situation and International Trade

World Market

The international market for milk products in 1973 and 1974 was influenced in particular by irregular developments in the USA and New Zealand.

The US situation was characterized by continued decreased milk production turning the US to a net importer of milk products in 1973 through increased import quotas for cheese, skimmed milk powder and - to a limited extent - butter. Following the increased demand and increased import quota "break" price US cheese production expanded, consequently reducing production of butter/skimmed milk powder. Further extraordinary import quotas for Cheddar and skimmed milk powder were introduced in the spring 1974. However, the market was overloaded with "American cheeses" resulting in lower market prices for cheese and consequently lower returns to milk producers. Consumption, especially that of liquid milk weakened, thus again increasing milk quantities available for butter and skimmed milk powder production. Together with increased buyings of the CCC intervention agency these events postponed further increases in import quotas expected by the US administration in early 1974.

In New Zealand the effects of droughts led in 1973/74 to sharp decreases in export availabilities whereby New Zealand was unable to fulfil its special import quota for butter to the UK in 1973 and 1974 and also unable to fulfil its US import quota for skimmed milk powder in the spring 1974. However, substantial reductions in traditional casein production made it possible for New Zealand to maintain a fairly high level of skimmed milk powder output.

In Japan milk deliveries to the manufacturing sector decreased because of a stagnant level of milk production combined with increased sales of liquid milk; the result has been reduced production of butter and skimmed milk powder in 1974. To these major events must be added the tight protein (soya) supply situation in 1973, which supported the stability of the skimmed milk powder market, and the extraordinary deliveries from EEC butter intervention stocks in early 1973, which relaxed the market from the pressure of increasing stocks. Outside the EEC butter consumption continued to weaken in most countries, however, at a moderate rate, owing to improved price relationships between butter and margarine. Cheese consumption continued to increase, in some countries at even a high rate, partly because of increasing meat prices.

For milk powder and other preserved products changes in trade were mainly due to changes in the supply and stock situation rather than changes in consumption.

EEC exports

In total EEC butter exports - including food aid and special actions - increased from 79 000 tons in 1972 to 410 000 tons in 1973 thereby increasing the EEC's share of the world trade from about 20% to about 61%.

However, "normal" exports of butter increased "only" from 56 000 tons in 1972 to 86 000 tons in 1973, or by 54%.

Total EEC cheese exports increased in 1973 by 24 000 tons or 18% whereby the Community share of world trade increased to 37% from 34% in 1972. EEC exports of skimmed milk powder amounted in 1973 to 266 000 tons being 170 000 tons or 186% more than in 1972. Escluding food aid deliveries "normal" exports increased by 180 000 tons reflecting mainly the price development and importing countries' expectations regarding future supplies. Exports of casein remained stable in 1973 compared with 1972 amounting to nearly 12 000 tons. After several years of decreasing exports of condensed milk the Community of Nine in 1973 increased its exports to non-member countries by 80 000 tons or 23%. The increase in the Netherlands amounted to nearly 50 000 tons or 19%.

EEC imports of butter from non-member countries totalled in 1973 about 160 000 tons; New Zealand delivered about 131 000 tons to the UK or 35 000 tons less than the special quota provided for in Protocol No 18 of the Treaty of Accession.

The UK cheese imports from New Zealand in 1973 amounted to 46 000 tons or 23 000 tons less than the quota. EEC imports of Emmentaler cheese, etc. under consolidated tariff terms continued to increase in 1973.

In Italy imports of this type of cheese, originating from Switzerland, increased in 1973 to 17 000 tons from 14 000 tons in 1972. Imports of casein in the Community continued, owing to the consolidated import duty, at about the same level in 1973 (25 000 tons) as in 1972.

5. Prices

(a) Milk: target price and producer prices

The target price for milk was fixed at 12.42 u.a./100 kg for the 1973/74 marketing year, an increase of 5.5% on the previous year's level. At the beginning of the 1974/75 marketing year, the price was first fixed at 13.41 u.a./100 kg (+ 8%) but subsequently raised to 14.08 u.a./100 kg (+ 5%) with effect from 7 October 1974.

The intervention prices for butter, skimmed milk powder and certain Italian cheeses were raised to ensure that - in accordance with its definition - the milk target price would be obtained for the entire tonnage sold by producers during the marketing year.

Producer prices for milk varied appreciably in 1973/74, not only between one Member State and another but also from one dairy or region to another in individual countries.

The price rises which it had been hoped to ensure for producers did not altogether materialize in 1973. High inflation rates led to increases in treatment and processing costs to an unforeseen extent. This trend appears to be continuing in 1974, with the result that the new target price has not led to a corresponding profit increase for Community producers. Whilst in previous years the average producer price in the Community has invariably been higher than the target price, it must be expected that in 1974 producer prices will at best equal the target price.

(b) Wholesale and consumer prices

The trends of these prices in Member States have been running more or less in parallel with the intervention price. As a result of strong

inflationary pressure in all Member States, the indices of both wholesale and consumer prices for milk and milk products have in certain cases risen more rapidly than delivery prices to dairies, since increased charges at the various marketing stages were passed on to the consumer. This trend has continued in 1974.

(c) World market prices for milk products remained throughout 1973 and the beginning of 1974 at a fairly high level. Butter prices were supported by extra imports in 1973 in the USA, Canada, Japan and Switzerland of 67 000 tons. Regarding cheese prices the US quota "break" price was increased to 69 US ¢/lb and 78 US ¢/lb in March 1973 and April 1974 respectively. With the exception of the USA, as a whole the market remained firm. Also skimmed milk powder prices stayed firm and increased through 1973 and the beginning of 1974 owing to the stock and supply situation.

6. Outlook 1975/76

A. EEC: Milk production in 1975 and 1976 will probably expand by 1-2% annually. Cow numbers will continue to increase moderately, however, depending on a stabilization of the meat market, whereas milk yield per cow, on a short term basis, may tend to stabilize or decrease due to higher prices on concentrates. Still, the moderate increases in total EEC milk production and deliveries can lead to notable increases of production of individual milk products. As sales possibilities of cheese to several export markets may decline due to changes in national import policies, the EEC production of butter and skimmed milk powder may again, in 1975 and/or 1976, tend to surpass the development of consumption and exports, thereby leading to further accumulations of stocks. An important factor in determining the degree of stock accumulation is the extent to which subsidies on butter consumption and on skimmed milk/skimmed milk powder used for feeding purposes are maintained.

B. World market: In the USA milk production - for structural reasons - will probably tend to stagnate or decrease in the long term, whereas in the short term it may be difficult to stabilize production by raising internal prices because it is substantially hampered by inflation and high feedprices partly caused by disappointing harvest results in 1974. Price increases and inflation effects in general may also - in the short run - tend to reduce consumption, thereby offsetting to some extent the expected increasing import requirements. On a long-term basis, however, the structural development of the milk production may necessitate increased imports of a.o. butter and skimmed milk powder. New Zealand is expected to regain its normal production capacity thereby increasing in particular the butter and skimmed milk powder production. Australia has increased

considerably its technical milk powder capacity. In Japan the stagnating milk production and the rapid increase in liquid milk consumption may lead to further increases in the imports of butter and skimmed milk powder. For cheese several importing countries have announced their intention to reduce imports in order to support local production.

In total, without considering the non-commercial sector (food aid etc.) it seems that world supplies of particularly skimmed milk powder and butter in 1975 and 1976 will be at least sufficient to cover commercial consumption, therefore limiting the possibilities of further market price increases for these products.

7. Economic aspects of measures taken

(a) import levies

In accordance with Article 14 of Regulation (EEC) No 804/68, the levy must be equal to the threshold price less the free-at-frontier price.

The free-at-frontier price must be determined on the basis of the most favourable purchasing opportunities in international trade.

For the principal milk products, the trend of this price has been as follows:

- (i) skimmed milk powder:
prices increased steadily in 1973 and 1974, rising from 42 u.a./100 kg in January 1973 to 71.5 u.a./100 kg in September 1974;
- (ii) butter:
little change occurred during the period under review; prices were around 65-70 u.a./100 kg;
- (iii) cheese (Gouda and Cheddar):
in 1973 prices declined in the period January-December, from 84 to 58 u.a./100 kg for Gouda; and from 98 to 73 u.a./100 kg for Cheddar;
in 1974, prices of these products recovered, reaching (September 1974) 68 u.a./100 kg for Gouda and 92 u.a./100 kg for Cheddar.

In general, it may be said that the import levies made it possible to maintain the traditional import patterns of certain special types, such as Emmentaler, Tilsit, Butterkäse and sheep's milk cheeses.

The Community production of basic products such as butter, skimmed milk powder and cheeses for processing was adequate to meet the needs of internal consumption.

As a result, the trade showed no great interest in importing these products.

(b) Export refunds

In accordance with Article 17 of Regulation (EEC) No 804/68, to the extent necessary to enable products to be exported, the difference between the prices for those products in international trade and the prices in the Community may be covered by an export refund.

In fixing the refund, particular account has to be taken of the objectives of the common organization of the market in milk and milk products, in addition to the economic aspects of the exports concerned.

The refunds, established in accordance with these criteria, were stable during the first nine months of 1973 and declined steadily from October onwards.

For exports to the United States, refunds were fixed in accordance with the situation on American markets. For example, for skimmed milk powder the refund was fixed at zero for this destination from January 1974 onwards.

For cheeses, which represent one third of the Community's exports, refunds have declined regularly since October 1973.

From 12 July 1974 onwards, following threats by the American authorities to apply "countervailing duties", refunds on exports to the United States were temporarily suspended for all products.

c) Subsidies for skimmed milk, skimmed milk powder and casein

Subsidies for skimmed milk utilized in animal feedingstuffs are granted in the following cases:

- skimmed milk obtained as a by-product of farm butter production on farms (327 000 metric tons in 1973);
- skimmed milk obtained on delivery of cream to dairies (227 000 metric tons in 1973);
- skimmed milk sold by dairies (4 271 000 tons in 1973).

The quantities of liquid skimmed milk utilized in animal feedingstuffs are tending to decline. For 1974, this amount may be estimated at 4.5 million tons for the Community.

In 1973, subsidies were granted for 1 198 000 metric tons of skimmed milk powder used in animal feedingstuffs. The quantities for which aid was requested in 1974 were slightly higher, so that the amount used in the preparation of feedingstuffs can be estimated at 1.25 million tons. The upward trend noted in previous years has not continued; it appears that a saturation point has been reached, since it has been customary for some time to employ special feedingstuffs rather than whole milk in calf raising and fattening.

Subsidies for skimmed milk converted into casein were adjusted very cautiously during the years 1973 and 1974. Nevertheless, an appreciable increase should be expected in 1974: about 2.3 million metric tons as against 1.869 million tons in 1973, a rise of 23%.

This expansion was made possible by the small quantities on offer on world markets. For this reason among others, France, for example, was able to increase its production sharply.

d) Intervention measures

In the framework of the common organization of the market in milk and milk products, four types of intervention measure relating to storage can be employed:

- public and private storage of butter;
- public storage of skimmed milk powder;
- public and private storage for certain Italian cheeses;
- private storage for certain types of long-keeping cheeses.

Butter

At the beginning of 1973, public stocks of butter amounted to 245 000 metric tons. From April 1973 onwards, however, this amount declined steadily - to about 95 000 tons in mid-October 1974.

In 1973, about 410 000 tons were sold at cut prices; of this amount, 300 000 tons were exported in the natural state or after processing (USSR; food aids; ghee). From September 1973 onwards, the special export measures applied only to food aid (18 000 tons of butter in 1973 and 36 000 tons in 1974). The special measures concerning sales within the Community mainly related to sales to the ice cream and confectionery industries (about 7 000 tons per month) and to the armed forces and non-profit-making bodies (1 500 - 2 000 tons per month).

Private stocks of butter qualifying for subsidies amounted to 166 000 metric tons in 1973 and 225 000 metric tons in 1974.

Finally, the following measures were applied to aid sales of fresh butter or butter from private **stocks**:

- sales at reduced prices for social purposes (15 200 tons in 1973 and about 35 000 tons in 1974);
- supplementary aid for drawings on private butter stocks for direct consumption: about 30 000 tons (applicable in 1973 only);

- national and community subsidies for the consumption of fresh butter (applied only in the UK and Ireland).

Skimmed milk powder

At the beginning of 1973, public stocks of skimmed milk powder amounted to about 50 000 metric tons. Since then, stocks have increased, especially during the 1974/75 milk marketing year, and a further 225 000 tons have been stored since 1 April 1974.

Drawings on stocks have been effected mainly in connection with food aid; they amounted to about 40 000 tons in 1973 and 52 000 in 1974. During the first nine months of 1974, about 15 000 tons were sold for animal feedingstuffs (at 2 u.a./100 kg above the intervention price) and 2 500 tons for export.

Italian cheeses

In 1973, no intervention measures were applied to Italian cheeses. From January 1974, however, a certain amount was admitted to the system of private storage aid; at the beginning of October 1974, this amount was about 10 000 tons.

Long-keeping cheeses

Certain types of long-keeping cheeses, especially those consolidated under GATT sheep's milk cheeses requiring at least six months for maturing, may qualify for private storage aid. In 1973, the total amount so aided was about 9 000 tons (Emmental type); for 1974, the amount will be about 15 000 tons (Emmental and Pecorino Romano).

e) Food aid

Since 1970, food aid measures by the Community have included measures concerning skimmed milk powder and butter in the form of butteroil. From 1970 to 1972, the greater part was allocated to the World Food Programme. From 1973 onwards, however, bilateral forms of aid were established and now account for the greater part of the aid granted. The quantities promised for 1974 cannot be delivered in their entirety this year; the balance, about 30 000 tons of skimmed milk powder and 15 000 tons of butteroil, will be delivered in 1975.

f) Price uniformity

Accession compensatory amounts

In accordance with Article 86(1) and (2) of the Treaty of Accession, the compensatory amounts for the milk products sector should have been calculated on the basis of the difference between market prices in the original Community and those in the new Member States.

Given that it was not possible to determine representative prices for milk products, or that such prices would have led to abnormal divergencies between price levels, the accession compensatory amounts were calculated, in accordance with Article 86(3), on the basis of the compensatory amounts applicable to butter and in respect of the butterfat content in each individual product. No special problems were encountered in the application of the accession compensatory amounts.

In accordance with the Council Decision of 20 September 1974, Denmark will apply the common price level for butter before 1 January 1975. As a result, the accession compensatory amounts between Denmark and the original Community will be abolished.

Monetary compensatory amounts

All milk products with the exception of casein are subject to the system of monetary compensatory amounts.

The principle of the limitation of such amounts¹ was applied solely to imports of New Zealand butter by the United Kingdom, under the terms of Protocol No 18.

For these imports, a special levy and a special compensatory amount are fixed and, once imported into the UK, this produce may not be re-exported.

As a result, the limitation of the compensatory amounts applying to these products has not entailed a similar limitation in relation to butter from other sources.

¹EEC Regulation No 974/71.

This provision, which was applied during the period 2 July 1973 to 31 January 1974, did not raise any obstacles to trade.

Up to 2 December 1973, a single monetary compensatory amount was fixed for all cheeses. As a result of the progressively widening divergencies between the parities of the various currencies, there was a danger that this single rate would hinder trade. From 3 December 1973, therefore, a more flexible system of monetary compensatory amounts was introduced, to ensure better correspondence between the amounts and the different groups of cheeses with similar characteristics.

On 7 October 1974, the corrective amount applicable in countries with revalued currencies since 14 May 1973 was abolished. This corrective, which had the effect of reducing the intervention price for skimmed milk powder in Germany and the Benelux countries by 2 u.a./100 kg, modified the milk support price by 1.5%.

In general, the application of monetary compensatory amounts in the milk products sector did not give rise to any particular difficulties.

8. Financing costs

Expenditure by the Guarantee Section of the EAGGF in respect of milk products amounted to 573.7 million u.a. in 1972, 1 497 million u.a. in 1973, and have been estimated at 1 390 million u.a. for 1974; i.e., respectively 24.6, 39.2 and 40.9% of the Guarantee Section's total expenditure. Of the total amount of 1 390 million u.a., 405 million will be allocated to export refunds, 103 million for storage, 765.6 million for price subsidies and 116.4 million for food aid.

14. Beef and veal

1. Introduction

In 1973 beef production (adult bovine animals and calves) represented almost 15% of the value of final agricultural production.

The number of farms engaged in beef production is approximately 3.3 million, about 50% of all farms in the Community.

The area growing animal fodder in 1972 represented 58.5% of the Community's UAA. Since beef production is dependent on land, it is not surprising that the larger Community countries are also the main producers of beef and veal, with France at the top of the list.

The Community, with 15% of world production, holds second place, along with the USSR, among world producers of beef and veal, but is well behind the USA.

2. Production

(a) The cattle count

In December 1973 the cattle count increased by 3.8 million head over December 1972, an increase of 5% in the enlarged Community and 4.3% in the original Community. The largest increases in cattle numbers were recorded in the Netherlands, Ireland and the United Kingdom.

¹See Tables II. B/14.1 and II. B/14.6 in the Annex.

The average annual increase in cattle numbers recorded in the past has been about 1%; in the next two years an annual increase of 1-2% is expected; the total should, therefore rise, from 78.5 million head in December 1973 to slightly more than 80 million head in December 1975.

(b) Production of beef and veal

Slaughterings

Slaughterings of adult bovine animals totalled approximately 17.6 million head in 1973, about the same level as in 1972.

Since September 1973, there has been a very sharp increase in the slaughterings of adult bovine animals; during the first quarter of 1974, there was an increase of about 17% compared with the first quarter of 1973.

An increase in slaughterings amounting to 2.3 million head, or 13% more than in 1973, can be predicted for 1974 as a whole.

In the last few months of 1974, there should be a drop in the rate of increase of slaughterings for the following reasons:

- the very high total of slaughterings at the end of 1973, which was very much greater than for the same period of 1972 - by about 20%;
- the considerable drop in market prices, which suggests that, after the cattle have been brought off grass, there will be a rise in market prices;
- the introduction of premiums to promote the orderly marketing of adult bovine animals for slaughter; since the premium is graduated, producers will be encouraged to defer slaughterings.

In certain areas, however, animals may be slaughtered at an earlier age because of the lack of fodder and the high price of feedingstuffs.

Slaughterings of adult bovine animals may therefore be estimated at approximately 19.9 million head for 1974, the annual rate of increase being much higher in the three new Member States than in the original Community.

In 1975, the increase in slaughterings is likely to be about 3% and slaughterings of adult bovine animals should total about 20.5 million head.

slaughterings of calves show a different trend from that of slaughterings of adult bovine animals. In 1973, slaughterings of calves were 6.5% lower than in 1972, and the increase in the number of calves slaughtered may be estimated at 7.5% in 1974 and 1.5% in 1975.

The total slaughterings of adult bovine animals and calves are likely to increase in 1974 by more than 11% (27.1 million head) and, in 1975, by 2.7% (27.9 million head), thus making much larger quantities of meat available on the market than in the past.

Slaughtering coefficient (number of slaughterings/number of live animals)

While the slaughtering coefficient decreased from 24.5% in 1972 to 23.5% in 1973, it increased considerably in 1974, particularly for calves, to the figure of 25.3%; this suggests that the replacement of breeding stock will be curtailed and that there will be a drop in the number of young bovine animals fattened, and therefore that beef production will develop less rapidly.

Average slaughter weight

The average slaughter weight of adult bovine animals increased considerably in 1973 and for several months, probably as a reaction to the drop in market prices, there has been a slight downward trend in the slaughter weight of adult bovine animals.

Likewise, the average slaughter weight of calves, which showed a substantial increase in 1973, is now increasing less rapidly.

Production of beef and veal

From 1968 until 1971 the production of beef and veal increased steadily, and then in 1972 it decreased sharply by 8-9%, with the result that in 1972 and 1973 the level was below that of 1968.

In 1973 the production of beef alone was 4.9 million metric tons, 5% lower than in 1970 and 1971. In 1974, however, there will be a very sharp increase of about 14% in production; beef production for the current year may be estimated at 5.6 million metric tons, and there are likely to be further increases in production in the next few years.

The production of veal, having remained in 1973 at the 1972 level, namely 0.7 million metric tons, will be about 0.8 million metric tons in 1974, and therefore much higher than in 1973.

The total production of beef and veal, which was about 5.6 million metric tons in 1973, will be 6.3 million metric tons in 1974, i.e., 0.7 million metric tons more (an increase of 13.3%).

The long-term development of production shows an average increase of slightly more than 2.1% per year.

In the sphere of beef and veal production, there are three main types of breeders corresponding to the three main categories of animals slaughtered, namely:

- culled cows and young calves (milk production);
- grass-reared adult bovine animals (beef animals);
- young male bovine animals fattened with cereal-based feedingstuffs.

Over recent months, there has been a very sharp increase in the production of young male bovine animals (young bulls).

3. Consumption

(a) Consumption of beef and veal

In the original Community the per capita consumption of beef and veal increased steadily from 1964 to 1971; in 1972 and 1973, however, it stabilized at around 24.3 kg in the Community, about 1 kg less than the maximum attained in 1971.

After allowance for the increase in population, the total consumption of beef and veal increased considerably from 1964 to 1971; in 1972, however, it decreased by about 0.2 million metric tons.

Human consumption of beef and veal in the Community was at the same level in 1973 as in 1972, namely about 6.2 million tons.

In the last few years, in which there has been very rapid economic expansion in the original Community, per capita consumption has increased by an average of about 1.3% per year, and allowing for the population increase of 0.8-0.9% per year, total consumption in the original Community has therefore increased by about 2.2% per year.

The per capita consumption of veal in the Community, which was 3.2 kg in 1971, decreased in 1972 to a greater extent than that of beef, and was only 2.7 kg in 1972, representing 11% of the total consumption of beef and veal.

According to the most recent information available, there is likely to be a slight increase in the consumption of beef and veal in 1974.

(b) Degree of self-sufficiency

In 1972 and 1973, the Community's degree of self-sufficiency for beef and veal was approximately 86.5%, reflecting a deficit of almost 0.9 million metric tons; this percentage is much lower than that of 1971 (about 91.8% with a deficit of just over 0.5 million metric tons).

As a result of the high level of imports of beef and veal in 1973 and public buying-in by intervention agencies in 1974 a certain amount of beef and veal remained in storage at the end of 1973, and the same is likely to occur at the end of 1974. At the end of September 1974, the quantities of intervention beef and veal in storage totalled more than 0.2 million metric tons.

4. Trade

The enlarged Community, like the original Community in the past, is deficient in beef and veal.

In the original Community, intra-Community trade since 1968 has shown an average annual increase of 8.7%, having risen from 327 000 metric tons in 1968 to 474 000 metric tons in 1972, a tonnage increase of 147 000 metric tons.

Imports of beef and veal from non-member countries, facilitated in 1972/73 by measures taken to combat shortage, have developed remarkably over the last few years.

The annual rate of increase in imports from non-member countries was 12.6%, one and a half times higher than the annual increase in intra-Community trade.

In the enlarged Community, intra-Community trade in beef and veal showed a slight recession in 1973, with 876 000 metric tons as against 883 000 metric tons in 1972.

Imports of beef and veal from non-member countries reached the record level in 1973 of 951 000 metric tons against 943 000 metric tons in 1972 and 652 000 metric tons in 1971; the quantity of frozen beef and veal imported from non-member countries increased from almost 330 000 metric tons in 1971 to about 550 000 metric tons in 1972 and 1973.

The Community's external trade:

'000 metric tons

Trade	1971	1972	1973	1974 1st half
Imports from non-member countries				*
Beef and veal	652	943	951	211
of which live animals	170	190	169	91
fresh or chilled meat	153	203	234	
frozen meat	329	550	548	
Exports	110	58	75	16
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Net trade balance	542	885	876	-

* Provisional figures

Exports of beef and veal to non-member countries were 75 000 metric tons in 1973 against 58 000 metric tons in 1972 and 110 000 metric tons in 1971.

In the first quarter of 1974, the quantities imported from non-member countries were approximately 166 000 metric tons and the quantities exported about 8 000 metric tons.

In the Community, the external trade deficit in beef and veal, which rose from 542 000 metric tons in 1971 to about 880 000 metric tons in 1972 and 1973, has thus reached, in the last two years, a record level representing a percentage increase of more than 60% and a tonnage increase of about 340 000 metric tons. This deficit is mainly attributable to Italy (40% of total imports).

The United States of America and the Community are the world's two main beef and veal importers.

The two main suppliers of beef and veal to the Community are:

- (i) Argentina, which supplies almost a third of the total imports;

- (ii) Eastern Europe, which supplies more than a fifth of these imports, and in particular Hungary, Poland and Romania;
- (iii) Australia (12%);
- (iv) The other exporters in Latin America (14%), in particular Brazil and Uruguay;
- (v) Yugoslavia and Austria, which supply 6% and 3% respectively of the beef and veal imported, and which are the most important of the remaining suppliers.

5. Prices

(a) Common prices

The guide price for adult bovine animals is at present 101.33 u.a./100 kg live weight and for calves it is 118.65 u.a./100 kg live weight.

The guide prices for 1974/75 were increased a first time by 11.9% for adult bovine animals and by 8.9% for calves, and a second time, on 7 October 1974, as for all other agricultural products, by 5%.

Compared with 1968/69, the guide price has increased by 49% for all adult bovine animals and by 29.7% for calves.

(b) Market prices

In 1973/74, there was a reversal in the price trend on the market in beef and veal; following a rise since the 1968/69 marketing year, market prices showed a downward trend in 1973/74.

Whereas market prices during the marketing years from 1968/69 to 1972/73 showed an average increase of about 9% per year, an average drop in these prices of 6.2% was recorded between the April-September semesters of 1973 and 1974.

In 1974, the prices for adult bovine animals fell continuously, except for a slight seasonal recovery in prices in the spring, and they reached a very low level when cattle were taken off grass in October 1974, namely about 81 u.a./100 kg live weight, approximately 80% of the new guide price.

Development of the prices for adult bovine animals

u.a./'00 kg live weight

Price	Period	72/73	73/74	74/75	Change October 1974/ October 1973
Guide price applicable in October		78.00	86.20	101.33	
Market price		92.39	87.16	81.00	- 7.1%
Market price as % of guide price		118.4%	101.1%	80%	
Import price		66.79	77.85	57.00	-26.8%

The market price for calves is at present 118.85 u.a./100 kg live weight and is therefore below the level of the new guide price.

(c) Import prices

The import prices recorded for live animals and fresh or chilled meat have shown a similar development to that of market prices in the Community, but to a more marked degree.

From the 1968/69 marketing year, import prices first of all increased at an average rate of 14% per year and then as can be seen from a comparison of import prices for the same six months' period (April-September), there was a 25.5% drop in these prices between 1973 and 1974.

World market prices for frozen meat (carcasses), also dropped by 12% between September 1973 and September 1974.

(d) Consumer prices

Since consumer prices for meat fell slightly in some member countries in 1974 and remained stable, although at a relatively high level, in the others, it follows that there was an increase in the trading margin in meat in 1973/74.

From 1973 to 1974 the demand for meat, in value terms, continued to increase; consumption stagnated or decreased in terms of quantity because of more stable consumer prices, at a time when the general economic situation was unfavourable.

(e) Cost of animal feed

The very sharp rise in prices, particularly for cereal-based feedingstuffs, may result in a reduction in the number of young bovine animals fattened in the next few months.

6. Outlook

In view of the very high rate of slaughterings in the Community in 1974, there is likely to be a slower rate of increase in cattle numbers in the next two years; the annual rate of increase will probably be 1-2% in December 1974 and in December 1975.

The annual rate of slaughterings is also likely to decrease gradually, and reach between 2% and 3% in 1975 and 1976 compared with 1974 and 1975 respectively.

The very high level of slaughterings since autumn 1973 suggests that female stock will be replaced to a lesser extent than in recent months. This should result, in the medium term, in a slower increase in beef and veal production.

The production of beef and veal may be assessed as follows:

- in 1973: 5.6 million metric tons
- in 1974: 6.25 to 6.40 million metric tons
(an increase of 650-800 000 metric tons compared with 1973);
- in 1975: 6.35 to 6.60 million metric tons
(an increase 100-200 000 metric tons compared with 1974)
- in 1976: 6.35 to 6.80 million metric tons
(an increase of about 200 000 metric tons).

An increase in beef and veal consumption is expected for the following reasons:

- (i) the fairly low level of meat prices;
- (ii) the measures taken at European level to encourage consumption;
- (iii) the expected resumption of the Community's economic expansion (+ 3.5% in 1975, as against + 2.5% in 1974).

The annual increase in beef and veal consumption could amount to 300 000 metric tons in 1975 and 1976.

On 1974, the Community will import about 300 000 metric tons of beef and veal and foreseeable exports may be put at 100 000 metric tons. Furthermore, in view of the large amount of intervention buying-in, at least 200 000 metric tons will remain in stock at the end of this year.

With regard to the next two years, consumption is likely to exceed production and, account being taken of the stock remaining at the end of 1974, import requirements may be assessed as follows:

- in 1975: 100-200 000 metric tons;
- in 1976: 200-300 000 metric tons.

Since the supply exceeds a demand affected by the general economic situation, it is difficult to predict any major recovery in market prices before the end of 1975.

In the long term, there is unlikely to be any significant increase in the Community deficit, and the Community's degree of self-sufficiency, almost 99% in 1974, should remain above 93%.

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

(a) Uniformity of prices

Whereas Denmark aligned its prices with the common level of prices immediately, the prices fixed for 1974/75 in the United Kingdom and Ireland for adult bovine animals and calves are still rather different from the Community prices (86.10 u.a./100 kg liveweight for adult bovine animals); as a result, in trade with the United Kingdom and Ireland, there are still fairly high accession compensatory amounts (15.23 u.a./100 kg liveweight as the basic compensatory amount for adult bovine animals).

(b) Market support measures

In order to mitigate the fall in prices resulting from the surplus and from declining consumption, the Community has introduced a succession of measures to rebalance supply and demand:

- (i) protective measures at frontiers, including a suspension of imports of beef and veal from non-member countries, a decision taken in July 1974;
- (ii) market clearance measures:
 - granting of increased export refunds;
 - direct purchases by public intervention agencies (about 0.3 million metric tons);
 - granting of private storage aid;
- (iii) measures to stimulate consumption (publicity, sale at reduced prices for social purposes);
- (iv) when cattle are taken off grass, granting of premiums for deferred marketing of beef animals and, in certain areas, premiums for retention of beef herds.

In order to facilitate the improvement of the structure of beef and veal production, the Community also introduced in 1973, and maintained in 1974, the system of premiums for converting dairy cattle to meat production and premiums for the development of specialized stock rearing for meat production.

(c) International agreements

Under an agreement concluded with Austria, Sweden and Switzerland, individual levies are fixed on imports of live bovine animals and fresh and chilled beef and veal from these countries.

Reduced levies are also applicable to certain imports from Austria (meat for industrial use) and Yugoslavia (baby beef).

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

8. Financing costs

The expenditure of the Guarantee Section of the EAGGF on beef and veal was 7.4 million units of account in 1972, 16.6 million u.a. in 1973 and is estimated at 300 million u.a. for 1974, i.e., 0.03%, 0.4% and 8.8% respectively of the total expenditure of the Guarantee Section. The amount of 300 million u.a. may be broken down into 60.5 million u.a. for the cost of export refunds, 120.5 million u.a. for storage and 119 million u.a. for price subsidies. As a rough indication, the expenditure of the Guidance Section of the EAGGF was 11 million u.a. in 1971, 12 million u.a. in 1972 and may be estimated at 13 million u.a. for 1973.

15. Pigmeat¹

1. Introduction

Pig production in 1973 accounted for over one fifth (approximately 23.5%) by value of livestock production, and 13.7% by value of final agricultural production in the Community.

In Denmark, pig production is the principal item of agricultural production with 30% by value of final agricultural production.

In terms of weight, pigmeat is the major source of meat production with between 42 and 43% of the total quantity of meat produced in the Community.

The pigmeat sector includes live pigs, carcass meat and cuts (e.g. ham), bacon, lard, sausages and sausagemeat and practically the whole range of canned meat or meat preparations, including cooked dishes.

Pig-raising is carried out in almost half the farms in the Community, that is in 2.8 million farms; the structures of pig production still differ very widely from one country to another, not only in the breakdown between breeders, breeder-fatteners and fatteners, but also in the scale of production units; in 1973, the average number of pigs per farm in the Community was 25, the figures ranging from an extreme of 140 in the United Kingdom to less than 10 in Italy. It should be noted, however, that pig production is undergoing a process of specialization accentuated by the disappearance of smallholdings and the concentration of production, especially of fattening, in large units.

¹See Tables II. B/16.1 to II. B/16.6 in the Annex.

The Community is one of the most important producers of pigmeat, producing more than one fifth of the total world output of pigmeat and occupying second place after China (People's Republic).

Pig production is mainly concentrated in the areas bordering the North Sea and English Channel, and in Northern Italy.

As a result of the fact that certain regions specialize in pig production, there is a tendency for slaughtering to take place in or near the production areas.

Pigmeat is chiefly used as fresh pork or in the form of manufactured products; hence the pig cycle from slaughtering to distribution is fairly evenly distributed among:

- the small producers, butchers, pork butchers and caterers;
- the industrial curing sector;
- the commercial sector proper (retailers and modern forms of distribution).

2. Production

In the Community, the production of pigmeat is currently, like beef and veal, in an upward cyclical phase; on 1 August 1974, the pig population (approximately 73.2 million head) was approximately 2% greater than in the same period of the previous year and the breeding stock was approximately 5% up. It should be noted however that the cyclical development of production has been held back during the last 18 months as a result of the very sharp rise in the price of pig feed (fodder cereals, soya, etc.), particularly in the three new Member States.

The number of pigs slaughtered in 1973 was approximately 101.1 million head, that is 0.5% less than in 1972. For 1974, it is expected that there will be an average increase of 3% in the number of animals slaughtered.

In 1973, the average weight of slaughtered pigs was 81.2 kg in the Community, and 87.2 kg in the original Community; while relatively stable in the original Community, the average weight of slaughtered pigs has greatly increased in the new Member States, rising from 64 kg in 1972 to 66 kg in 1973, the year of their entry into the Community.

In 1973, the production of pigmeat amounted to approximately 8.2 million metric tons, an increase of 0.5% over 1972. For the first half of 1974, it is estimated that pigmeat production is slightly higher (1.1%) than in the same period in 1973; different trends from one country to another have been noted during this period: in France production has fallen by 2.6% whereas in the United Kingdom and in Benelux it has increased by 6.5% and 7.1% respectively; in Germany and in Denmark, the production of pigmeat has remained stationary.

For 1974 as a whole, pig production in the Community will probably be approximately 3% up, a moderate increase after two years of relative stagnation in production.

3. Consumption

In 1973, the consumption of pigmeat in the Community levelled out and barely maintained its 1972 level of 8.2 million metric tons.

The annual per capita pigmeat consumption was 32 kg in the Community and 32.5 kg in the original Community.

In the original Community, the long-term increase (1963-1973) in the annual per capita consumption of pigmeat was twice that of beef and veal, the increase being some 2.7% on average per annum. Given that the annual increase in the population is of the order of 0.9%, the overall consumption of pigmeat has risen on average by some 3.6% per annum.

The Community of Nine, like the Community of Six before it, can be considered as being self-sufficient in pigmeat.

The degree of self-sufficiency, which is near 100 (99.6 in 1973), varies only slightly on account of cyclical supply trends.

4. Trade

The pigmeat market has been characterized in past years by a spectacular development in intra-Community trade; as a result of the scale of the trade in pigmeat (bacon) between Denmark and the United Kingdom, the intra-Community trade has increased even further, reaching in 1973 a level of almost 1.5 million metric tons; in the original Community, the level of intra-Community trade increased from 266 000 metric tons in 1967 to 799 000 metric tons in 1973; that is, in six years, a tripling of the quantity traded, or an average increase in trade of more than 20% per annum.

The deficit countries in pigmeat in the Community are:
(1973 figures in brackets)

United Kingdom	(-640 000 metric tons)
Germany	(-346 000 metric tons)
France	(-205 000 metric tons)
Italy	(-186 000 metric tons)

and the surplus countries:

Denmark	(+586 000 metric tons)
Netherlands	(+462 000 metric tons)
BLEU	(+275 000 metric tons)
Ireland	(+ 37 000 metric tons)

As far as external trade is concerned, exports of pigmeat from the Community in 1973 amounted to 281 000 metric tons and imports to 311 000 metric tons, thus showing a slight deficit of 30 000 metric tons compared with a deficit of almost 100 000 metric tons in 1972.

Among non-member countries, the principal trade partners of the Community were:

- as suppliers: - the United States of America, particularly for lard;
- the Eastern European countries, in particular Poland, the German Democratic Republic, Romania and Hungary;
- Sweden;
- China;
- as customers - the United States of America (preserved meat products);
- the Republic of Cuba (lard);
- Japan;
- Sweden.

5. Prices

(a) Common prices

For the 1974/75 marketing year, the basic price for carcass pigs, applicable for Class II of the Community pig carcass classification scale, has been increased to 97.65 u.a./100 kg with effect from 7 October 1974. This price has a double function, firstly to serve as a threshold for setting in motion intervention measures on the market (market price lower than 103% of the basic price) and secondly to serve as a basis, where necessary, for the calculation of buying-in prices, which are fixed in a bracket of between 85 and 92% of this basic price.

(b) Market prices

In 1973, the Community market price for pig carcasses was 108.53 u.a./100 kg, an increase of more than 25% over the average price in 1972.

From the beginning of 1974 onwards, there was a veritable collapse of pig carcass prices at the slaughter-house; the Community market price fell from 115.55 u.a./100 kg in December 1973 to 82.06 u.a./100 kg in July 1974, a fall of approximately 29% in seven months; in Germany, the main producer and consumer of pigmeat in the Community, this fall exceeded 33% and the same is true in Belgium and the Netherlands, Germany's principal suppliers. Since the increase in pig production during this same period was lower than the average increase in consumption recorded over the last ten years, it is apparent that this exceptional drop in

prices on the pig market must be considered as the result of the deterioration in the general economic situation, particularly in the United Kingdom and in Italy, both large importers of meat, and of the abundant supply of other types of meat on the market.

During August and September 1974, there was a slight seasonal recovery in prices, and the most recent reference price for pig carcasses fixed for the week 7 to 13 October 1974 was 94.44 u.a./100 kg, a level equivalent to approximately 96.7% of the new basic price.

Development of pig carcass prices

		u.a./100 kg				
Period	Aug.-Oct. 1973	Nov. 73-Jan. 74	Feb.-Apr. 1974	May-July 1974	Aug.-Oct. 1974	Variation 74/73 ¹
Sluice-gate price + levy	<u>87.81</u>	89.54	91.59	93.31	99.61 ² <u>101.41³</u>	+ 15.5%
		73/74 marketing year			73/74 marketing year	
Basic price	82.50	<u>86.00</u>	86.00	86.00	86.00 ² 97.65 ³	+ 13.5%
Market price	<u>111.69</u>	113.58	101.63	86.95	<u>90.61</u>	- 18.9%

Source: EC Commission, DG VI.

Since the common organization of the pigmeat market came into operation on 1 July 1967, pig prices have followed two cyclical trends with a duration of approximately three years and a movement between the high and low points of the cyclical curve of some 20% for pig carcasses and more than 40% for piglets (see graph).

¹The rate of variation has been calculated on the basis of the figures underlined.

²Prices valid until 7 October 1974.

³Prices valid from 7 October 1974.

Evolution
in EC

Ontwikkeling van de varkensprijzen⁽¹⁾
in de landen van de EG

Sliding average
(UA/100kg live)

12 maandenlijkse voortschrijdende gemiddelden⁽²⁾
(RE/100kg geslacht gewicht)

Evoluzione dei prezzi dei suini⁽¹⁾
nei paesi della CE

Media mobili di 12 mesi⁽²⁾
(UC/100kg peso morto)

Evolution des prix des porcs⁽¹⁾
dans les pays de la CE

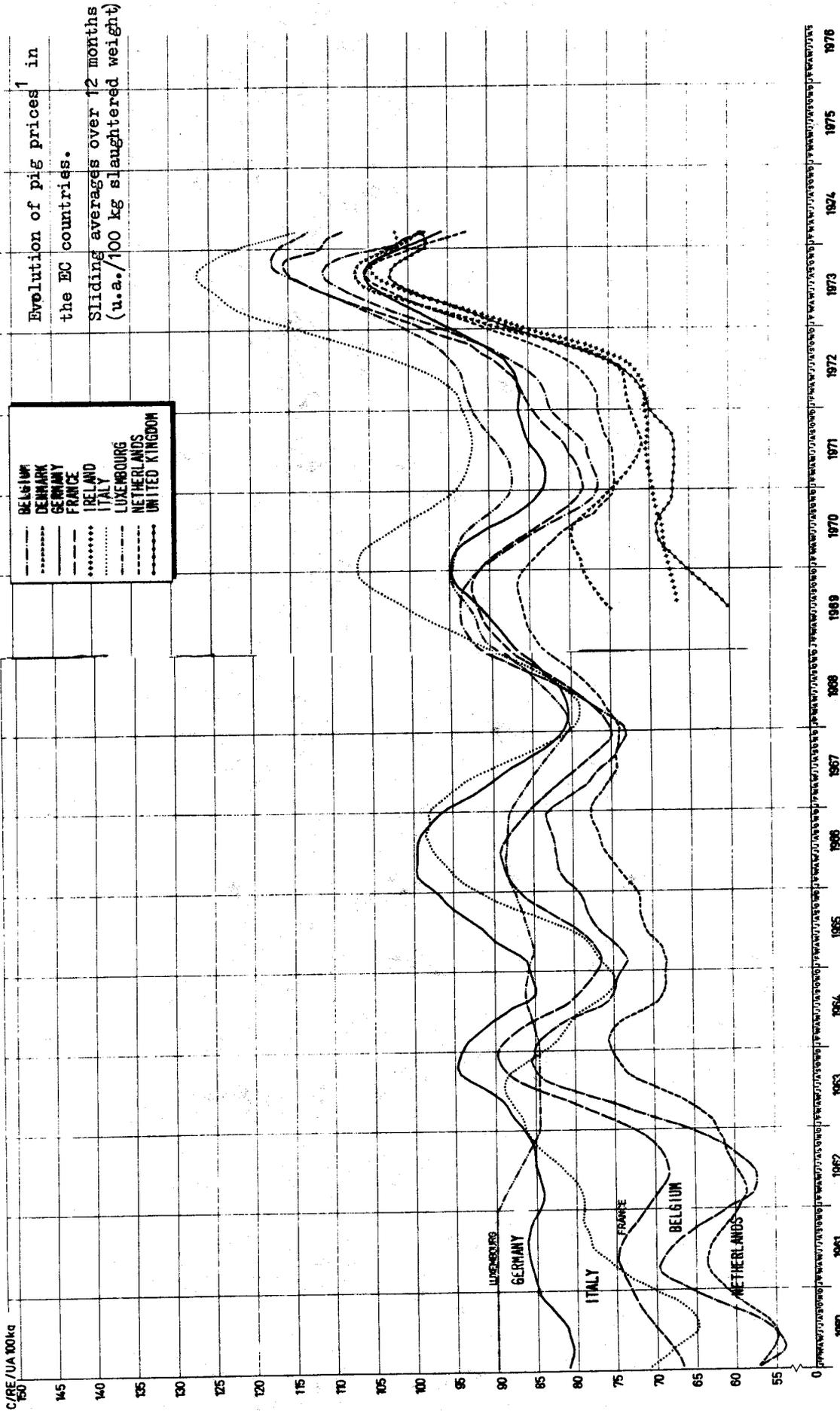
Moyennes mobiles de 12 mois⁽²⁾
(UC/100kg poids abattu)

Entwicklung der Schweinepreise⁽¹⁾
in den Ländern der EG

Gleitende 12 Monatsdurchschnitte⁽²⁾
(RE/100kg Schlachtgewicht)

Udvikling for suinpriser⁽¹⁾
i EF landene

Gjennemsnit 12 måneders gennemsnit⁽²⁾
(RE/100kg slaglevæg)



(1) Prices for reference quality - Preise der Referenzqualität - Prix de la qualité de référence

From one pig cycle to the next, there has been no easing, but rather a worsening of approximately 5%, of the movement between the high and low point of the cycle, and, furthermore, a lengthening of the cyclical period from three to four years seems at present to be occurring in the Community. The long-term development of market prices shows that the upward tendency in pigmeat prices has been less than that for beef and veal.

(c) World prices

On the world market, the sharp rise in the price of fodder cereals and of the protein-rich feeds needed for pigs resulted in 1973 in a considerable increase in pigmeat prices.

These world prices fell, as did the Community prices, during the first months of 1974 to a level below the Community sluice-gate price. The Community was therefore obliged, as from 1 May 1974, to apply additional levies on top of the normal levy imports of pigmeat from non-member countries.

(d) Consumer prices

While the producer prices for meat have fallen considerably in recent months, it seems, on the other hand, that consumer prices have remained relatively stable and have not followed a parallel downward tendency. These prices have therefore remained at a relatively high level, and this has made possible a considerable increase in the marketing margin.

(e) Price of animal feedingstuffs

During the last 18 months, following the considerable rise in the price of fodder cereals on the world market and to a lesser extent in the Community, the prices of pig feed (fodder cereals, soya, etc.) have increased on average by some 25%.

6. Outlook

- (a) In the short term, supplies will increase slightly while demand will be held back as a result of the large availability of beef and veal, and as a result a relatively low level of prices is to be expected for pigmeat until the end of Spring 1975.
- (b) In the medium term, a less marked increase in production is to be anticipated as a result of the fact that market prices are currently lower than prime costs, and one can therefore expect a rise in prices from the second half of 1975 as the consumption of pigmeat regains its former level.

7. Economic aspects of the measures taken under the common organization of the market in pigmeat

(a) Levies and refunds

Within the framework of the trade arrangements with non-member countries the Commission, after consulting the Management Committee, adopted the normal measures for market management, namely:

- in respect of imports: the quarterly fixing of the sluice-gate prices and levies on the basis of the development of fodder cereal prices; and fixing of additional amounts, as from 1 May 1974, on the basis of the fact that the sluice-gate prices were not being adhered to by the suppliers of pigmeat from non-member countries;

- in respect of exports: the granting of refunds covering the difference in prices between the Community and the world market, particularly for the traditional patterns of trade of the Community; as a result of the persistent rise in fodder cereal prices on the world market, the amounts of the refunds were reduced as from 1 November 1974.

(b) Intervention measures on the market

Since the Community market price for pig carcasses fell at the end of June below the threshold for the setting in motion of intervention measures, the Commission, after consulting the Management Committee for Piguieat, granted aid for private storage, from 10 July 1974 for fresh pigmeat, from 2 September 1974 for canned ham and shoulders, and from 1 November 1974 for dried and/or smoked hams. Up to the present time, this aid has been granted in respect of some 25 000 metric tons.

(c) Community scale for the classification of pig carcasses

On a proposal from the Commission, the Council has amended the Community scale to make possible the classification of pig carcasses on common bases throughout the Community as from 1 November 1974.

8. Financing costs

The expenditure of the Guarantee Section of the EAGGF in respect of pigmeat amounted to 49.5 million u.a. in 1972, to 96.7 million u.a. in 1973 and are estimated at 75 million u.a. in 1974; that is, 2.1%, 2.5% and 2.2% respectively of the total expenditure of the Guarantee Section. The amount of 75 million u.a. can be broken down into 62.5 million u.a. for expenditure on export refunds, 7.2 million u.a. for storage expenditure and 5.3 million u.a. in degressive national aid granted to Irish pig producers.

16. Eggs¹

1. Introduction

In 1973, eggs represented approximately 4.7% of the value of final agricultural production in the Community.

This percentage has not changed appreciably during recent years, but there has been a remarkable transformation in the structures of production. In 1962, flocks of laying hens rarely exceeded a few thousand birds. Since then there has been a consistent process of concentration, though not necessarily at the same pace in all the Member States. In general, production units keeping between a few hundred and a few thousand birds have been the first to disappear. In contrast, units with between 5 000 and 100 000 laying hens - sometimes as many as one million - have come to have a decisive influence on the market and now provide more than 50% of the total egg production. This trend is still continuing, although at a slower rate since 1972.

Parallel to this process of concentration, the relationships between production, processing and marketing have taken on a contractual form which sometimes goes as far as complete integration. When this is the case, the activities and responsibilities of the producers, of the suppliers of chicks and compound feedingstuffs and of the egg packing centres are covered by contracts and are subject to the decisions of a single management. This contractual system accounts for 30-50% of total production, depending on the Member State, but the percentages are appreciably higher if the observation is limited to marketed production.

The concentration of production in large units and the integration of this production to varying degrees have resulted in the disappearance of many small and medium-sized commercial undertakings in the poultry sector

¹See Tables II.B/16.1 to II.B/16.7 in the Annex.

who were unable, owing to their limited size, to adapt quickly and effectively (packing centres, breeders, producers and hatchers).

At the same time, the role of the small intermediate trade (particularly egg collection) has decreased in importance. The concentration of supply facilitates the direct sale to large distribution units such as supermarkets and retail chains.

2. Production

Community egg production in 1973 amounted to about 3 779 000 metric tons about (65 milliard eggs) and seems to have been 3-4% higher in 1974. This expansion has had important repercussions on the development of prices. It can be seen that, despite the above-mentioned restructuring of the market, a slight change in supply can have a considerable effect on prices. In 1974 it has once again been shown that, notwithstanding the modernization of egg production, there has been a failure to find effective means of matching supply to demand and thereby ensuring greater market stability.

3. Consumption

It has to be admitted that the difficulties encountered as a result of the abundant supply in 1974 cannot be put down exclusively to the volume of this supply. In every year up to 1973, there was an increase in consumption and an annual per capita consumption of 14 kg was achieved. In 1974 this trend was halted and in certain Member States there was even a decrease in consumption.

Changes in consumer spending habits, in this case away from the consumption of eggs, seem to be the reason for this phenomenon.

As far as egg products are concerned, there are no changes to report, the use of eggs in the food industry having altered very little.

Depending on the Member State, between 5 and 10% of the production of eggs in shell is used for processing into egg products.

4. Supplies and trade

In the original Community, supplies were provided almost completely by indigenous production. The accession of the three new Member States has not changed this situation, since the production of these three States likewise covers their requirements. This situation explains the low level of trade with non-member countries. Imports, from the countries of Eastern Europe, are limited to supplies intended for processing into egg products. In general, these imports benefit from the application of Article 8 of the basic Regulation No 122/67/EEC, which lays down that certain non-member countries may undertake to respect the sluice-gate price and thus be exempted from the payment of any additional amounts.

A number of egg-processing plants also obtain supplies in non-member countries at relatively low prices under the inward processing traffic system; this allows them to use their processing capacity to the maximum and to take part in the international trade in egg products.

The exports from the Community are limited in quantity and are directed towards a few traditional importers, such as Switzerland and Austria, and occasionally to other non-member countries. These exports are tending to decline as a result of the keen competition from the countries from Eastern Europe and of the gradual reduction in the export refunds.

Within the Community, there are two main trade flows, namely from Belgium and the Netherlands to Germany.

5. Prices

The situation of complete self-sufficiency explains the vulnerability of price levels. A deficit or surplus of 1-3% occurring during a short period when it is impossible to restore the equilibrium of supply and demand by means of imports or exports is sufficient to cause price fluctuations incommensurate with the variation in the volume of supplies.

Examples of this were the deficit of 1973 and the surplus of 1974, which were accompanied by abnormal rises and falls in price. In the latter case the producer price barely covered the variable costs of production.

At the consumption stage, the retail prices do not follow these variations in the same way and are more stable, although the margin between retail prices and producer prices is tending to increase.

6. Prospects

In spite of the changes in the structures of production, processing and marketing that have taken place over the last ten years, the cyclical movement of supply and, consequently, of prices remains characteristic of this sector. Accordingly, a reduction in supply and a corresponding recovery of prices is to be expected in 1975. Naturally, this movement will be influenced by the relation between feedingstuff prices and market prices, as well as by any consumption shifts of the kind mentioned above.

Trade is likely to be restricted to small quantities intended for processing. The movement of exports will be determined by the policy followed by the Community on the question of refunds in the light of general economic considerations (world supplies of fodder cereals and protein sources).

7. Measures adopted in the context of the common organization of markets

(a) In 1974, the Council adjusted the components of the calculation for the fixing of the sluice-gate prices and levies. The conversion rates and flat-rate amounts were accordingly changed. This adjustment was rendered necessary by the extent of technical progress in recent years and by the appreciable increase in certain costs of production and processing (energy, labour, etc.).

The effect of the measures adopted is a reduction in the levies and an increase in the sluice-gate price.

(b) The rise in the prices of fodder cereals on the world market resulted, each quarter, in an increase in the sluice-gate prices, whereas component (a) (cereals) of the levy steadily decreased and actually disappeared during the third quarter of 1974.

(c) The amount of the export refund, linked during previous years to component (a) of the levy, followed the reduction and eventual disappearance of this component. However, the difficulties encountered on the market during the spring created a crisis situation to combat which the Commission granted a refund, on a temporary basis as from 1 August 1974, to ease the market situation.

(d) Owing to the trend of cereal prices in the United Kingdom and Ireland, it proved necessary to fix an "accession" compensatory amount in the egg sector. This amount is based on the amount applicable to fodder cereals and has been fixed at 0 since 1 February 1974.

(e) At the monetary level, compensatory amounts were applied, again based on the amounts fixed for fodder cereals.

8. Financing costs

See point 8 of Section 18: poultrymeat.

17. Poultrymeat¹

1. Introduction

In 1973, poultrymeat accounted for an estimated 4.5% of the value of final agricultural production.

For most types of poultry, production is highly concentrated, and the number of fatteners in the whole Community is no more than a few tens of thousand. By way of example, in the table chickens sector, which represents three quarters of the total production of poultrymeat, the average size of flock, which did not exceed a few thousand in 1963, has increased each year and now exceeds ten thousand birds in a number of Member States. Since it is possible to rear five or six broods per year, it will be understood that the production of table chickens amounts to very considerable quantities. A similar development can be seen in respect of turkeys, ducks, and guinea fowls, but has not affected the production of geese.

The contractual system, involving varying degrees of integration, has very rapidly become widespread in this sector, much more so than in the egg sector; this is especially true for the chicken sector but also for turkeys and guinea fowls, and 90% of production is now thought to be under this system. The management of one or more integrated production units is most frequently directly or indirectly in the hands of manufacturers of compound feedingstuffs or of regional, national or international multiple-activity firms (private or cooperative companies).

2. Production

The total production of poultrymeat has increased rapidly over the last ten years, and in 1973 amounted to an estimated 3.2 million metric tons. The estimated breakdown of this figure is as follows:

¹See tables II.B/17.1 to II.B/17.6 in the Annex.

table chickens	69%
boiling fowls	12%
turkeys	14%
ducks	3%
guinea fowls	2%
geese	-
	<hr/>
	100%

As regards chickens, the main feature of 1974 will be an increase in production of approximately 16% resulting in a considerable fall in producer prices and financial difficulties for all those concerned in this production.

As regards frozen chickens, efforts are being made in the trade to reduce the effects of the imbalance between supply and demand. Accordingly, a voluntary and concerted reduction in parent stocks or in incubation batches should make it possible to reduce production by approximately 10% compared with 1973.

3. Consumption

During the last ten years the progress in production techniques has made it possible to supply chickens at prices which are low compared with the price of red meat during the same period. This situation has stimulated consumption. The same remarks apply to the other types of poultry. In 1973, the per capita consumption can be estimated at 12 kg (Community average).

As has already been noted for eggs, 1974 has been marked by a certain degree of stagnation in consumption. One possible reason is that the higher prices during recent months and especially the reductions in beef and veal and pigmeat prices have changed the conditions of competition between the various types of meat on the market.

In order to promote the sale of poultrymeat, an effort has been made to present it in more varied and more attractive forms (poultry cuts - various prepared forms). Although these products have been well received and the turnover is increasing, technical, financial and commercial difficulties still remain, which will have to be overcome before the products can be sold in very large quantities.

4. Supply and trade

It can be said that the Community is fully self-sufficient in the poultrymeat sector. The supplying of the market by products from non-member countries only amounts to significant quantities in respect of poultry cuts, ducks and geese. The poultry cuts come mainly from the USA, the ducks and geese from the countries of Eastern Europe. In 1973, the total quantity imported amounted to 60 000 metric tons.

The exports from the Community consist mainly of fattening chickens and, in lesser quantities, of culled hens and certain poultry cuts. Quite a number of countries in Europe, Africa, Central and South America, the Middle and Far East, take these exports. Without refunds, these exports become difficult and may even dry up. In 1973, 95 000 metric tons were exported.

Trade within the Community is limited essentially to the supply of approximately 50% of the requirements of Germany. Among the suppliers, the Netherlands occupy a dominant position. The trade relations between the original Community and the new Member States are almost non-existent on account of the maintenance of health and veterinary measures at the frontiers. A certain amount of trade between the original Member States still seems to come up against similar measures.

5. Prices

The year 1973 was marked by high prices for almost all types of poultry, but the increase in the price of animal feed absorbed a substantial part of the profits that might have been expected from this favourable market trend. The first signs of a crumbling of prices appeared at the beginning of 1974, particularly for fattening chickens. During the spring, the fall became more marked and prices dropped below production costs, at both the rearing

and the slaughtering stages.

In spite of the fact that the greater part of this sector is integrated, thus making it possible, in certain cases, to spread the losses among all those concerned, the trend of the market brought about a veritable crisis. During the second half of 1974, there was a slight recovery to the extent that the granting of export refunds for a few months made it possible to clear the market. As in the egg sector, the variations in the price of chicken had little effect at the retail marketing stage.

The variations in the prices for other types of poultry were in line with those for chicken, but were less marked.

6. Outlook

The present situation of the economy as a whole makes it difficult to draw up forecasts for the future equilibrium of supply and demand. It is accepted that a period of crisis discourages production, leading to an improve situation of equilibrium and thus to an immediate recovery of prices. The reduced investment in recent months in parent birds, which produce eggs for hatching, gives rise to the hope that this will be the trend. However, it is the relationship between the prices that the producer can obtain and the price of compound feedingstuffs which necessarily determines the level of this equilibrium. The consumer's reaction to the prices of poultrymeat and those of other types of meat is also an unknown element which can have very appreciable effects on the market. Few changes in trade are foreseen, since imports are not expected to involve other types of poultry and since exports are dependent, to a large extent, on the refunds which may be granted.

7. Measures taken under the common organization of the market

- (a) In 1974, the Council adjusted the components of the calculation for the fixing of sluice-gate prices and levies. The change in the

conversion rate had become necessary as a result of the considerable technical progress achieved in recent years, in particular, in the production of chicken-meat and turkey-meat. Moreover, the considerable increase in production and processing costs (energy, labour, etc.) brought about an increase in the standard amounts. The effect of the measures adopted is a reduction of the levies and an increase in the sluice-gate price.

- (b) Since the world market price of feed grains has increased considerably, the sluice-gate price adopted each quarter has followed this trend, whereas the cereals component of the levy (component 'a') declined and in fact disappeared during the third quarter of 1974.
- (c) The amount of the export refund granted in respect of poultrymeat products, which is generally linked to component 'a' of the levy, declined and then disappeared as of 1 May 1974. However, since the Community market was encountering particular difficulties in the fattening-chicken sector, it was decided, for the period 1 May to 31 July and then for the period 15 August to 31 October 1974, to grant a refund to ease the market situation.
- (d) In the light of the trend in feed grain prices in the United Kingdom and Ireland, it proved necessary to fix an accession compensatory amount for the poultrymeat sector. This amount is based on the amount applicable to fodder cereals and has been fixed at zero since 1 February 1974.
- (e) Monetary compensatory amounts were also fixed on the basis of the amounts fixed for fodder cereals.

8. Financing costs in respect of eggs and poultrymeat

The expenditure of the Guarantee Section of the EAGGF amounted to 11.8 million u.a. in 1972, to 23.3 million u.a. in 1973 and is estimated at 15 million u.a. for 1974; these figures represent 0.5%, 0.6% and 0.4% respectively of the total expenditure of the Guarantee Section. The amount of 15 million u.a. is all earmarked for export refunds.

18. Fishery products¹

1. Introduction

The gross tonnage of fish landed by the eight maritime Member States in 1973 was slightly higher than that of the previous year (4 556 600 m.t. compared with 4 423 300 t for 1972)² in spite of the Icelandic government's decision to extend Iceland's territorial limits to 50 sea miles and the lower availability of certain high quality fish species. The value of the fish produced by the Community also increased from 1972 to 1973 by nearly 200 million UA bringing the total returns for the Community to more than 1 400 million u.a.²

Final figures are not yet available for world fish production in 1973, but preliminary estimates suggest a total similar to that of the previous year of roughly 65 million m.t. Since the landings of the Member States also differed only slightly in the two years, the percentage production for 1972 (7% of world production) must also be similar for 1972 and 1973².

The level of production of the three most important fish producers of the Community rose in 1973. French production increased by over 50 000 t, United Kingdom landings by 45 000 t and Danish production by 23 000 t. In Denmark there was a large increase in the quantity of fish

¹ See tables II.B/18.1 to II.B/18.5 in the Annex

² Review of OECD Fisheries, 1973.

destined for fish meal. Fish meal production also rose steeply, to some extent at the expense of that for fresh fish, in the United Kingdom.

2. Production

Although the total fish production of the Member States rose by over 133.000 m.t. in 1973, an increase of 2.9% on the previous year's landings, this increment was made up largely of the less valuable fish species. There was also a considerable rise in the production of fish meal in 1973, stimulated by the increase in demand for this product which resulted from an acute shortage of supplies from traditional sources. For the leading products in the fisheries sector, the landings for the Member States in metric tons is as follows¹ :

Species	1972	1973	Percentage change 1973/72
Cod	523 419	472 347	- 9,8
Redfish	58 473	44 585	- 23,8
Plaice	138 849	139 137	0,0
Mackerel	77 052	83 043 ¹	+ 7,8
Whiting	81 244	84 127	+ 3,6
Herring	349 590	380 461	+ 8,8
Haddock	196 880	177 360	- 9,9
Coalfish	158 486	174 652	+ 10,2
Prawns	16 536	16 049 ²	-

(1) Figures from Italy not available

(2) Figures from United Kingdom not available

¹Commission of the EC, DG of Agriculture.

It is evident from the above figures that there was a marked decline in cod production in 1973, and that the increase in coalfish landings failed to compensate for this deficit. Whiting production remained more or less stable, but there was a fall in the landings of haddock, and redfish production declined by over 5 000 m.t. There was a big increase in mackerel supplies in 1973, and plaice landings remained at more or less their 1972 level.

Although the production of fish for human consumption declined slightly in 1973, this deficit was more than balanced by the large increase in fish meal output.

3. Trade

In 1973 the total imports into the original Community from third countries increased by 6,2% on those for the previous year. This increment exceeded that of the mean increase for the previous two years, and was well in excess of the mean variation for the ten years ended 1973 (+ 2,4%). Exports to third countries increased marginally by 0,1% in 1973, following a large mean percentage increase in 1971-73 (12,5%) and a mean increase of 3,7% over the ten years 1963-73. Intra-Community imports increased by 2,6% in 1973, and exports by 5,4%. The rate of increase in Intra-Community imports in 1973 was a little over half that of the mean rate of increase during the previous ten years, while the rate of increase of exports was roughly the same.

During 1973, there was a large increase in imports of fresh, chilled and frozen fish and conserved fish, smaller increases in the total imports of both fresh and preserved shellfish, and a decline in the imports of

smoked, dried and salted fish. There was a relative shortage in fresh and chilled fish in the Community as a result of poor catches of several commonly consumed species, and this shortage was overcome to some extent by an increase in imports. The shortage was also reflected by the increase in shellfish imports, while the decrease in imports of dried, smoked and salted fish is the result of a recent change in the tastes of consumers in the Community.

The general stabilisation of the quantity of fish exported by the Community follows a period when exports of certain items, in particular fresh, frozen and chilled fish, and both fresh and preserved shellfish had been at a very high level. This is still the case for conserved shellfish (increase in 1973 : 28,2 %; mean percentage increase 1973/63: 1,2%).

As the United Kingdom, Ireland and Denmark became members of the Community on January 1st, 1973, there are trade figures for the enlarged Community for only one year. It is not possible therefore to make a direct comparison between exports and imports for 1973 with those for previous years for the enlarged Community. Ireland has an export surplus in fishery products on trade with third countries, and the United Kingdom and Denmark a deficit, but taking the three countries together there is an export deficit in terms of the weight of fishery products exchanged. If the monetary value of the exchanges is taken into account, there is a considerable export surplus. This is insufficient to have any significant impact on the total trade deficit in the Community however.

4. Prices

The reduction in the supply of fish for human consumption and the very large increments in the price of other forms of animal protein, led

to a steep increase in the cost of all species of fish. These varied from 15% over that for the previous year in Denmark to 38% for the United Kingdom. The general trend of increasing monetary inflation in Western Europe, and in the world as a whole, also had an effect on returns from fish and fish products, as it did on the cost of boats, equipment, fishing gear, fuel and labour. Not only did increases in the cost of fish vary from country to country in 1973, but the same disparity also occurred between different Community ports. This variation in price levels is a common feature of fish markets, and is the result of conditions of sale which are unique to the fishery products sector.

The increase in the value of the total landings between 1972 and 1973 is shown below:

Total value of landings in '000 ua ¹		
Member State	1972	1973
Germany	88 720	110 880
France	345 977	455 225
Italy	195 826	220 000
Netherlands	99 977	119 008
Belgium	20 491	23 744
United Kingdom	208 963	287 954
Ireland	11 507	15 446
Denmark	129 878	168 538
Total	<u>1 107 589</u>	<u>1 409 085</u>

¹Review of OECD Fisheries, 1973.

The increase in returns for 1973 in the Member States was 18.2% over that for the previous year, which is roughly comparable with the estimated figure of 20% for the world increase in fish prices. Prices continued to rise in the first half of 1974, and this trend is reflected in the guide prices for the year.

The guide prices for all pilot species of fish, with the exception of those for herring, mackerel and frozen sardines, were higher during the first nine months of 1974 than in the previous year, and guide prices for the remaining three months of the year are again higher than those for the previous period for all species. This trend follows the general rise in prices of nearly all fisheries products in 1973 and the first half of 1974.

Withdrawal prices were also increased over the same two periods. Increases in the withdrawal price of cod and redfish were considerably higher than the average withdrawal price for all pilot species, although the market price for cod was much higher than the withdrawal price in the first nine months of 1974 in all the representative ports of the Community with the sole exception of Esbjerg/Thyboroen. Following a general trend of steep rises in the market price of shrimps of the genus Crangon in 1974, the withdrawal price was increased more markedly than that of any of the other pilot products.

5. Outlook

The upward movement in the cost of all goods and services to the industry has presented the fisheries sector with considerable problems. In 1973, fish prices started to rise early in the year, showing a much smaller seasonal decrease than usual in the summer, and then continued to rise steeply again towards the end of the year, when there was a large increase in costs to the industry. The price of equipment and

services to the industry has continued to rise steadily through 1974, but fish prices had stabilised, or were increasing at a much slower rate by the middle of the year. Future movements in fish prices must depend to a large extent on the availability of supplies, and since fisheries for a number of species will probably be controlled by quota systems, supplies are bound to be less abundant. Assuming that demand remains fairly stable, it seems inevitable that prices will rise again in the near future.

In the medium term, the same considerations largely apply, with the added factor that the demand for animal protein is bound to increase with population growth also. Since it is unlikely that there will be any commensurate increase in supplies, prices will again continue to rise as a simple result of the laws of supply and demand.

6. Financial costs

Expenses of the Guarantee Section of the EAGGF amounted to 41 mio UA in 1972, 1,3 mio UA in 1971, and are estimated at 2 mio UA in 1974, representing 0,05 %, 0,03 %, 0,06 % respectively of the total expenses of the guarantee section. The amount of 2 mio UA is broken down as follows : 1 mio UA for export restitutions and 1 mio UA for market with dravel expenses and similar operations.

19. Sericulture¹

Sericulture represents only a negligible part of agricultural production in the Community, and the Community production of cocoons is minute compared with world production.

Although there is a small number of sericulturists in France, this activity is practically limited to Italy where it occupies some 3 000 persons.

In 1963, Italy used 143 100 boxes of silk seed which gave a production of 4 800 metric tons of cocoons. Since that time, this activity has been in constant decline as a result of competition from imported products and the consequent lack of profitability, and by 1972 production had fallen to 10 650 boxes and 345 metric tons of cocoons.

An improved situation on the world market from the point of view of prices for raw silk and the granting of Community aid to promote sericulture have halted the decline in this production. Beginning in 1973, there has even been a renewal of interest in this activity in the Community, and the 1973 figures of 15 450 boxes used and the production of 451 metric tons of cocoons in fact represent an increase of 45 and 31% respectively compared with the previous year.

In 1974, production could even reach 650 metric tons from a probable 20 000 seed boxes. In **the immediate** future, the level of production in the Community will be determined to a very great extent by the export price policy followed by the People's Republic of China, a major producer of raw silk and practically the world's only major exporter.

Community aid to promote sericulture, which was fixed at 30 u.a./box in 1972/73, was increased to 31 u.a. in 1973/74 (+ 3.3%) and to 33.18 in 1974/75 (+ 7%).

The estimated expenditure of the EAGGF for silk worms in 1973 amounts to approximately 300 000 u.a. Over the next few years, a certain amount of increase in this expenditure is to be expected as a result, in particular, of the greater number of seed boxes used (1 million u.a. in 1974).

¹See Table II. B/19.1 in the Annex.

20. Products not subject to common market organization

(a) Agricultural alcohol¹

1. Introduction

This sector is not yet governed by a common market organization, and national provisions are therefore still in force. The situation in the Community is as follows: in Germany and France, production and marketing are entrusted to a monopoly; a similar situation exists in Denmark and in Ireland; the trade bodies play a more or less similar role in the Netherlands and also in Belgium and the United Kingdom; and Italian producers are protected by appropriate fiscal arrangements.

2. Production

Community production of ethyl alcohol of agricultural origin averages around 6.2 million hl. Its value can be estimated at 300 million u.a., which in 1973 represented 0.6% of the value of final agricultural production in the Community.

The raw material most usually employed in the distillation of the alcohol is molasses of sugar beet or of sugar cane. In 1973, molasses alcohol represented approximately 49% of total Community production of agricultural alcohol, sugar-beet alcohol accounted for 21%, while alcohol produced from potatoes or cereals represented only 9 and 7% of this total respectively. The production from these raw materials is relatively stable, whereas the production of alcohol of wine or fruit origin is by nature variable, accounting for approximately 10% of Community production.

The Member States which are the main producers of agricultural alcohol are in order, France with 32% of Community production, Italy with 20% and Germany with 16%.

In the course of the 1973/74 marketing year, the market was severely disturbed by the repercussions of the energy crisis and a new equilibrium has not yet been established.

The traditional surplus situation on the world market and the Community market for alcohol has changed to a situation of semi-shortage. The result of this has been a demand greater than the supply and a pressure on prices.

At Community level, there is a general trend towards an increase in production of both agricultural and non-agricultural alcohol. France, Germany and Benelux have increased or are increasing their production of agricultural alcohol; the United Kingdom and Germany have increased their production of non-agricultural alcohol and France intends to do the same. From a level of 6 million hl in 1972/73, the production of agricultural alcohol in the Community will soon be in the region of 6.5 million hl, and the production of non-agricultural alcohol has risen from 4.7 million hl in 1972/73 to 6.2 million hl in 1973/74.

¹See Table II. B/20.a.1 in the Annex.

3. Prices

The changed trend mentioned above is certainly not unconnected with the general rise in the price of alcohol. The most characteristic increases are those recorded in the Netherlands (+ 40%) and in Belgium (+ 30%) for molasses alcohol.

The price of synthetic alcohol has also risen steeply (200%) and this upward trend seems to be still continuing.

The price differential between molasses alcohol and synthetic alcohol is therefore becoming appreciably smaller.

4. Trade

Since the Member States are generally still self-sufficient, the volume of trade is low. It should be noted, however, that French exports of alcohol were greater in 1973 than in previous years.

(b) Potatoes¹

1. Introduction

There is no common organization of the market in potatoes.

However, potato starch², processed products³ and potato seedlings⁴ are subject to a common organization of the market.

As regards the organization of markets in individual countries the situation is completely different according to the country. In Italy, the Netherlands and Denmark the market is very competitive and imports and exports are not subject to any restrictions.

In Germany, France and the Belgo-Luxembourg Economic Union the system of minimum prices is applied during the following periods of the year:

store potatoes:	FRANCE:	throughout the year
early potatoes:	FRANCE:	15 May to 30 June
" "	: BLEU:	1 June to 31 July
" "	: GERMANY:	10 June to 10 August

As regards seed potatoes, France is authorized to apply compensatory payments in place of minimum prices.

In the United Kingdom, the Potato Marketing Board encourages the controlled marketing of store potatoes by means of a quota system limiting the areas planted.

¹See Table II.B/20.b.1 - II.B/20.b.2 of Part III.

²Regulation (EEC) 120/67 of 13 June 1967, OJ No L 117, 19 June 1967, p.2209.

³Regulation (EEC) 865/68 of 28 June 1968, OJ No L 153, 1 July 1968, p.8.

⁴Codified Version of the Council Directive of 14 June 1966, OJ No C 66, 8 June 1974, p.35.

In Ireland, the Irish Potato Marketing Board controls the purchase price and selling price, organizes exports and administers a compensation fund for seedlings; there are no limitations on the area cultivated.

2. Production

In 1973 potato production accounted for 6.7% of crop production and 2.5% of total agricultural production in the Community. This latter percentage is higher than that for sugar, tobacco and fats, which are already subject to common organization of the markets.

In the enlarged Community there are 2.6 million farms growing potatoes. The situation in individual countries varies greatly, ranging from 900 000 growers in France to 40 000 growers in the United Kingdom.

As a result the average area also varies, ranging from 6.30 hectares in the United Kingdom to 0.5 hectares in France and 0.4 hectares in Italy.

The area under potatoes in the Community is declining and fell from 3 512 000 hectares in 1951/55 to 1 499 000 hectares in 1973 (a fall of about 58%). In 1972 the FAO put the world production of potatoes at about 285 000 million metric tons, but with almost half coming from Europe. Within Europe Community production amounts to about 40 million metric tons or 14% of world production. The FAO put the area under potatoes in the world in 1972 at about 22 million hectares, of which 1.5 million are in the Community. The average yield in the Community is 267 quintals/ha and the average world yield about 130 quintals/ha.

Community production is on the down-grade, however, and fell from 61 957 000 metric tons (average 1951-1955) to 39 953 000 metric tons in 1973.

The leading producer countries, in descending order of importance are: Germany, France, the United Kingdom, the Netherlands and Italy, but in fact the exporting countries are:

1. the Netherlands which exports 1 million metric tons of seed potatoes, ware potatoes and industrial potatoes;
2. France which exports about 400 000 metric tons of seed potatoes, ware potatoes and industrial potatoes.

In 1973 Community production again fell in comparison with 1972. Increases were recorded in the United Kingdom, Belgium and the Netherlands.

3. Consumption

(a) Human consumption

Per capita consumption in the Community is also on the down-grade and dropped from 109 kg per head in 1956/57 to 82 kg in 1972. However, the steady downward trend was interrupted in about 1965/66 because of the considerable expansion, starting at that time, of processed products containing potatoes (crisps, mashed potato, frozen foods).

(b) Animal consumption

In 1972/73 animal consumption was particularly high in Germany (6 239 000 metric tons), lower in France (842 000 metric tons) and very low in the other countries.

(c) Industrial use

Quantities absorbed by the processing industry are rising and at present account for 6% of gross production in the Netherlands and in Germany and 10% in the United Kingdom. It is to be expected that these figures will increase, particularly because of frozen foods.

4. Trade

The domestic trade in potatoes in the original Community accounts for about 5% of production. The percentage of trade in seedlings and early potatoes accounts for between 10 and 15%.

The three new Member States conduct little trade in store potatoes.

5. Prices

Prices are very irregular and vary from year to year. In order to understand these variations account must be taken of the influence of weather conditions, the consistent level of demand, the perishable nature of the product and the structure of production. Indeed, in certain regions of the Community small farms and the lack of market organization encourage considerable price variations on the market.

6. Prospects

After a degree of stabilization during recent years it is possible that in the near future per capita consumption will rise slightly as a result of changes in eating habits during a period of high inflation.

In the medium term, however, it is likely that the present trend will re-assert itself, as follows:

- as regards fresh potatoes: fall in consumption due particularly to difficulties in making decisive improvements to the quality of the product, which depends largely on weather conditions, especially rainfall;
- as regards processed products: increased consumption.

Consequently, per capita consumption is likely to stabilize in the future.

(c) Mutton and lamb¹

1. Production

Community gross domestic production of mutton and lamb remained steady between 1970 and 1973 at about 445 000 metric tons. The United Kingdom, the major producer, accounted for about 50% of the Community total.

The United Kingdom and France produced 80% of mutton and lamb in the Community.

In 1974 Community production should increase by about 5% (United Kingdom: 6%, France 4%, Ireland 8%), thus bringing Community production to about 470 000 metric tons.

This development is largely due to the relatively favourable situation on the wool market up to the end of the first half of 1973 and to the considerable rise in mutton and lamb prices in 1972 and 1973. Community production in 1975 should be similar to 1974, although perhaps slightly lower (1% to 3%).

2. Consumption

Consumption of mutton and lamb in the Community has been falling since 1972 as a result of the considerable fall in the United Kingdom which accounts for about 60% of total Community consumption.

The fall in consumption in the United Kingdom which has continued unbroken since 1967 was particularly marked in 1973 (-10% compared with 1972). This was the result of changes in the price relationships between red meat and other meat (pigmeat and poultrymeat) and also a result of lasting changes in the habits of United Kingdom consumers (demand for meat containing a minimum of fat).

In the other Member States, with the exception of Italy, consumption is steady (Ireland, Denmark) or increasing.

In the Community as a whole, consumption in 1973 fell by 5.7% compared with 1972.

¹ See Tables II.B/20-c.1 to II.B/20-c.4 of Part III.

In 1974 Community mutton and lamb consumption is likely to fall still further as a result of the fall in the United Kingdom (10% to 15% compared with 1973); this fall which is even sharper than in 1973, results in particular from changes in the retail price relationships between beef and veal and mutton and lamb (between June 1973 and June 1974: beef + 5%; lamb + 16%), which brought about a certain shift of consumption in favour of beef.

As a result and presupposing stability in the other Member States Community consumption should fall by about 7 to 9%, making the Community total about 700 000 metric tons.

3. Supplies

As a result there will be a net deficit of 315 000 metric tons between production and consumption, including 237 000 metric tons, or 75%, in the United Kingdom alone.

The degree of self-sufficiency in the Community for 1973 (58.5%) is higher than in 1972 (54.5%).

The net deficit between production and consumption estimated for 1974 amounts to about 230 000 metric tons, representing a 67.5% degree of self-sufficiency.

4. Price movements

(a) Wholesale prices

In 1973, market prices continued to increase at a steady rate in most Member States and on the world market.

This increase continued during the first half of 1974, but from June onwards the trend was reversed. At present therefore market prices are tending to fall in most Member States and particularly in those where the market price is strongly affected by the world price - in Italy and particularly in the United Kingdom (-20% between January and October¹). In this connection it is interesting to note that the price of New Zealand lamb imported into the United Kingdom has been falling steadily since the beginning of 1974 (variation from October to January: -20% to -25%¹).

¹ Expressed in national currency.

The fact should also be mentioned that the headage of sheep in the United Kingdom increased by 4% in 1974 and reached its highest recorded level since 1966. As a result increased numbers of sheep slaughtered are again bringing down prices.

This fall in prices has resulted in the granting of a deficiency payment for domestic lamb from July 1974 onwards (for the first time since November 1972). In October this subsidy amounted to 15% of the market price for the product. Payments are made under the national price guarantee scheme which applies to mutton and lamb in the United Kingdom.

In France, the relative stability in market prices in 1974 can be attributed to the frontier protection arrangements introduced within the context of the national organization of the market ("minimum prices" system).

(b) Retail prices

During the period from June 1973 to June 1974 retail mutton and lamb prices rose much more quickly than for other categories of meat.

In France, taking an index of 100 for the average of 1973, increases were as follows:

June 1974	Pork	Veal	Beef	Lamb
	105.3	107.7	109.1	116.4

This situation is explained in particular by the relative firmness of wholesale prices of mutton and lamb contrasted with the fall in price for beef and veal and pigmeat.

In the United Kingdom between June 1973 and June 1974 movements were as follows:

Beef	Pork	Lamb	Imported lamb
+ 5.0	+ 7.2	+ 16.0	+ 18.8

To the explanations given above can be added the fact that dealers are forced to increase their sales margin for sales of imported lamb, firstly in order to compensate for the effects of the fall in consumption of the

frozen product as a result of competition from the domestic product and secondly because they are forced to store New Zealand lamb privately in order to honour buying agreements.

5. External trade

(a) Imports

Intra-Community trade which amounted to 62 000 metric tons was dominated by sales from the United Kingdom to France (25 750 metric tons).

In 1973 the Community imported 314 000 metric tons (live animals and all meat), of which 251 000 metric tons came from New Zealand. Of this total the United Kingdom alone imported 265 000 tons, or 85%, of which 239 000 metric tons came from New Zealand.

Community imports therefore fell considerably compared with 1972, as the following table shows:

Community imports from non-member countries

	1972		1973	
	metric tons	%	metric tons	%
New Zealand	303 287	81.3	251 097	80.1
Australia	34 521	9.2	24 418	7.8
Hungary	8 725	2.3	10.150	3.2
Bulgaria	7 454	2.0	5 707	1.8
Argentina	5 116	1.4	8 406	2.7
Yugoslavia	2 964	0.8	2 520	0.8
Romania	2 815	0.8	3 082	1.0
German Democratic Republic	1 475	0.4	1 645	0.6
Others	6 558	1.8	6 604	2.0
Total	372 815	100.0	313 629	100.0

In 1974 Community imports from non-member countries will fall because of the considerable reduction in the United Kingdom (-21.6% in the first half of 1974).

Assuming that this percentage fall will be confirmed in the second half of 1974 and that the total imports in the other Member States will not change, Community imports for 1974 can be forecast at 270 000 metric tons.

(b) Exports

The Community continues to export very small quantities to non-member countries: 2 900 metric tons in 1973. The figure will be the same in 1974.

6. Summary

(in metric tons)

	1972	1973	1974 (forecast)
Production	440 900	447 800	470 000
Consumption	808 500	762 300	700 000
<u>Ratio of production to consumption</u>	- 376 600	- 314 500	- 230 000
Imports	372 800	313 600	270 000
Exports	2 500	2 900	3 000
<u>Net deficit</u>	370 300	310 700	267 000

For 1974 this shows a significant difference between the ratio of production to consumption and the net deficit, which can be attributed particularly to the increase in stocks of frozen New Zealand lamb in the United Kingdom (see 4 above).

23. Animal fodder¹

I. Situation in 1972/1973

1. Introduction

In its broadest sense, fodder includes all raw materials that can be used in animal nutrition in order to provide for the growth, care and production (eggs and milk) of animal stock. The main categories of raw material are green fodder (grass, fodder beet, etc.), cereals and protein-containing products (feedcake, animal meal, etc.).

Green fodder supplies 57% of the feed requirements of animals in the Community. This percentage can be calculated in the following way. It is assumed that for a given year the feed requirements of Community livestock expressed as fodder units², are equal to the quantity of feed, also expressed as fodder units, supplied to these livestock numbers. Any element in the equation can thus be easily estimated, except for the contribution in fodder units of green fodder, which can be arrived at by deduction.

The feed requirements of animals can only be stated by first expressing all kinds of livestock (bovines, swine, poultry and others) in terms of adult bovine units (ABU)³. Though these requirements vary according to the age and purpose of the animal, they are more or less constant by species expressed as ABU, so that it is possible to calculate the quantity of fodder required for the entire Community, setting aside the question of the origin of the fodder. Total requirements are 247 134 000 FU of which 168 325 000 FU, i.e. 68% is for the beef and veal sector.

It has also been possible, by approximation, to calculate the contribution in FU of so-called marketable feedingstuffs. The production of compound feedingstuffs which in 1973 amounted to 58.5 million m.t. in the Community can be estimated at 57 344 FU. With regard to cereals, it is known that of a total 71.393 million m.t. available for animal feeding 26.24 million m.t.

¹ See Table II B/23.1, II B/23.11 in the Annex.

² One fodder unit (f.u.) is equal to 1 kg of barley. By Convention 1 FU = 1 000 f.u.

³ By one adult bovine unit (ABU) is meant one adult dairy cow of 600 kg with a daily production of 10 kg of milk (4% fat) or an annual production of 3 000 kg of milk, and giving birth regularly to a calf of 35 to 45 kg.

was incorporated in compound feedingstuffs. The remaining 45.153 million m.t. or FU was consumed on the farm. With regard to feedcake of all kinds and maize gluten feed it is estimated that of a total 15.5 million m.t. available for animal feed, 12.2 million m.t. was incorporated in compound feedingstuffs. Consequently consumption on the farm amounts to 3.3 million m.t., namely 3.696 million FU.

Thus the contribution in FU to the totality of marketable products, either in the form of compound feeds or consumed directly on the farm, can be estimated at 106.193 million FU, namely 43% of the total requirements of Community livestock.

From the preceding figures it can be concluded by deduction, subject of course to the reservations inherent in any estimate, that the Community's remaining feed requirements amounting to 140.941 million FU, i.e., 57% of the total, were covered by means of the feedingstuffs termed "normally not marketed", which are for the most part green forage such as grass, fodder beet and silage.

Green fodder therefore still constitutes in most countries the basis of animal feed, in particular for ruminants.

Its relative importance is, however, diminishing in the Community. In the last ten years, the area given over to meadow, permanent pasture and fodder crops has remained fairly stable, and the rate of growth in unit grass output seems very low. On the other hand, during the same period, the production of beef and veal and milk increased steadily. This increase was made possible by the increased use of compound feedingstuffs for cattle.

Furthermore, Community production of pigmeat and poultry grew particularly fast. Practically no green fodder is used in the feeding of these animals. Lastly, in view of the density of the Community population there can be no hope of increasing the area under grass in the future. Nor can an increase in the use of green fodder be contemplated.

Thus it is logical to believe that any change in the Community's total feed requirement must be brought about as in the last ten years, chiefly by a change in the use of raw materials other than green fodder.

Furthermore, green fodder as opposed to cereals and protein products is normally not marketed and is therefore difficult to quantify with any precision.

For all these reasons, this chapter will be confined to making an analysis of the position with regard to cereals and protein products and to relating these products to the overall animal fodder position. In addition, the position of protein products will be analysed in more detail since in most cases imported products are used, such as seeds and soya cake and fish meal which do not or do not yet receive support at Community level¹.

2. Consumption

(a) In the 1972-73 marketing year the animal consumption of cereals was 71.4 million m.t. while it was 66.3 million m.t. and 66.7 million m.t. and 67.7 million m.t. respectively in the 1969/70, 1970/71 and 1971/72 marketing years. The 5.5% increase in animal consumption of cereals in 1972/73 compared with the previous marketing year is accounted for partly by an increase in livestock numbers, partly by the rise in the prices of proteins which began at the end of 1972. The figure of 71.4 million m.t. can be broken down as follows (the figures between brackets are the changes in million m.t. compared with the 1971/72 marketing year): barley 24.4 million m.t. (+ 1.1), maize 20.1 million m.t. (+ 0.8), total wheat 14.2 million m.t. (+ 2.1%), and other cereals 12.7 million m.t. (- 0.2).

(b) There have been changes in animal consumption of proteins in 1972/73 compared with 1971/72 which vary from product to product. Thus in 1972/73 there was an increase in the consumption of feedcake in general and of soya cake in particular, of dehydrated fodder and of milk powder. It should be noted that of the feedcakes, soya cake shows by far the highest consumption. During the 1972/73 marketing year Community livestock consumed 14.5 million m.t. of feedcake, of which 8 million m.t. were soya, compared with 14.2 million m.t. and 7.3 million m.t. respectively in 1971/72.

¹For a detailed analysis of the animal consumption of cereals, see Chapter 1: cereals.

Only the consumption of soya cake has risen considerably: up 9.5% compared with the previous marketing year. These figures again show the importance of soya cake in animal feed. Over the last decade the increase in demand, both in the world and the Community, for imported feedcake in general has been met almost entirely by increased soya cake imports. Supplies of feedcake other than soya cake are scarcely maintaining their levels: their share in Community supplies has dwindled from 6.9 million m.t. in 1971/72 to 6.5 million m.t. in 1972/73. It should also be noted that the 1972/73 increase in the consumption of feedcake in general and soya cake in particular was distributed more or less evenly between the Member States.

With regard to other products, particularly fish meal and legume seed, consumption dropped in 1972/73 compared with the previous marketing year, fish meal from Peru, the main supplier of the Community, being sharply reduced since 1972, while Community production of field beans dropped.

3. Source of supply

During 1972/73 the Community was 82.5% self-sufficient in feed grain. Of a total consumption of 71.4 million m.t., 58.9 million m.t. was of Community origin and 12.5 million m.t. was imported from non-member countries. In order to estimate the degree of self-sufficiency of the Community with regard to proteins, it is necessary to express protein plants in terms of a common denominator, such as raw protein.

In this way it can be seen that in 1972/73 the Community imported 78.9% of its total requirements in the form of protein concentrates. This means that the Community protein supply situation has barely changed compared with the 1971/72 marketing year, when the Community imported 79.4% of its requirements.

In 1972/73, soya, imported in the form of seed and cake, represented 61% of imports and 48% of animal consumption of protein substances in the Community, expressed as raw proteins.

From 1972 to 1973 soya imports from the United States have not increased. They amounted to 5.9 million m.t. in feedcake equivalent whereas imports from Brazil

rose from 1.3 to 1.5 million m.t. During the summer of 1973 the United States imposed export restrictions on soya. The degree of self-sufficiency in feedcake in the Community which was 4.4% in 1972/73 has barely changed compared with the previous year (4.3%). Of a total consumption of 14.5 million m.t. feedcake, 633 000 m.t. is of Community origin and is broken down as follows: 578 000 m.t. of colza cake, 37 000 m.t. of sunflower cake and 18 000 m.t. of linseed cake.

On the other hand, import of other products, such as dehydrated fodder, meat meal and milk powder, represent a tiny fraction of consumption.

The consumption of fishmeal in 1972/73, although sharply reduced compared with 1971/72, was two thirds covered by non-member countries, mainly Peru and Norway.

4. Use

Animal diet is of two basic kinds: compound feedingstuffs prepared industrially, or natural fodder supplied on the farm.

It is worth knowing the proportion of cereals and proteins supplied in the form of compound feed in the Community. It can be estimated that of a total cereals consumption of 71.4 million m.t. in 1972/73, 26.2 million m.t., or 36.8%, was provided in the form of compound feed, the remainder, 45.2 million m.t. being consumed on the farm.

It should, however, be noted that the situation can differ from one Member State to another. Thus in the Benelux countries the proportion of cereals used in the form of compound feed is the highest in the Community and even exceeds 80% of the total cereals available for animal consumption in these countries.

In other Member States such as Germany, France, Italy and Denmark, the proportion of cereals used as compound feed does not amount to one third of the total available in these countries.

Of a total amount of 15.2 to 15.5 million m.t. of feedcake and maize gluten feed consumed in 1972/73, an estimated 12.2 million m.t. was consumed in the form of compound feed. This means that at least 3 million m.t., mainly feedcake, was consumed directly on the farm.

5. Compound feedingstuffs

Latterly, the production of compound feedingstuffs in the Community has expanded rapidly. From 1963 to 1973 production grew at an average annual rate of 7.5%.

In 1973 it was 58.5 million m.t., of which 21.4 million m.t. went to the pigmeat sector, 18.3 million m.t. to the poultry sector, 16.9 million m.t. to the beef and veal sector, and there were 2 million m.t. of other feedingstuffs.

For technical and economic reasons, the rate of penetration of compound feedingstuffs, which expresses the percentage of compound feedingstuffs in total feed consumption, has increased steadily in recent years. Calculating in f.u. the contribution by industry of compound feedingstuffs and comparing this supply with the requirements one finds that industry supplied 23.2% of requirements in 1973.

This rate of penetration is highest in the Netherlands (65.5%), and lowest in France (16.1%) and in Italy (18.3%).

In a sector by sector comparison of feed requirements with the production of compound feedingstuffs, it can be estimated that in the Community in 1973 the rate of penetration of compound feedingstuffs in the poultry sector was 65%, and in the pigmeat sector 56.3%.

II. Situation in 1973/74

In the 1972/73 marketing year there was a shortfall both in the Community and worldwide in supplies of protein substances. The situation was "the result of an exceptional combination of structural and economic factors"¹.

In the last months of 1973, the situation with regard to protein supplies improved considerably. This easing of the protein market was reflected in an appreciable fall in prices which did not, however, revert to the pre-rise levels of end 1972. This fall was largely attributable to the exceptionally abundant United States soya harvest in 1973 which reached 42.6 million metric tons, 22% more than the 34.9 million metric tons harvested the previous year.

¹ See Report on the Committee Protein Supply Part IV - COM(3) 1850 final Annexes, p.8, 16 November 1973.

Other factors contributed to a lesser extent to easing the protein market: the harvest of sunflower seeds in the USSR was 7.7 million metric tons in 1973 compared with 5 million metric tons the previous year and in Brazil in 1974 the harvest (in April and May) of soya seeds amounted to 6.8 million metric tons compared with 4.8 million metric tons the previous year.

Production of cereals rose considerably in 1973/74, largely owing to the very good harvest in the USSR. However, initial world stocks were depleted after the crop shortfall in 1972. Furthermore, following the tight wheat market, the substantial import demands of certain developing countries and the ever-increasing growth of demand for animal products, the prices of secondary cereals on the world market were higher than the level of Community prices and world stocks at the end of 1973/74 were still below the level reached at the end of the 1972/73 marketing year¹.

In conclusion one may say, although all the relevant figures are not yet available, that in the 1973/74 marketing year the Community was able to obtain its requirements of cereals and protein products but at relatively high prices.

III. Outlook for the 1974/75 marketing year

It is almost certain that the situation on the world protein market will be dominated by the 1974 soya seed crop in the United States. For several years, already, the United States soya seed crop has had a major influence on the world protein market. Expressed as soya cake equivalent, American soya production in 1972, 1973 and 1974 represented 44%, 46% and 48% respectively of the world production of meal and feedcake, fishmeal included.

The United States share of soya exports is even greater; it represented 51%, 57% and 58% of world exports of meal and feedcake in 1972, 1973 and 1974 respectively.

Unfortunately the estimates of the 1974 soya harvest in the United States are not encouraging: the latest estimate by the United States Department of Agriculture, dated 15 October 1974, was 34.3 million metric tons, or 20% less than the 1973 crop (42.6 million metric tons).

¹See Chapter 1 - cereals.

In Brazil it is estimated that the soya seed crop will be 7.5 million metric tons in 1975 compared with 6.8 million metric tons in 1974.

In 1974/75, the same problems of supply are likely to arise with regard to cereals as with protein products, since the United States, the main exporting country of secondary cereals, has announced a sharp fall in maize production.

It is difficult at the present time to foresee the possible impact of a shortfall of cereals and proteins on the development of livestock production in 1975 since that development also depends on other factors.

However, since it is easiest to replace cereals and feedcake by other raw materials in the beef and veal sector, it is likely that if there is a shortfall in the supply of feedingstuffs, the pigmeat and poultry sectors will be the first to suffer.

Furthermore, since there is even less interchangeability of raw materials in poultry feed than in the pigmeat sector, particularly with regard to maize and certain types of feedcake, it is possible that the eggs and poultry sector will be the first to feel the pinch.

C. STRUCTURES

1. AGRICULTURAL STRUCTURES¹

I. Land utilization

During the period 1969-73, the reduction in the utilized agricultural area (UAA) through the use of land for non-agricultural purposes, including afforestation, continued at a fairly constant rate, and without a great deal of variation in this rate from one Member State to another. The area given over to woods and forests is increasing constantly.

However, there have been changes of a structural nature in land utilization, operating in different ways and at different rates.

In the Community, there is a general downward trend in the area of arable land, a slight increase in permanent crops and a fairly constant situation in respect of permanent meadow and pasture land.

In 1972, the UAA of the Community was 93 500 000 ha, and the area of woods and forests was 31 700 000 ha. Between 1972 and 1973, the UAA of the Community was reduced by approximately 500 000 ha, 0.6%, whereas the area of woods and forests increased by 340 000 ha, 1.1%.

The rate of shrinkage of UAA was highest in Luxembourg (2.2%), while in Denmark and in Ireland the UAA increased in 1973 compared with 1972 by 1.2% and 0.9% respectively.

As far as the trend over the medium term is concerned, the UAA of the original Community declined by 4.5% between 1969 and 1973, while the area of woods and forests increased by 2.3%. In the Community as a whole, the decrease in the UAA over this period was 3.9%. The decrease was greatest in the Netherlands (5%). Although the rate of decrease in Italy was 7% during this same period, it should be pointed out that, as a result of a change in the statistical method used, this figure is not fully comparable.

¹See Table II.C/1.1 - II.C/1.11 in the Annex.

in 1973, arable land occupied 46 688 000 ha, or 50% of the Community's utilized agricultural area. From 1972 to 1973, the arable land in the Community was reduced by 753 000 ha (1.6%), while the rate of decrease during the period 1969-73 was 6.5%. Over the same period, the decrease was highest in the original Community (7%), owing in particular to a very marked reduction in Italy (19.7%).

In the other countries, the rate of decrease varied between 1.2% (Denmark) and 12% (Ireland). During the period 1969 to 1973, it was only in Germany that the area of arable land actually increased, the figure being 2.8%.

During the period 1969-73, the proportion of the utilized area represented by arable land remained constant in Germany (59%), France (52%), the Netherlands (52%), Luxembourg (47%) and the United Kingdom (38%). This proportion showed quite a marked decline in Ireland (from 30 to 25%), while in Denmark (89%) and in Italy (53%), the proportion of the UAA represented by arable land decreased by 1%.

In 1973, permanent meadow and pasture land occupied 41 869 000 ha, an increase of 0.3% over 1972. During the period 1969-73, the proportion of the total UAA represented by pasture and meadow land increased from 44% in 1969 to 45% in 1973, owing in particular to an increase from 70 to 75% in Ireland; the proportion remained constant in the other countries.

In absolute figures, this area was in constant decline over the same period. The decrease was fairly marked in the United Kingdom (12.1%) and Germany (3.7%), while the area increased in Denmark (6.7%), in Ireland (5.7%), in Italy (2.1%) and in Luxembourg (1.4%). In France and Belgium, the area of permanent grassland was reduced only slightly.

In 1973, the area of cereals (including rice) in the Community was 26 354 000 ha, that is 453 000 ha (1.7%) less than in 1972 and in 1969. However, in the original Community, the reduction in 1973 compared with 1969 was greater (2.6%). It was in the Netherlands (27.8%) and in Italy (13.9%) in particular that a marked reduction in the area given over to cereals was recorded.

A reverse trend was noted in Germany, Denmark and the United Kingdom. Germany was the only country in which the area given over to cereals increased to any great extent between 1969 and 1973 (19.3%); the increase in Denmark and the United Kingdom was 3.4% and 1.5% respectively.

In 1973, root and tuber crops covered 4 370 000 ha as against 4 411 000 ha in 1972, a reduction of almost 1%. The original Community, which has 77% of the Community's total area of root and tuber crops, plays an important role in this sector. In the original Community, the area given over to root and tuber crops declined most noticeably in Italy (5.1%) and in Germany (2.1%), while the corresponding area increased by 4.1% in the Netherlands and 4.6% in Belgium.

The trends over the period 1969-73 are more pronounced. During this period, the reduction in the area of root and tuber crops was 13.3% in Italy, 13.7% in France and 11% in Germany. In contrast, this area increased by 7.7% in the Netherlands and by 4.0% in Belgium.

As regards the three new Member States, the most marked trend between 1969 and 1973 was recorded in Ireland with a reduction of 20.8%; the reduction in the area of root and tuber crops was 5.5% in the United Kingdom and 9.3% in Denmark.

The most important root and tuber crops are potatoes, sugar beet and oilseeds.

In 1973, potatoes covered 1 460 000 ha. This area was 1.4% down compared with 1972 and 17.4% down compared with 1969. The only country which has recorded a regular increase in the area given over to potatoes since 1969 is the Netherlands (1969-73: 8.3%), while in Belgium, Ireland and Denmark, the area of potatoes increased only in 1973.

The area of sugar beet in the Community increased from 1 549 000 ha in 1972 to 1 644 000 ha in 1973, an increase of 6%. The increase in the area of sugar beet is divided up among all the Member States with the exception of Italy and Ireland, where this area was reduced by 2.9% and 11.8% respectively. The rate of increase in the area of sugar beet varied appreciably from one country to another. The increase was greatest in France, with 15.3%.

Compared with 1969, the area under sugar beet increased appreciably: by 12.4% in the original Community and by 11.6% in the enlarged Community. In the Netherlands (113.6%) and in Germany (49.3%), this area increased considerably. Only Italy showed an appreciable reduction in this area during the period 1963-73 (17.5%).

Oilseeds which in 1973 accounted for only 562 000 ha in the Community are showing a constant upward trend, although the increase in the area under oilseeds in 1973 was slightly down on the figure for 1972 (1.1%). In the original Community, in contrast, this area declined slightly in the course of 1973 (4.1%).

Compared with 1969, the area in the Community under oilseeds increased by 28.6%; the most noticeable increases were in Denmark (150%) and the Netherlands (143%).

In 1973, dried pulses accounted for 452 000 ha in the Community, of which 364 000 ha were in the original Community, that is a reduction of 9.6% and 11.7% respectively compared with 1972. Between 1969 and 1973, the area producing dried pulses decreased by 37% in the Community and by 38% in the original Community. This downward trend was recorded in all the countries during this period, but was most marked in Denmark (84.6%), in Belgium (62.5%), in the Netherlands (40%) and in Italy (39%).

The downward trend in green fodder crops (11 991 000 ha in 1973 as against 12 218 000 ha in 1972, i.e., a reduction of 1.9% for the Community) is confirmed, although an opposite tendency is apparent in one or two countries. The reduction is most marked in Ireland, with a cutback of 21.7%.

In contrast, the area under green fodder crops in 1973 increased significantly in the Netherlands (25.6%), and slightly in Germany (3.6%), Belgium (2%) and Denmark (1.3%).

These different trends from one year to the next in the various countries are also apparent in the more long-term developments. During the period 1969-73, the decline in green fodder crops in the Community amounted to 9%, the highest figure being in Italy (18.3%); next came Ireland (14.7%), Denmark (12.6%) and France (9.3%). Among the countries which are increasing the area under green fodder crops, the Netherlands have recorded the highest figure (75%).

In Belgium, Luxembourg and Germany, the increase was more modest.

The area under permanent crops (i.e., fruit trees, vines, nut trees, olive trees, citrus fruit and strawberries) showed very varied trends. Over the period 1969-73, the area under permanent crops increased by 100% in Luxembourg and by 60% in Denmark, while these crops declined by 31% in Belgium and 23.6% in the Netherlands. In Germany, the area under permanent crops showed practically no change. The result between 1969 and 1973 of these trends was an increase in permanent crops of 2.7% in the original Community and 2.6% in the enlarged Community.

Fruit crops in the Community decreased by 15% in 1973 as compared with 1972. In all the Member States of the original Community, the area under fruit crops is down compared with 1972, and compared with 1969. Exceptions to the general trend are the United Kingdom and Denmark, where an increase was recorded in 1973 compared with 1972 (20.3% and 18.2%), and compared with 1969 (7.6% and 30%).

After a period of stagnation up to 1971, the area covered by vineyards again increased in 1973, although the increase in 1973 compared with 1972 (0.9%) was a little lower than the increase in 1972 compared with 1971 (2.8%). Compared with 1969, the area under vines increased by 3.6%. This increase is the result of a reduction of 2.7% in France, an increase of 12.9% in Germany and an increase of 10.3% in Italy.

II. Structure of farms¹

II.1 Size of farms

The total number of farms of less than 20 ha in the Community is in constant decline. Compared with the period 1960-73, this decline accelerated between 1967 and 1973, although the acceleration was halted in a number of Member States in 1973 compared with 1972.

In contrast, the number of farms of an area of 20 ha and above is constantly increasing in the Community, although this trend is not identical in all the Member States. For a number of States, the increase begins only at the area of 50 ha and above.

¹The data for Italy and Ireland relate to 1970 instead of 1973; as a result, the annual rates of variation for these two countries reflect only the periods 1960-1970 and 1967-1970.

The result of these two trends, however, is that there was a constant decline in the total number of farms during the period 1960-1973, and an acceleration in the rate of fall over the period 1967-1973.

In 1973, the number of farms of 1 ha and above in the Community was 5 404 650, of which 4 710 850 (87%) were in the original Community. Between 1963 and 1973, the number of farms declined at a rate of 2.3% per annum in the Community, but in the period 1967-1973, this rate became 2.9% per annum. Even so, the average size of farms remains fairly small: 16.3 ha in the Community and 13.3 ha in the original Community. Between the highest average figure, that of the United Kingdom with 61.9 ha, and the lowest, that of Italy (7.7 ha), the ratio is of the order of 8 to 1.

In France, Luxembourg and Denmark, the average size is approximately 22 ha, while in the Netherlands and Belgium the figures are only 14 ha and 13 ha. Ireland, with 17.7 ha, occupies a middle position in this group.

The class of farms of 1 to less than 5 ha accounted in 1973 for 2 297 380 farms, that is 42.5% of the total number, and covered 5 791 100 ha, or 6.5% of the total UAA. Almost 2.2 million, or 95.1% of these farms, are situated in the original Community (64.7% in Italy, 15% in Germany, 12.2% in France), whereas the proportion of the number of farms between 1 and 5 ha in the other Member States is 2% or less.

In relation to the other classes, the class of farms between 1 and 5 ha is the largest in Italy (68.4% of farms, occupying 21.7% of the total UAA in Italy), in Germany (35.6% occupying 7.1% of the UAA) and in Belgium (31% occupying 6.2% of the UAA). The proportion of farms between 1 and 5 ha is the smallest in the United Kingdom (12.2% occupying 0.7% of the UAA), in Denmark (12.3% of farms occupying 1.6% of the UAA) and in Ireland (17.8% occupying 2.5% of the UAA). The Netherlands, with 25.1% of farms of 1 to 5 ha occupying 4.8% of the total national UAA, are therefore in an intermediate position.

Over the last five years, the number of farms in the Community of between 1 and 5 ha has declined appreciably. The annual rate of reduction in the Community increased from 2.9% in the period 1960-73 to 3.7% in the period 1967-73. In the original Community, these rates were 2.8% and 3.4%. Leaving aside the United Kingdom, for which the available figures are not completely comparable owing to a difference in statistical methods, the annual decrease in the period 1967-73 was greatest in the Netherlands (8.6%), in Belgium (7%) and in Luxembourg (6.7%). During the period 1960-73, these percentages were 5.9, 6.9 and 7.1 respectively. In contrast, the reduction in the number of farms of 1 to 5 ha in France and Denmark was greater during the period 1960-73 (4.9% and 5.5% respectively) than during the period 1967-73 (4.8% and 4.9% respectively).

The classes of farms of 5 to less than 10 ha and 10 to less than 20 ha have an equal importance in the Community, each accounting for 17.9% of the total number of farms. These two classes cover 7.8% and 15.3% respectively of the total UAA in the Community. In the original Community, the situation is similar, with the number of farms of 5-10 ha representing 18.1% of the total and the farms of 10-20 ha representing 17%; they cover 9.7% and 18% respectively of the total UAA of the original Community.

With the exception of the United Kingdom (12.6%), Luxembourg (12.8%) and France (16.0%), the number of farms of 5-10 ha represents approximately 20% of the number of farms in the Member States. However, the proportion of the UAA occupied by these farms varies more appreciably. Thus, in the United Kingdom, the farms of 5-10 ha cover 1.5% of the total national UAA, while the corresponding figure in Italy is 16.3%, in Belgium 13%, in the Netherlands 11.6% and in Germany 11.2%.

The total number of farms of 5-10 ha declined appreciably in the period 1960-73, this downward trend being similar to that for farms of between 1 and 5 ha in the majority of the Member States. There was an acceleration in the rate of decline of the 5-10 ha class during the period 1967-73. Between 1960 and 1973, the total number of farms of 5-10 ha in the original Community declined at a rate of 3.6% per annum, the figure for the period 1967-73 being 4.5%. For the enlarged Community, these rates were 3.5% and 4.4% respectively.

The greatest annual reductions, both for 1960 to 1973 and for 1967 to 1973, were recorded in France (5.7% and 6.3%), in Luxembourg (6.6% and 7.4%), in Belgium (4.8% and 6.4%) and in Denmark (5.3% and 5.4%).

The proportion of the total number of farms represented by the 10-20 ha class is greatest in the Netherlands (31.1%), followed by Ireland (30.4%), Denmark (29.1%), Belgium (26.9%), Germany (23.9%) and France (23.8%). In contrast, this proportion is only 12.6% in the United Kingdom and 12.8% in Luxembourg.

As regards the trend in the total number of farms of 10-20 ha, a fairly marked reduction was recorded particularly in Luxembourg and France during the period 1960-73 (6% and 4% per annum respectively), with Belgium, the Netherlands and Germany at the other end of the spectrum. In these latter countries, the annual rate of reduction during the period 1960-73 was only approximately 1%.

These two size categories, 5-10 ha and 10-20 ha, together represent between 40 and 50% of the number of farms in the various Member States with the exception of Italy (26%), Luxembourg (32.5%) and the United Kingdom (28.5%). The area occupied by these two classes varies from 5.3% in the United Kingdom to 43.4% in the Netherlands.

In 1973, farms of more than 20 but less than 50 ha represented 15.8% of the total number of farms in the Community and occupied 29.3% of the total UAA. In the original Community, these figures are 14.2% and 32.3% respectively.

Farms of 20-50 ha constitute the largest class in Luxembourg (40%), Denmark (32%) and France (28%).

The trend followed by this size category between 1967 and 1973 varies according to the country, some figures being: +3.5% per annum in Germany, +1.9% in the Netherlands and +2.9% in Belgium, but -2.2% in the United Kingdom and -1.7% in Italy.

In 1973, farms of 50 ha and above represented only 5.9% of the total number of farms and occupied 41% of the total UAA in the Community. The proportion represented by this class in the United Kingdom is remarkable: 29.2% of the total number of farms occupying 80.3% of the total UAA in the United Kingdom. In the other Member States, the proportion of farms in this size category is relatively low, although on the increase in all the countries. In addition, this is the only class of farms in which the UAA increased appreciably between 1967 and 1973 (2.6% per annum for the Community and 3.5% per annum for the original Community).

II.2 Types of farming

In 1970, 42% of the total number of farms in the original Community grew vines, 72% cereals, 44% potatoes and 7% sugar beet; 44% of the total number of farms engaged in horticulture, 59% in beef and veal production, and 46% kept dairy cows and pigs.

Between 1967 and 1970, the proportion of farms growing cereal crops declined in the original Community from 75.4% to 71.7%. This decline took place to different degrees in the six Member States. The greatest reduction was recorded in the Netherlands (32%), followed by Belgium (19%), Italy (18%), Luxembourg and Germany (15%). In the United Kingdom, the reduction was 32%. In 1970, the proportion of the total number of farms with some production of cereals was greatest in Denmark (93%) and lowest in the Netherlands and in the United Kingdom (44%).

The percentage of farms cultivating sugar beet was 7.3% in the original Community. Belgium recorded the highest figure (24.7%), while in France this figure was only 3.9%. In the United Kingdom and Denmark, the figures were 6.6% and 9.8%.

In 1970, there were 2.2 million farms growing potatoes¹ in the original Community, that is 44% of the total number of farms. In Germany and Luxembourg, this percentage was fairly high (73.5% and 67%); in France it was 61%, in Belgium 60% and in the Netherlands 45.5%. In Italy, the United Kingdom and Denmark, this percentage was lower (18.5%, 23% and 13% respectively).

Horticultural undertakings are of particular importance in Italy. In 1970, horticultural undertakings represented 40% of the total number of farms in Italy, the corresponding figure being 22% in the Netherlands, 21% in Belgium and 15.5% in France.

In 1970, 59% of the total number of farms in the original Community kept beef cattle, 46% kept dairy cows and 46% kept pigs. The proportion of farms keeping beef cattle varied only slightly in the various Member States (between 73 and 88%), the exception being Italy (39%). In Denmark, the corresponding figure was 65% in 1972. A comparison between 1970 and 1967 shows, however, that the number of farms keeping beef cattle declined quite appreciably in all the countries, while the stocks held were constantly increasing over this period in all the countries except Italy². The result of these two trends has been an increase in the stock kept by each farm. The greatest reduction in the number of farms of this type was recorded in Denmark (33%), the figures for Italy and Germany being 24.5% and 20.5% respectively. In the Benelux countries and in France, the reduction during this period was 14% and 16% respectively. It was in the Benelux countries that the greatest increase in individual stocks of beef cattle was recorded.

¹Including potatoes not intended for sale.

²See Point VII: live cattle.

In 1970, the proportion of farms keeping dairy cows was greatest in Luxembourg (79%), followed by Belgium (73%), the Netherlands and Germany (70%) and France (57%). In Italy, this proportion was only 25%.

During the period 1967-70, the number of farms with dairy cows in the original Community declined by 25%, while the total number of dairy cows remained practically constant during this period. In France particularly, the number of these farms fell quite appreciably (29%), while in Luxembourg the reduction was only 15%. In the other countries of the original Community, the reduction varies from 18% to 24%. However, in the Netherlands, Luxembourg, Ireland and the United Kingdom the stocks increased quite considerably, in contrast to Germany, Italy and Denmark where stocks declined over the same period.

In 1973, 34% of the total number of farms in the United Kingdom kept dairy cows, while in Denmark the 1972 figure was 60%. Compared with 1967, the number of farms keeping dairy cows in the United Kingdom and Denmark declined by 25% and 36%.

During the period 1967-70, the number of farms in the original Community keeping pigs fell by 20%, with the result that, of the total number of farms, the proportion keeping pigs fell from 51% in 1967 to 46% in 1970. In spite of this, the pig population of the Community increased appreciably during this period, demonstrating that individual stocks increased fairly considerably.

The reduction has been quite marked in all the countries. The greatest reduction was recorded in Luxembourg (33%), followed by Germany (23.5%), France (21.5%), Belgium (21%) and the Netherlands (18.5%). In 1970, the percentage of farms keeping pigs in these countries was: Luxembourg 68%, Germany 73%, France 45%, Belgium 56% and the Netherlands 44%. As regards the pig population, the greatest increase was recorded in Belgium and the Netherlands, while in France and Germany the increase was only moderate.

In Luxembourg, on the other hand, the pig population decreased over the same period.

In the United Kingdom during the period 1968-73 and in Denmark over the period 1967-72, the number of farms with pigs decreased by 30% and 24.5% respectively, with the result that the proportion of farms keeping pigs in 1973 and 1972 was 18.5% and 78% respectively. The increase in the pig population in these two countries over this period was 3.8% and 0.9% per annum.

II.3 Classification of holdings according to comparable income

Information covering the 1972 financial year in respect of the original Community was supplied by the Farm Accountancy Data Network (FADN) and used as the basis for determining the relative importance of the returning holdings of the data network which have overtaken, reached or are about to reach the comparable income within the meaning of Council Directive 72/159/EEC. Included in this category are all holdings showing an earned income per ALU of at least 90% of the comparable earned income.

The average earned income (expressed in u.a. per ALU in 1972) for each of the six Member States calculated on the basis of the comparable incomes laid down by the Member States for the purpose of implementing Directive 159 was as follows:

Germany	4 794 u.a.	Netherlands	5 479 u.a.
France	3 835 u.a.	Belgium	4 645 u.a.
Italy	2 693 u.a.	Luxembourg	4 850 u.a.

The percentages of holdings where the earned income per ALU equalled or exceeded 90% of this income are shown in the following table:

Percentage of FADN returning holdings with an earned income per ALU $\geq 90\%$ of the comparable income for all returning holdings classified according to type of farming and UAA (aggregate sample)

Type of farming \ UAA category	UAA category					Total
	< 5 ha	5 - 10 ha	10 - 20 ha	20 - 50 ha	≥ 50 ha	
General agriculture	.	21	47	74	79	65
Arable: grazing	.	19	28	54	70	48
Grazing: arable	.	36	23	44	76	40
Bovines	.	40	41	58	81	51
Grazing - pigs and poultry	.	38	29	41	.	35
Pigs and poultry - grazing	.	56	41	52	.	46
Pigs	.	94	70	68	.	76
Horticulture	50	.	.	.	.	50
Fruit-growing	42	54	.	.	.	48
Vines	48	46	72	70	43	53
Olives	30	54	47	.	.	.
Total	47	44	39	54	76	49

. = no data available.

These results show that so-called modern holdings exist in all the different size categories. In general, the percentage of these holdings increases with the area farmed. For example, in the types of holding dependent on land the percentage is about twice as high in the 50+ ha category as in the 10 - 20 ha category.

It would be well worthwhile to carry out a more detailed analysis of these data, in particular on a country-by-country basis. This could be done over the next few years, by which time the FADN sample will be much more representative.

III. Livestock

III.1 General trends

Since 1963 the cattle count in the original Community has been increasing continually at a rate of roughly 1.5% per year, although this increase has been less pronounced over the last five years. In the three new Member States cattle numbers have been increasing at an even higher rate.

In 1973, with a total of 78 638 000 head, the Community cattle count was 5.1% up on 1972.

These trends, however, vary from country to country. During the period 1968-73 numbers either remained virtually constant (West Germany and Denmark) or there was a sustained increase. Italy was the exception (-3.4% a year).

The relative increase was particularly significant in the Netherlands (13.5% in 1973 as against the previous year and 4.8% a year during the period 1968-73), in Ireland (7.8% and 4.7% respectively) and in the UK (6.8% and 4.0%).

The number of dairy cows in the original Community increased fairly slowly during the period 1963-73 (0.3% a year), while in the period 1968-73 there was even a slight decline in their number. In the three new Member States, however, the upward trend continued, so that the number of dairy cows in the Community rose by approximately 2.5% a year during the period 1968-73.

In 1973 dairy cows in the Community totalled 31 564 000 head, i.e., 3.7% more than in 1972. The corresponding increase for the original Community was lower (2.7%), following on a decrease recorded for the period 1968-73.

The increase in 1973 as against the previous year was most marked in Luxembourg and Ireland (11%) and in the Netherlands (8.7%). Only in Italy did the number of dairy cows continue declining in 1973, by 4.3%.

There has been a marked expansion in the number of pigs in the original Community, with an annual rate of increase of almost 4% during the period 1963-73.

The increase in pigs in the three new Member States has been less pronounced, bringing the rate of increase for the Community as a whole to 3% a year.

In 1973 there were about 69 900 000 pigs in the Community, i.e., 1.8% up on 1972. In the Six, however, this trend was more marked (+4.1%), so that the 1968-72 pattern was repeated in 1973.

Increases in pig numbers varied considerably from one country to another. The highest increases for 1973 (as against the previous year) were recorded in Belgium (9.9%) and the Netherlands (6.3%). Only in Denmark did a decrease occur (-6.3%).

As regards the pattern of development during the period 1968-73, differences were more pronounced from one country to another. In Belgium and the Netherlands increases of 88.5% and 41.7% respectively were recorded, whereas the increase in West Germany (8.8%) was relatively slight. Decreases occurred during this period in Luxembourg (-13.7%) and Ireland (-2.5%).

In aggregate terms, little change has occurred in the **sheep and goat headage** in the Community. In 1973 (as compared with both 1972 and 1968) the total number of sheep and goats increased by 1.8%, whereas in the original Community the numbers of sheep and goats remained constant in relation to 1972 and increased by only 0.9% over the 1968 figure.

In the major countries, i.e., the UK, France and Italy, very different patterns emerge. As against 1972, stock increased in the UK by 2.2% and in France by 1.3%, whereas in Italy, it remained constant. As compared with 1968, there were increases of 1.6% and 7.8% in the UK and France respectively, while in Italy a 5.8% decrease occurred during the same period.

III.2 Livestock structure

On the basis of Community surveys it is possible to make a rough estimate of the cattle and pig stock in most of the Member States. Only in the case of West Germany and the Netherlands have the relevant data not yet been made available. Accordingly, the figures quoted above for the Community do not include the statistics for these two countries. It will be seen from the information contained in Paragraph A that the numbers of stock per holding have increased little over the last few years. However, in view of the fact that these livestock structure data refer only to a single year (1973), we should not read too much into the paragraph in question.

In 1973, 46% of all Community cattle holdings fell into the 1-9 cattle per holding category and, of these, 28% were in the 1-4 cattle per holding category¹. The 1-9 category accounts for only 8% of the total number of cattle whilst 19% of all holdings fall into the 10-19 category, which accounts for nearly 11% of the entire cattle numbers; the corresponding figures for the 20-39 cattle per holding category are 17% and 20% respectively. Italy has the highest percentage figure for the 1-9 cattle per holding category (75%), followed by France (31%), Ireland (30%) and Belgium (29%).

Lastly, 18% of the total number of Community holdings come into the 40+ cattle per holding category, which accounts for 61% of the entire cattle numbers. The proportion of UK holdings in this category, which accounts for 85.5% of the country's cattle count, is particularly noteworthy (52.5%). In Luxembourg, too, this category holds an important position (46% of holdings) and accounts for 71% of the cattle count. In Italy, on the other hand, this same category covers only 3.5% of holdings and accounts for 32.5% of the total number of cattle in Italy.

In the Community the average cattle herd per holding is 24.2 head. In the Member States the average herd per holding varies from 9.2 to 69.4 head.

¹See table below.

Breakdown of holdings by number of cattle (1973)

in %

Country	1-4		1-9		10-19		20-39		40+	
	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals
G	.	.	.	.	.	.	.	.	.	.
F ¹	15.1	1.5	31.1	5.7	23.3	12.6	24.5	26.4	21.1	55.3
I ¹	52.9	14.1	76.3	30.6	14.5	20.3	5.8	16.5	3.4	32.6
NL	.	.	.	.	.	.	.	.	.	.
B ²	16.0	1.5	28.9	4.5	19.7	9.9	27.3	27.9	24.4	57.7
L ²	10.0 ⁴	0.9 ⁴	28.2	3.5	16.0	5.6	24.0	18.1	46.0	73.8
UK ¹	7.1	0.3	16.6	1.2	13.2	2.7	17.9	7.5	52.5	88.6
IRL ¹	11.8	1.2	29.9	5.7	25.8	12.9	23.6	23.7	20.8	57.8
DK ³	8.9	0.7	18.5	2.7	19.5	8.3	31.0	26.1	31.0	62.9
Total	27.9	2.9	45.9	7.9	19.1	10.8	17.3	20.1	17.7	62.2

¹December 1973.

²May 1973.

³June 1973.

⁴3-5.

The number of dairy cows per holding is considerably lower¹. 64% of the total number of Community holdings come into the 1-9 dairy cows per holding category, which accounts for only 22% of all dairy cows. The holdings with 10-19 cows represent 21.5% and 10.5% of the total and account for 27.5% and 26% of the total number of dairy cows. The proportion of holdings with 40 cows or more is very low: 4% accounting for 25% of the total number of dairy cows. This proportion is highest in the UK (36%, or 72% of all dairy cows), followed by Denmark (5%, or 15% of dairy cows) and Ireland (3.6%, or 21% of cows).

In the Community the average number of dairy cows per holding is 10.5. The two extremes are the UK (38.2 cows per holding) and Italy (5 cows). The average number of cows per holding in the other countries varies between 9.6 and 15.

¹See table below.

Breakdown of dairy cow holdings by number of dairy cows (1973)

in %

Country	1-4		1-9		10-19		20-39		40+	
	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals
G	.	.	.	.	.	.	.	.	.	.
F	28.3	6.3	53.4	22.0	31.9	39.7	13.0	30.1	1.7	8.2
I	71.8	28.2	88.4	46.9	7.1	16.6	3.1	14.3	1.5	22.2
NL	.	.	.	.	.	.	.	.	.	.
B	24.7	5.0	50.0	19.8	32.9	37.2	15.3	34.0	1.3	9.0
L	18.0	3.3	38.8	12.9	34.0	34.3	22.0	43.0	3.0	9.8
UK	11.9	0.6	20.5	2.2	17.4	6.5	26.0	19.2	36.0	72.1
IRL	48.6	10.4	66.6	22.9	18.2	25.5	11.4	30.9	3.6	20.7
DK	13.9	2.3	35.7	12.1	39.0	35.8	21.1	37.1	5.0	15.0
Total	43.8	8.9	64.2	21.7	21.4	27.6	10.6	26.0	3.8	24.7

As to structure, in 1973 figures 76% of Community¹ holdings had 1-9 pigs and 83.5% had 1-19 pigs. These two categories account for 7% and 12% respectively of the total number of pigs in the Community².

The 20-49 and 50-99 pigs per holding categories comprised 7.7% and 4% of holdings and accounted for 11% and 13% of pig numbers. On the other hand, 60% of all pigs were in holdings of 100 pigs and over, including 14% in holdings of 1 000 pigs and over.

The proportion of pigs in holdings of 100 and over is highest in the UK (86%), followed by Belgium (69%) and Denmark (64%). In Italy, the corresponding proportion is only 50%, despite the fact that the number of pigs in holdings of 1 000 and over in that country represents 22.5% of the total, as against 31.1% in the UK, 9.2% in Belgium and 1.6% in Denmark.

¹Not including West Germany, the Netherlands and Luxembourg.

²See table below.

Breakdown of pig holdings by number of pigs (1973)

in %

Country	1-9		1-19		20-49		50-99		100+	
	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals	Holdings	Animals
G	.	.	.	.	.	.	.	.	.	.
F	71.2	8.9	81.5	15.7	10.0	14.4	4.0	13.2	4.5	56.7
I	91.1	22.5	95.4	30.5	3.1	13.0	0.7	6.3	0.8	50.2
NL	.	.	.	.	.	.	.	.	.	.
B	31.0	1.6	43.6	4.2	22.4	10.6	15.8	16.1	18.2	69.1
L	.	.	.	.	.	.	.	.	.	.
UK	23.0	0.6	36.8	2.0	20.3	4.7	14.9	7.5	28.0	85.8
IRL	48.0	5.0	96.0	15.1	18.7	17.0	5.3	11.2	4.0	56.7
DK	10.3	0.6	21.2	2.5	27.5	11.2	25.5	22.2	25.8	64.1
Total	76.4	7.2	83.5	11.7	7.7	11.1	4.0	12.7	4.8	64.5

IV. Types of occupancy and land values

IV.1 Types of occupancy

The frequent lack of regular and complete statistical information in this field has necessitated the use of somewhat disparate material which makes it impossible to compare figures exactly. It therefore seems preferable to analyse recorded trends rather than annual rates of variation.

However, available figures make it possible to analyse the development of the percentages of land directly farmed or rented in the Member States. Between 1960 and 1970 in the original Community the proportion of land farmed directly fell from 62.3% to 60.2% and in the Community from 63.1% to 62.1%. This decrease is the result on the one hand of an increase in the proportion of land farmed directly in Italy (from 68.4% to 72.3%) in the Netherlands (from 47.4% to 51.8%), in the United Kingdom (from 49.2% to 53.1%) and in Ireland (from 92.4% to 93%) and on the other of a decrease in Germany (from 80.2% to 71.1%), in Belgium (from 31.7% to 27.9%), in Luxembourg (from 71.2% to 60.7%) and in Denmark (from 93% to 88.3%). During this period the proportion of land farmed directly in France remained steady.

Data are available for the original Community on the types of occupancy classified by size of farm. In the light of these figures it appears that owner farming and tenant farming are only increasing in the case of farms of 20 hectares or more, thus showing a pattern similar to the expansion of acreage worked on this class of farm, as described in Chapter II above.

As regards small plots and properties covering less than 1 hectare a clear increase in area is recorded in France and Italy; an increase which in France also applies to the next categories of 2 and 5 hectares; these increases are primarily due to freehold farming. In Germany the total number of these farms remains steady. In 1966 they accounted for 27% of the total UAA, 24% in 1970 and 28% in 1973; tenant farming is preponderant here.

Between 1960 and 1970 in the original Community the proportion of tenant-farmed land increased from 30.4% to 36.5% and in the Community from 31% to 35.3%. The proportion of tenant-farmed land increased considerably in Germany, Luxembourg and Denmark.

Share-leasing, which is still important in Italy and France (17.1 and 3.8% in 1960), decreased by 50% in 10 years.

As agricultural legislation in these Member States is aimed at converting share-leasing into standard tenant farming it can be expected that a great part of this land - apart from land farmed directly again by the owner or sold - will increase the proportion of land farmed by tenant farmers.

Other forms of occupancy apart from share-cropping, which, varying from one Member State to another, consist namely of emphytentic leases and various forms of owner participation in the management of the farm, still retain a certain attraction. At the time of the Community statistical survey in 1966/67 they amount to:

- 0.2% of the UAA in the Federal Republic of Germany
- 0.1% of the UAA in France
- 3.3% of the UAA in Italy
- 0.1% of the UAA in the Netherlands
- 0.2% of the UAA in Belgium
- 5.5% of the UAA in Luxembourg

Since they are not listed separately in the table they are included under the heading of tenant farming and tend to inflate the entries under that heading.

IV.2. Land values

Available data on the market value of land and on rent levels in the different Member States indicate trends over a period of time rather than an idea of actual values, since the data are average figures for the whole country, and do not include regional differences, differences in fertility, etc. In addition it should be noted that the data for most countries are based upon samples and as a result are not fully representative.

In the new Member States the increase in prices, often a result of speculation, can be described as sharp or very sharp. The upward trend occasioned on the one hand by prospects of new agricultural markets for these countries has been aggravated by non-farming capital speculation directed towards property investment at a time of currency inflation, a particularly noticeable phenomenon in the United Kingdom. In Ireland the acquisition of agricultural land by non-farmers has similarly disturbed the land market.

A closer look at the statistical information notified for 1973 shows, on the basis of the available data, that in France the average increase in price of arable land and permanent pasture exceeds the 1972 average by 14% and 13% respectively and the 1963 average by 114% and 70%.

In 1973 regional increases were generally higher than in 1972: there were rises of over 20% in Champagne and Aquitaine while the increase in Alsace, Bourgogne and Charente-Poitou approached 20%. In the northern region the increase amounted to only 4%.

The average increase in market values is relatively limited in the Netherlands and in Belgium. In the latter country the average price for arable land in 1972 had only risen by 32% over 1963 although during the same period the prices for meadow land had increased by 72%. In the Netherlands these increases were 37% and 43% respectively.

The available data for the United Kingdom are fairly recent and complete. The Ministry of Agriculture in London publishes twice a year a summary of all agricultural land sales in England and Wales. The annual average prices are based on a period beginning on 1 October of the preceding year and finishing on 30 September of the year for which the survey is taken. The same applies to Northern Ireland. Areas of 10 acres and upwards sold in

England and Wales are recorded in the summary.

The very high price increases continued during the opening months of 1974, but from April/May onwards there was a considerable fall. In Ireland prices have also been climbing steeply since 1971, but came to a halt in 1974 as a result of the agricultural crisis: they may even be falling slightly.

TV 3. Rents

The inclusion in the same table of the market value of a piece of land and the rent which it fetches for the non-farming owner makes it possible to determine the extent to which the rate of capitalization again deviates from the corresponding market value, as regards the average prices of 1973.

Land prices are free of restriction, whereas in almost all Member States the level of rents is either fixed or subject to a maximum for social reasons.

While it is a fortunate fact that rents do not follow every speculative rise on the land market, there is a danger that too great a gap between the commercial value of the land and the rent which it fetches will lead non-farming owners to sell off their land in large quantities, thus obliging their tenant farmers to purchase the land, whatever the cost, if they wish to keep it.

In the Netherlands, however, rents have risen more steeply than land prices. On the subject of types of lease, it should be noted that throughout Ireland the land is usually leased according to the "conacre" system under which plots are rented for 11 months. This applies most often to hay meadows and prices are generally high. In Northern Ireland some 20% of the UAA is leased in this way.

V. Capital

Only incomplete data are available for capital, investments, loans and interest to be paid by farms. It is apparent that the decline in the agricultural population which has been recorded during the last few years is accompanied by an increase in agricultural investments. As regards the past, the growth of capital per labour unit has been more rapid than the growth of capital per area unit.

Already in 1967/68 the total amount of borrowed capital in the Community averaged 62% of the value of final production, the amounts ranging from 78% for Germany to 37% for Italy. It can be assumed that for the following years the curve of borrowed capital followed the growth of capital invested per labour unit.

Efforts to modernize farms must also have encouraged this tendency since they entail to a significant extent the substitution of capital for labour. Since on these farms there are limits to the accumulation of own capital the necessary capital must be raised essentially by external loans.

In this context, the movement of the capital market in 1973 and in particular the steep rise in interest rates for long-term credits assumes particular importance.

The following table illustrates this trend; the data were either provided by Member States or drawn from official statistics.

Rates of interest for long-term credits

	end 1972/ beginning 1973	mid-1974
Germany	8.50 %	10.55 %
France	8.65 %	13.45 %
Italy	10.00 %	13.80 % ¹
Netherlands	7.75 %	10.25 %
Belgium	7.50 - 7.75 %	10.50 %
United Kingdom	10.00 %	14.50 %
Ireland	10.96 %	14.00 %
Denmark	12.50 %	17.70 %

¹From 14 September 1974.

These data do not enable a complete comparison to be made between different Member States since in certain cases they refer to rates for certain types of investment only. In spite of this, all Member States show a considerable increase, varying between 2% (Germany) and 5% (Denmark).

VI. Agricultural working population

The agricultural working population in the European Community continued to decrease, falling from 9 723 000 in 1972 - or 10% of the total working population - to 9 402 000 in 1973 - or 9% of the total working population. But the rate has slowed down: during the period 1971/72 there was a relative decrease of 5.2% in the fall in the agricultural working population whereas the figure is only 3.3% for the period from 1972/73. In particular, fewer self-employed persons were leaving agriculture; the relative decrease in this category is 6.9% for 1971/72 as against 3.9% for 1972/73. On the other hand, wage and salary earners, who represent 27.6% of those employed, fell by a greater proportion: 0.6% for 1971/72, 1.8% for 1972/73.

It is interesting to compare these figures with those relating to changes in the number of farms. Under Item II it was reported that in recent years the number of farms had diminished more rapidly than the agricultural working population. One reason for the discrepancy between these trends is that in the past the decrease in the agricultural working population was chiefly among the category of hired workers and family helpers, whereas during recent years more farmers were leaving.

The self-employed category is made up of farmers and male and female family helpers. From a structural point of view the departure of farmers is particularly important since it releases land which can be added to other farms to make them larger, helps to reduce the average age of the working population and enables young farmers to start farming on their own.

The departure of agricultural workers, and in particular of the youngest workers, is closely dependent on the pattern of employment as a whole. In 1973 overall employment increased slightly over 1972 (+ 0.8%); but during 1972 overall employment in the Community had fallen (- 0.3%).

However, the trend of overall employment is only a partial indication of the situation in the absence of data on the total number of persons seeking employment. Although overall employment increased in 1973 the situation since then is characterized by a general rise in unemployment, a situation which continues in 1974, suggesting that the slowing down in the rate of decline of the agricultural working population will continue in the future.

Furthermore, most of those giving up farm work have so far belonged to the youngest group of the agricultural population, thus raising the average age of the working population. This ageing process in turn affects the rate of giving up farming.

The alternative open to them, which in income terms could only be a pension in view of their age, considerably deters the oldest members of the agricultural population from giving up work.

It is expected that this latter obstacle will be removed as far as possible by the implementation of the provisions of Directive No 72/160 on incentives to give up farming.

In short, two facts combine to keep people from giving up farming, as regards the youngest members of the agricultural population a decrease in overall employment, and as regards the oldest members the absence of alternative sources of income.

If the age structures of agricultural workers are compared with those of general workers, the ageing of the agricultural population becomes quite evident. However, if the agricultural age structures for the period 1968-1971 in the Member States for which data are available are compared a relative though rather slow fall in the average age can be observed.

In the original Community¹ agricultural workers aged 65 years and over form a considerable proportion of the working population; about 6% against about 2.5% in general employment. An important contributory factor to this phenomenon is the difference still existing in some Member States between the old-age pension for hired workers and for self-employed workers. In Luxembourg this age group still represented 13.8% of the agricultural working population against 4.2% for Belgium in 1971. In agriculture this category is decreasing slowly, from about 7.6% in 1968 to 6% in 1971.

Furthermore, the 14 to 24 age group in 1971 was very poorly represented amongst agricultural workers (10%), while it accounted for 17% of those in general employment. Moreover, this 10% represents a fall compared with the 11% recorded in 1968.

¹The figures for 1971 do not include the Netherlands.

Between 1968 and 1971 the proportion of agricultural workers belonging to the 25-34 age group fell from 16% in 1968 to about 14% in 1971, a considerably lower figure than the proportion of the corresponding age group in general employment (23% in 1971).

The result of this trend may be that in future the number of farms will diminish because of a lack of experienced workers.

On the other hand, the 45-54 age group in agriculture is increasing considerably, from 20% in 1968 to 24% in 1971. It is this group for which retraining is very difficult since its members cannot benefit from provisions for farmers' retirement pensions. It is certain that the Community policy on farm structures, adopted in March 1972, will have a useful effect on the numbers of the agricultural working population aged 45 years and over. In the absence of statistical data it is not yet possible to measure this effect.

VII. Social Security

In the original Community the extent to which farmers are covered by social security did not change in comparison with the previous year. In Belgium and the Netherlands cover is not yet complete.

As regards the three new Member States, only in Denmark is there cover against all risks, since accidents at work are excluded in the United Kingdom while in Ireland there is only cover for family allowances, while persons in low economic categories have a right to sickness, maternity and old age benefits.

Participation of the nation as a whole in the financing of social security still plays a very considerable role in almost all countries because of the particular problems of agriculture, a sector which is in the throes of change (flight from the land, ageing of the working population, delay in social security cover, low incomes, etc.). Because of this and also because of the varying nature of the social security systems in force in the nine countries (farmers belonging either to the general scheme, or to a special scheme - an easier case to examine) the estimates can only be regarded as giving an indication of the situation.

As against a situation of near-balance in the Netherlands (92%) between contributions and benefits, in the other countries the proportion of the contributions paid by farmers to the benefits which are granted to them is 1% in Ireland, 6% in Italy, 7% in Denmark, 19% in Luxembourg, 21% in France, 29% in Belgium and 32% in the Federal Republic of Germany.

Data concerning social security benefits in the United Kingdom are not available.

As regards the annual amount of the old age pension, the Netherlands (2 421 u.a. per couple) and Denmark (2 097 u.a. per couple) are ahead of the other Member States; Italy (526 u.a. for a "coltivatore diretto", male or female), and the Federal Republic of Germany (787 u.a. per couple and 525 u.a. for unmarried persons) are lowest on the list.

VIII. Agricultural marketing structures

The only detailed and recent data on this subject in the Commission's possession cover the activities of cooperatives and contract sales.

(a) Cooperatives

Cooperatives exist in all Member States but they vary greatly as regards their economic importance, their size, their procedures, their legal form, their structure, their internal rules, etc.

The economic importance of cooperatives varies from one country to another and also from one sector of agriculture to another.

Thus, in the Netherlands and in Denmark they occupy a particularly important place in the economy. On the other hand, in the United Kingdom, despite the long history of the first cooperatives which date from the end of the last century, they only occupy a secondary position in the sale of agricultural products, probably a result of the existence of marketing boards for certain agricultural products.

Milk, a highly perishable product, is the one most marketed by cooperatives in all the Community countries. In Ireland all milk produced is collected by the cooperatives which hold a special licence for this purpose. At the same time they process 75% of all milk collected.

In the Netherlands and in Denmark almost all milk is collected by cooperatives.

Other perishable products dealt with largely by cooperatives are fruit and vegetables. There are considerable variations between the percentages of vegetables sold by the cooperatives in the different countries, 100% in the Netherlands, 5% in Italy and between 10% and 50% in the other countries. Except in the Netherlands (95%) the percentage of fruit sold through cooperatives in each Member State is higher than the percentage of vegetables. Cereals which are easily stored and which in certain countries are traditionally produced by small farms are also largely marketed by cooperatives (70% in France, the Netherlands and Luxembourg).

Varying percentages of pig and poultry products are also marketed by cooperatives. Thus in Denmark cooperatives market 91% of pigmeat while in the United Kingdom the proportion is only 7%. The variable percentages of these products marketed are due to the fact that these sectors are often closely linked to industries providing the "inputs" for livestock farming.

Sugar beet is rarely marketed through cooperatives. Since it is a product which is only intended for processing, sales through cooperatives are practically nil in countries where there exists a processing industry not organized on a cooperative basis.

On the other hand in countries such as the Netherlands cooperatives sell the product (63%) and do the processing.

(b) By contract

Contracts include all contractual agreements which a farmer may have arranged in advance for the processing and/or marketing of his products. The agreement may be a simple sales contract or a more long-term contract involving various obligations on the farmer. Contracts exist which as a result of their clauses may give rise to partial vertical integration.

As a product intended for processing, sugar beet is sold in practically all Community countries solely or almost solely under contract. A very high proportion of the garden peas grown for canning companies is sold under contract (the whole of production in Denmark and in Belgium and almost all in Germany, France and the Netherlands).

As regards table poultry, production and marketing are frequently organized by means of contracts or agreements between the compound animal feedingstuffs industry, the selection and mass-production undertakings and the slaughter-houses. On the other hand in the fresh egg sector contractual arrangements with the requirements of compound animal feeding stuffs, the selection and mass-production undertakings and the packing centres are considerably less frequent, amongst other things because a considerable proportion of production is marketed directly by the producer to the consumer or sold on the markets.

Contractual sales for pigmeat represent statistically only a very small percentage, but it is apparent that contractual arrangements for pigmeat production are on the increase.

2. FORESTRY STRUCTURES¹

I. Distribution of forest areas

Among the nine Member States, France has the largest share of forest of the Community, i.e. 45% out of a total of 31 million hectares, followed by Germany with 23%, Italy with 20% and the United Kingdom with 6%. The five other Member States account for only 6% of the whole.

Forest density in individual Member States on the other hand is less widely divergent, the rough average being 20%, i.e., 32% of the total area in Luxembourg, 29% in Germany, 25% in France, but only 4% in Ireland, 7% in the Netherlands, 8% in the United Kingdom and 11% in Denmark.

The breakdown of Community forest area by ownership is as follows: 17.8% State forests, 61% private forests and 21.2% public forests other than State forests. The deviations from the average of 61% for private forests are relatively small if we except France with 73%, Denmark with 68%, Belgium with 52%, Germany with 44% and Ireland with 13%.

The largest percentage of State forest in the nine Member Countries is in Ireland, with 87% compared with a Community average of 18%.

In Italy and Luxembourg, on the other hand, State forests form only 4% and 5% respectively of the total forest areas.

Germany has 43% of the State forests in the Community, France 27% and the United Kingdom 14%.

Three countries account for most of the public forests other than State forests and for most of the private forests in the Community, i.e.:

France:	respectively 35% and 53%
Italy:	respectively 32% and 20%
Germany:	respectively 28% and 17%
making in all:	95% and 90%

¹See Tables II.C/2.1 - II.C/2.4 of Part III.

II. Forest organization in terms of ownership and number and size of undertakings

As a general rule State forests are much better organized than those belonging to other public bodies. The organization of private forests leaves a good deal to be desired.

The average wooded area of the State forests varies from 108 ha (Luxembourg) to 1628 ha (Denmark), and that of forests belonging to other public bodies from 34 ha (Netherlands) to 167 ha (France).

Private forests amount to 61% of the total forest area and the properties are very fragmented.

Thus, 94% of private owners hold wooded areas of less than 10 ha, 35% of the private wooded areas are held by owners of less than 10 hectares of land and 59% are held by owners of less than 50 hectares of land.

III. Distribution of wooded forestry areas according to use

The managed forest in the Community, which is 83% of all forest, comprises 65% timber trees and 35% coppice with standards or coppice alone.

Three countries, France, Italy and Germany have 87% of this area, their timber woods occupying 50%, 41% and 94% respectively of the area in each country. Unmanaged forest amounts to 17% of all forest in the Community. It consists of areas which are not regularly worked and which may be exemplified as follows:

- in Germany: forests producing less than 1 m³ of timber in the round per hectare per year, stunted woodland and high altitude forests;
- in France: "garrigues";
- in the Netherlands: forests used exclusively for recreational purposes.

Most of the unmanaged forest occurs in France, with 92% of the Community total; it represents 33% of French forest land.

IV. Development of forestry production

In the Community as a whole forestry production fulfils about 50% of requirements for wood and products based on wood (sawn timber, wood pulp and paper).

However, the total quantity of timber in the round yielded by Community forests fell by 10% between 1960-62 and 1969-71, i.e. from 95 million m³ to 86 million.

This fall was not due to any reduction in forest area which on the contrary increased slightly during the period. It rather reflects a slower working of these forests and in no way signifies a drop in productivity.

In addition, this decrease hides major changes, since during this period the proportion of timber used for constructional and industrial purposes increased by 20% from 58 million m³ in the round to 70 million and the proportion used for heating purposes decreased by more than 55% (37 million m³ in the round compared with 16 million).

3. STRUCTURES OF FISHERIES¹

During 1973, the price of ships, equipment, maintenance and labour all rose considerably. The largest cost increase was that of fuel oil, which increased by between 100 and 200 % of the price in January 1973 during the course of the year. High rates of interest charged on loans made to ship owners also added to the financial load of the industry, and it is probable that investment in the fisheries sector was relatively low, when the level of monetary inflation in 1973 is taken into account.

Although catches were higher than in the previous year, the bulk of the increase consisted of landings by the industrial fishing concerns and catches for several quality species declined steeply when compared to yields both in the previous year and over the past decade.

I. The fishing fleet

There was a small increase in the total number of vessels in the Community fleet in 1973 (1972 : 52.716, 1973 : 52.943) accompanied by an increment in the gross registered tonnage (1972 : 1.266.100, 1973 : 1.286.916).

A number of small vessels were scrapped, but these were generally replaced by larger and more powerful vessels, and the trend towards an increased catching power of the fleet continued.

¹ See tables II.C/3.1 - II.C/3.3 in the Annex.

II. Fishing grounds

The activities of the Community fleet on the traditional fishing zones of the Community varied little from the previous year, with the exceptions of the Icelandic fishery and of fishing grounds adjacent to the west African coast. Fishing in both these areas was affected by the enlargement of territorial waters, the United Kingdom, Germany and to a lesser extent, Belgium being concerned in the former fishery and Italy in the latter.

The long-term decline in the German North Sea fishery continued, and all the remaining Member States fishing in the North Sea had lower catches in 1973 than in the previous year. Germany, France and the United Kingdom had greatly increased yields from the Barents Sea and Denmark increased its catch from the Kattegat and Skagerak grounds by over 30 % (from 209.300 to 286.500 tonnes). The catches of the British fleet fishing the Spitzbergen and Bear Island grounds virtually trebled in 1973 to a total of over 14.000 tonnes. The French fleet also increased its catch in the area over the same period.

III. Crews

The total number of fishermen in the Community apparently increased from 148.387 in 1971 to 156.098 in 1973, but this latter figure includes many part-time fishermen, and the totals may not be strictly comparable. It is more likely that the steady decline in numbers of full-time fishermen over the last few years has continued, while the number of part-time inshore fishermen increased temporarily during the year.

IV. The processing industry

In spite of temporary shortages of certain species of fresh fish, the industry has in general continued to expand. With the increase in the value of fresh fish, it has become necessary to conserve as great a percentage of edible flesh as possible, and this has led to improvements in the design of processing machinery.

The major development in the industry in 1973, was the very large increase in the quantity of fish destined for reduction to fish meal. This was a direct result of the unavailability of supplies from the usual sources, and while the shortage continues, it is likely that fish meal production in the Community will continue to expand.

D. AGRICULTURAL INCOMES^{1,2}

I. TREND OF AGRICULTURAL INCOMES BETWEEN 1964 AND 1972

A. Trend of agricultural incomes at national and regional level

1. Trend of agricultural incomes at national level

Between 1964 and 1972 the Net Added Value and the "Agricultural Income"³ per ALU developed in different ways in the various countries. Of the countries for which data are available, France and Belgium are clearly in the lead with percentage increases for these two criteria, expressed in nominal terms, of 142.2% and 122.2% for the NAV/ALU and 138.5% and 127.5% for the "Agricultural Income"/ALU. Luxembourg and Germany had the smallest increase with respective figures of 62.6% and 80.8% for the former and 56.6% and 75.8% for the latter.

The relative position of countries with regard to the NAV/ALU, expressed in real terms, is, however, very different: France is clearly in the lead with an increase of 69.8% for the NAV/ALU and 67.2% for the "Agricultural Income", whereas the smallest increase is observed in Luxembourg, where the figures are 12.8% for the NAV/ALU and 8.6% for the "Agricultural Income"/ALU.

Indices of the increase in NAV/ALU and "Agricultural Income"/ALU
between 1964 and 1972
(1964 = 100)

Member States	NAV/ALU		"Agricultural Income"/ALU	
	in nominal terms	in real terms	in nominal terms	in real terms
Germany	181	129	176	126
France	242	170	238	167
Italy	196	141	.	.
Netherlands	198	124	200	125
Belgium	222	157	227	161
Luxembourg	163	113	157	109
Europe of the Six	207	146	210*	147*
United Kingdom	207	132	208	132
Ireland	.	.	.	.
Denmark	.	.	.	.

*Excluding Italy.

¹This chapter replaces the Annual Report on agricultural incomes in the Community, as provided for by Article 1(3) of Regulation No 79/65/EEC, last amended by Regulation No 2910/73/EEC of the Council. OJ No L 299/1 of 27 October 1973.

- The present text was compiled on 15 November 1974.

²See Table II. D/1 to II. D/15 of the Annex.

³The "Agricultural Income" is equivalent to the difference between the NAV and the total of the rents, share leases and interest paid.

During the second half of the period under review, i.e., from 1968 to 1972, the Net Added Value per AII, in real terms, rose by 33.8% in France, 32.7% in Belgium, 18.3% in Italy, 15.1% in Luxembourg, 11.4% in the Netherlands and 11.9% in Germany. For the original Community as a whole the increase was 21.8%. During this period, the Net Added Value per worker likewise rose considerably in the United Kingdom (24.9%) and in Ireland (29.8%).

It is seen that the annual rate of growth of the "Agricultural Income" per AII in real terms does not differ greatly from that of the NAV in real terms.

In nominal terms, the growth of the NAV/AII and the "Agricultural Income"/AII during the second half of the period under review (1968 to 1972) was even more spectacular. It increased by more than 50% during these four years (1969, 1970, 1971, 1972), whereas the increase during the four preceding years (1964, 1965, 1966, 1967) was only about 25%.

*

* * *

On the whole, therefore, there was a considerable increase in agricultural incomes in the Member States during the period under review. The upward trend of agricultural incomes accelerated perceptibly during 1971 and 1972; these years accordingly marked a thriving period in the economic development of agriculture (see the graph on page 251).

(a) Trend of agricultural and non-agricultural incomes

During the period under review, incomes as a whole also rose at a rate which, in the original Member States of the Community, was slightly higher than that recorded for agriculture (148.6 as against 146.4).

Thus, despite the considerable increase in agricultural incomes during this eight-year period (1964 to 1972), agriculture barely managed to maintain its progress as compared with the rest of the economy. In view of the fact that agriculture contributes to the general index referred to above, the growth of agricultural income can be regarded as lower than that for the other sectors taken as a whole. Hence agriculture was not able to bridge the gap that separates it from the other sectors of the economy; in view of the original differences in income levels between agriculture and the other sectors, the gap has therefore widened in absolute terms.

Trend of the net domestic product (NDP) per worker at factor cost in real terms in all sectors of the economy compared with the growth of the NAV/ALU in agriculture for the period 1964-72

Country	Growth index for 1964-72 1964 = 100	
	All sectors NDP per worker	Agriculture NAV per ALU
Germany	141.0	124.6
France	149.0	169.8
Italy	153.2	141.2
Netherlands	142.2	124.0
Belgium	137.7	156.9
Luxembourg	108.1	112.8
Europe of the Six	148.6	146.4
United Kingdom	118.9	132.0
Ireland	135.0	.
Denmark	125.0	.
Europe of the Nine	136.1	.

The recorded trend for the original Community, however, varies greatly from one country to another, as can be seen from the table above; for example, agriculture in Belgium, France and Luxembourg enjoyed an income growth which was higher than that of the economy as a whole. United Kingdom agriculture also recovered to some extent.

On the other hand, German, Italian and Netherlands agriculture did not follow this trend.

(b) Trend of farmers' incomes from non-agricultural work

Agricultural incomes often form only a part, albeit the largest part, of the income in farmers' households. Such households frequently receive income which accrues from activities other than those carried out on the farm as such, from social transfers and tax arrangements or even from investments of capital outside the farm.

In view of the great stability of structures compared with the seasonal nature of family farm work, income from activities outside agriculture is, for many farming households, a means of maintaining or even improving their standard of living.

All the same, the ever greater overlapping of the agricultural sector with other sectors of the economy and the increasing interpenetration of the rural and urban spheres provide farmers with more opportunities to increase their family budget by means of activities outside the farm. The development of social welfare systems in agriculture also provides farming households with growing incomes of no small account.

The number of part-time farms in the Community increased by almost 10% between 1966-67 and 1970, whereas at the same time the total number of farms decreased to a similar extent (-10%). This is symptomatic of the growing interest of an ever increasing number of farmers in supplementary activities and, consequently, additional sources of income.

The situation in two Member States for which a certain amount of information is available is described in the following paragraphs:

- Firstly, Germany, where the phenomenon seems particularly widespread¹.

¹Cf Agrarbericht 1974.

Of the 7 113 farmers of the German farm accountancy data network whose standard farm income in 1972-73 amounted to at least DM 12 200 (full-time farmers), 3 576, i.e., more than half, had an income from non-farming activities of at least DM 1 000 per family. For these farmers, such income represented between 20% and 50% of their total household income, depending on the type and size of farm. On farms with a standard farm income of less than DM 20 000, the income from non-agricultural activities represents more than one third of the farmer's household budget, irrespective of the type of farm. In the farm category with a standard income of more than DM 50 000, non-agricultural activities account for between 20% and 50% of the income, depending on the type of farm. The non-agricultural part of the income in farming households varies according to the size of farm: the larger the farm, the smaller this part of the income. The nature of non-agricultural income is likewise influenced by the size of farm: the larger the farm, the smaller the proportion of non-agricultural earned income and the greater the non-agricultural income from other sources (rents, interest, dividends).

On farms where the standard income is less than DM 12 000, where farming is only a part-time activity, the non-agricultural income is often quite high. Almost half of the household's income on farms specializing in grazing stock, pigs and field crops, as well as on mixed farms, is of a non-agricultural origin. The proportion is about one third on farms engaged in general agriculture.

- Data are also available on the non-agricultural incomes of farming households in France; they relate to 1970. During that year the breakdown of income in farming households according to the origin of the income was as follows:

- Income from the holding (farm income)	74.6%	(14.2% (activities outside farming)
- Income from activities outside farming	25.4%	(14.8% (social transfers) (-3.6% (tax)
- Total available income in farming households	100.-	

The total non-agricultural income of French farmers is therefore far from negligible. If account is taken of the fact that the available income of French farming households increased at an annual rate of almost 12% between 1965 and 1970 and that agricultural incomes did not show such a rapid growth rate during those five years, it seems that the non-agricultural part of the available income of the households in question increased during this period.

x

x x

Although the non-agricultural incomes of farming households do not come directly within the province of agricultural policy as such, a knowledge of these incomes is of definite value in that connection whenever measures under that policy are activated by or relate to the level of farmers' incomes. The lack of complete and objective information on this subject is a deficiency which ought to be remedied.

2. Trend of agricultural incomes at regional level

A study of the breakdown of agricultural incomes in 1971-72 at the level of the major administrative regions of four Community countries shows that the disparities in agricultural income in that period fell within the following ranges (national average = 100):

- 68 to 192 in Germany, depending on the Land¹;
- 50 to 287 in France, depending on the planning region;
- 54 to 165 in Italy, depending on the Regione;
- 75 to 110 in England and Wales, depending on the major statistical region².

The regional scatter in the levels of agricultural incomes is considerably greater in France, where it is between 1 and 5, than in the other countries, where it is in the range 1 to 3.

For no region in 1971 or 1972 was the figure less than 50% of the national average.

- In Italy, the disparities between the better and the less well-placed regions in 1964 and 1971 were reduced; they decreased from $\frac{175}{42} = 4.17$ in 1964 to $\frac{165}{54} = 3.06$ in 1971.

This rebalancing favoured the regions of the Mezzogiorno, where the relative position was particularly critical in 1964 and where agricultural incomes in 1971 were still very much below those in the northern regions.

- In Germany, the scatter was approximately the same in 1971 as in 1963, the extreme regional disparities in agricultural income being $\frac{198}{70} = 2.83$ in 1963 and $\frac{192}{68} = 2.82$ in 1971.

¹The three city L nder (Berlin, Bremen and Hambourg) were not taken into consideration.

²It was not possible to compare data for Scotland and Northern Ireland.

- In England and Wales, the extreme disparities in agricultural incomes at regional level persisted, the figures being:

$$\frac{98}{68} = 1.44 \text{ in } 1967 \text{ and } \frac{110}{75} = 1.47 \text{ in } 1971-72.$$

- In France, on the other hand, the extreme disparity in regional agricultural incomes increased between 1962 and 1972 from:

$$\frac{196}{49} = 4.00 \text{ to } \frac{287}{50} = 5.74.$$

It is not possible on the basis of data covering only two years to determine to what extent these disparities constitute a long-term trend or to what extent they reflect purely short-term economic factors concerning the years in question. In view of the time lapse between the two years considered it can, **however**, be accepted that the disparities recorded correspond in no small measure to the general trend.

The trend of the standard deviation and of the coefficient of variation of farm income distribution for the years in question at regional level shows that, although the scatter has actually been reduced in three of the major countries (the coefficients of variation have, however, decreased everywhere except in France)¹, the disparity of incomes in absolute value has widened in each of the Member States considered (the standard deviation expressed in nominal terms has increased everywhere).

¹1971 and 1972 were marked by relatively high agricultural incomes; as a result, the real trends in the scatter of farm incomes at regional level are probably masked to some extent, since the good years generally coincide with a certain reduction in the scatter of incomes.

Standard deviation and coefficient of variation
of the regional distribution of farm incomes in the major
Community countries

Member State	Years taken into consideration	Trend of standard deviation (first year = 100)	Trend of coefficient of variation
Germany	1963-71	163	- 2.58%
France	1962-72	355	+ 5.5%
Italy	1964-71	129	- 5.04%
United Kingdom (England & Wales)	1967-68/ 1971-72	167	- 2.99%

Furthermore, the trend of agricultural incomes at regional level for the years in question does not appear to have had much effect on the respective positions of the regions; regions with a high agricultural income generally maintained their lead and regions with a low agricultural income generally continued to lag behind. There are, however, some exceptions to this.

At a lower level than that of the major administrative regions, the scatter in farm incomes appears much greater still¹.

¹In France, for example, the distribution of the gross farm income per worker for the 91 departments in 1972 was as follows (provisional figures for the departmental farm accounts):

Number of departments	GPI/per worker FFP
9	10/15 000
19	15/20 000
22	20/25 000
8	25/30 000
11	30/35 000
11	35/50 000
9	50/70 000
2	over 70 000

B. TREND OF AGRICULTURAL INCOMES AT FARM LEVEL

1. Trend of agricultural incomes in the original Community

In order to analyse trends in agricultural incomes according to the type of farm whilst avoiding distortions which might result from the natural erosion of the FADN sample, income trend analyses were carried out on the basis of constant samples¹.

The following table, which is based on the results of a constant sample of some 5 000 returning holdings, shows that the growth in incomes (gross farm income) expressed on the basis of annual indices varies greatly according to the type of farm. It varies from an index of 132 for farms specializing in "general agriculture" to an index of 175 for farms specializing in "cattle".

Growth index of gross farm income between "1969" and "1972", broken down according to main type of farm on the basis of constant samples from about 5 000 returning holdings

Type of farm	Index (1969 = 100)		
	"1970"	"1971"	"1972"
General agriculture	99	120	132
Arable land-grazing stock	100	121	154
Grazing stock-arable land	106	129	174
Cattle	107	124	175
Grazing stock-pigs and poultry	86	114	141
Pigs and poultry-grazing stock	82	111	140
Horticulture	106	123	153
Fruit growing	102	118	147
Vines	131	123	167

¹As long as the FADN does not represent all the Community countries, the use of constant samples of returning holdings is necessary, in order to assess as accurately as possible the trend of agricultural incomes in the various types of farm represented. The trend of incomes thus ascertained takes into account all elements which influence income and the evolution of farm structures; the other approach, which consists in not using constant samples tends to ignore structural changes, the effects of which on income are to some extent offset by the annual reclassification of returning holdings.

Farms specializing in cattle breeding, together with those specializing in viticulture, are therefore those with the highest "apparent" growth in income over the whole of the period in question, but especially, as shown in the following table during the last year, "1972"¹.

This increase, however, warrants analysis in greater detail, not only in the form of indices but also in absolute value. In the first place, it seems that there were large (percentage) increases in groups of farms whose incomes were very low at the beginning of the period in question ("1969").

General agriculture	4 400 u.a./ALU
Arable land - grazing stock	2 132 u.a./ALU
Grazing stock - arable land	1 856 u.a./ALU
Cattle	2 212 u.a./ALU
Grazing stock - pigs and poultry	2 580 u.a./ALU
Pigs and poultry - grazing stock	3 019 u.a./ALU
Horticulture	2 905 u.a./ALU
Fruit	2 238 u.a./ALU
Vines	2 550 u.a./ALU

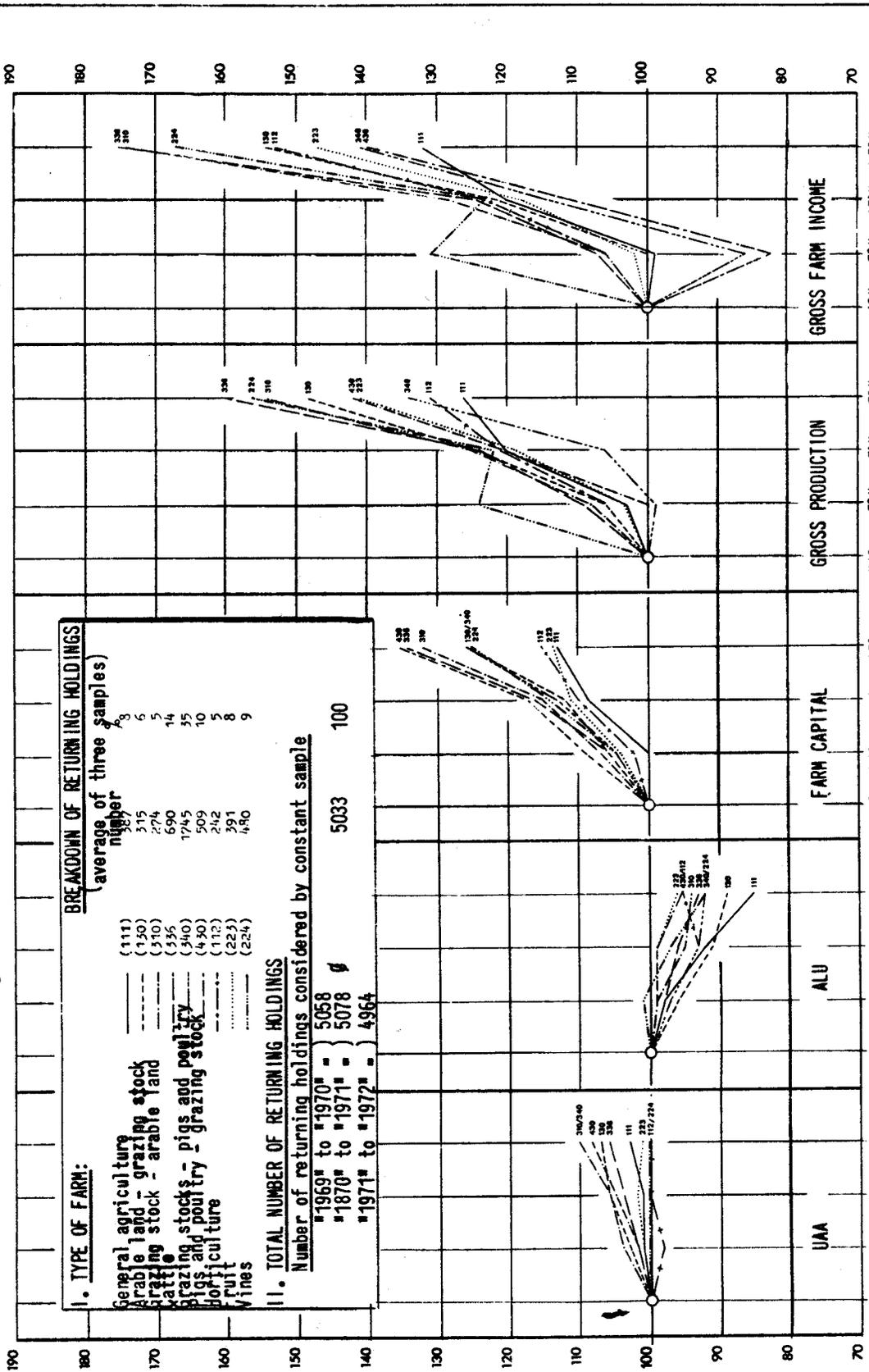
Earned incomes were lowest for farms specializing exclusively or mainly in grazing stock and in fruit growing and viticulture. These were precisely the farms which had the highest rate of income growth. Despite considerable increases in income, however, these types of farm were not always able to make good, or even narrow the gap which separated them from those which were already in a comfortable economic position in "1969".

Earned income rose in the same proportion as gross farm income. In fact, it increased more rapidly, considering that the cost of the two factors other than work (land and capital) did not rise at the same rate as inputs and that, moreover, there was a certain decrease in manpower.

¹The years shown in inverted commas correspond, depending on the country, either to the calendar year or to the farm year; e.g.: "1969" means the year 1969 or the farm year 1969-70.

TREND OF PRODUCTION FACTORS IN THE PRODUCTION AND INCOME OF RETURNING HOLDINGS

from "1969" to "1972" on the basis of three constant samples from 5000 returning holdings over two consecutive farm years "1969"=100



It is seen, for example, that farms specializing in cattle, which have an index of 175, experienced a very slightly higher increase in income in absolute value than did farms specializing in general agriculture. The latter are, on the whole, always far ahead of farms specializing in cattle.

The average earned income of the 2 500 returning holdings specializing mainly in cattle amounted to 3 386 and 4 806 u.a./ALU in "1971" and "1972" respectively, whereas for the 650 returning holdings engaged principally in general farming the earned income was 5 523 and 7 274 u.a./ALU respectively. The disparity between the two types of farm, expressed as a percentage, therefore remained much the same, being 53% in "1971" and 51% in "1972".

In absolute value, however, this disparity increased, since in "1972" the farm income per ALU on cattle farms was 2 468 u.a. lower than that of farms specializing in general agriculture (in "1971" the disparity was 2 137 u.a.).

For comparable holdings (30 hectares, for example) the relative disparity between farms specializing in "cattle" and those specializing in "general agriculture" was more or less the same (3 987 u.a. per ALU, as compared with 6 196 u.a. per ALU in "1971", and 5 589 u.a./ALU, as against 8 756 u.a./ALU in "1972"). The difference in earned income per ALU between the two types of farm consequently rose from 55% to 57% during the two years in question.

In absolute value, on the other hand, this difference increased greatly, rising from 2 209 to 3 167 u.a. per ALU. Thus, in "1972" the disparity in earned income per ALU on farms specializing in cattle increased by about 1 000 additional u.a., compared with that recorded for farms engaged in general agriculture.

Despite the apparently very favourable increase in income on farms specializing in cattle, earned incomes on these farms still remained very low compared with those of farms specializing in general agriculture.

The absolute disparity between earned incomes on these farms therefore increased. It should be noted, however, that this group is too large and heterogeneous to be judged solely in the light of these findings.

The FADN sample¹ farms specializing in viticulture enjoyed, on the whole, very favourable conditions at the end of the period in question ("1972"), as a result of which their income increased considerably. The earned income per ALU in the 750 returning holdings of this type rose from 2 925 u.a./ALU in "1972" to 4 286 u.a./ALU in "1972".

Other types of holdings (animal breeding independent of the land, horticulture, fruit growing, etc.) fall somewhere in between. However, the income of farms which combine pigs and/or poultry with grazing stock developed irregularly, dropping by 10 to 20% in "1970" and increasing substantially by 50 to 60% over the two years "1971" and "1972". These holdings are of a more speculative nature than the others.

Farms concentrating on beef and dairy cattle make up more than a fifth of the holdings observed. They also account for more than a fifth of the farm ALUs. For this reason they are particularly important from the standpoint of the common agricultural policy, the more so since it is in the context of these farms that arbitration is effected between meat production and milk production, two fields which are of special concern to those responsible for the common agricultural policy.

A special analysis of this type of holding was carried out in order to determine the specific behaviour of farms engaged in beef or milk production or in both activities together.

¹In the case of holdings specializing in viticulture the FADN sample is certainly less representative than in that of other types of farm. A considerable portion of the Community vineyards is not yet represented by the FADN.

The following diagram sets out the earned income per ALU in the three sub-groups of returning holdings designated "milk", "milk and beef" and "beef" over the four years in question.

In 1972 the income of farms specializing in beef production came very much closer to that of farms specializing in milk. This was mainly due to an increase in the price of beef and veal during 1972, the effect of which was felt principally at the time of closing the books.

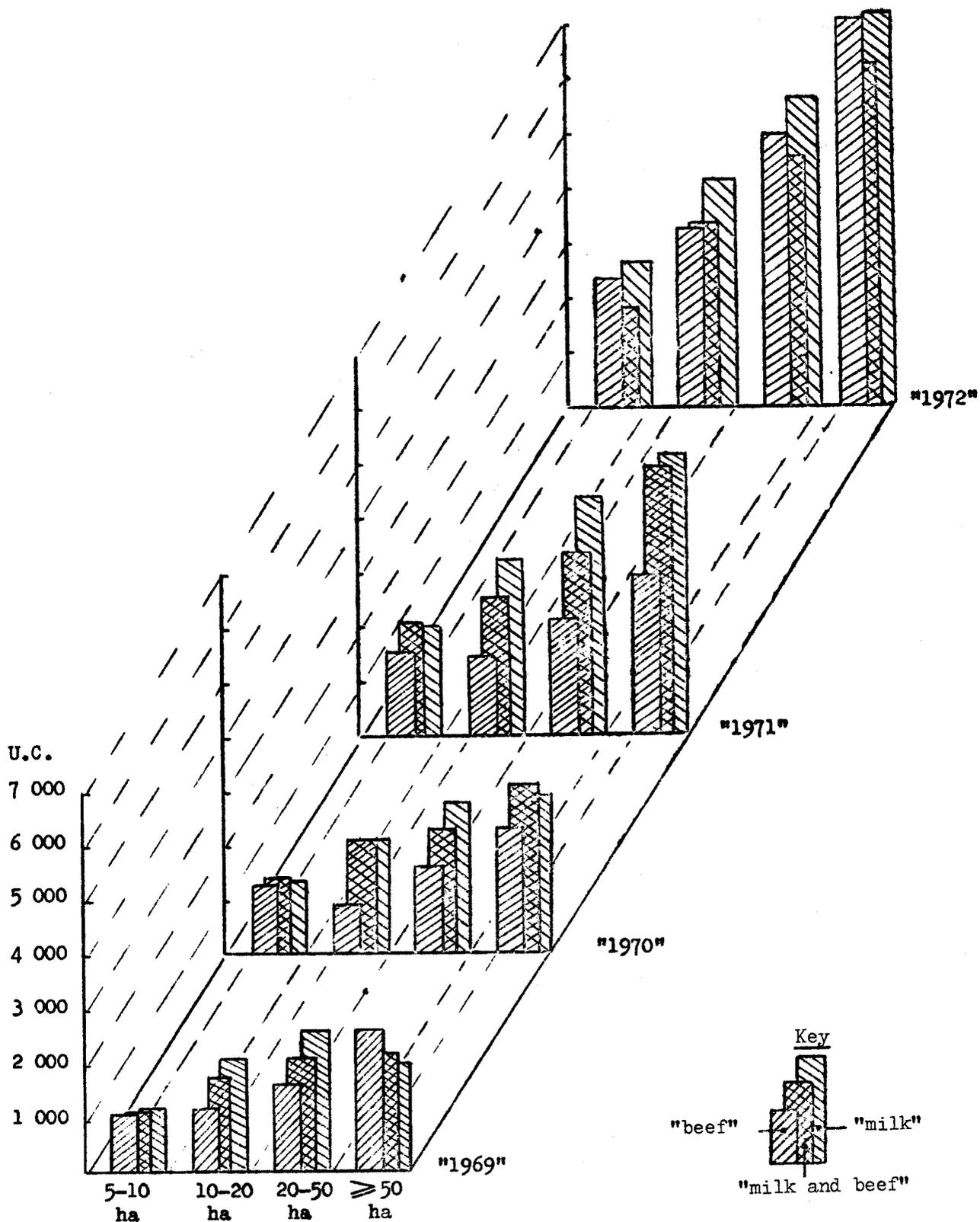
The growth of capital invested in these farms reveals that a not inconsiderable part of this increase in income was tied up in livestock on the "beef" farms.

The farmers concerned doubtless did not feel this increase in their income to the same extent as they would have done had it taken the form of cash returns.

Another typical aspect of the situation in "1972" is the fact that earned income per ALU in "milk and beef" farms did not follow the trend that benefited the "beef" farms. In spite of their progress, they still lagged behind in comparison with the income of farms devoted specifically to the production of either beef or milk.

In that year specialization proved more profitable than mixed farming. In any case, regardless of the predominating specialization, the earned income per ALU in respect of cattle farming increased in proportion to the size of the farm.

Earned income per ALU
on returning holdings devoted to cattle, broken down according to
specialization, i.e., "milk", "milk and beef" or "beef"
"1969" to "1972"



In 1972 the income of the biggest farms (> 50 ha) was anything up to three times that of the smallest (5 to 10 ha), whereas four years previously it had not been more than twice as big. This gap has gradually widened in the intervening years; economies of scale accordingly played a greater part in cattle farms at the end of the four-year period considered.

In 1972, small farms (5 to 10 ha) specializing in beef cattle, which in the preceding years had constituted an exception as regards economies of scale, no longer had an advantage in income over farms in the next largest size category (10 to 20 ha).

*

* *

Close study of the results for "1972" reveals that there was a great leap forward in income from agriculture during that year on most types of farm. Earned income rose by 19 to 52% as compared with the preceding year, which had already seen a considerable increase over the year before. Farms specializing in grazing stock showed generally an increase of more than 40%. The growth of earned income was less marked in the case of horticultural holdings (19%) and was relatively modest in that of fruit farms (29%).

Earned income varied, according to the various types of farm, between 2 079 and 7 823 u.a./ALU; the maximum difference between the different types of farm in "1972" was therefore 5 744 u.a./ALU, as against only 4 322 u.a./ALU in "1971". Hence, contrary to what an analysis of the indices would seem to show, the growth of incomes reflects an increase in the disparities, in absolute terms, within the agricultural sector.

Earned income per type of farm on returning holdings
classified according to their specialization
(Total accounting sample)

Code	Specialization Designation	Erosion rate of sample ¹	Earned Income in u.a./ALU		1972/ 1971 "1971" = 100
			"1971"	"1972"	
111	General agriculture	27	5 523	7 274	132
112	Horticulture	32	3 784	4 493	119
120	Arable land - permanent crops	50	1 820	2 321	122
130	Arable land - grazing stock	41	2 779	4 212	152
210	Permanent crops - arable land	39	1 593	2 361	148
223	Fruit	33	2 835	3 683	129
224	Vines	29	2 926	4 286	147
225	Olives	35	1 043	2 079	199
230	Permanent crops - grazing stock	39	2 106	3 078	146
310	Grazing stock - arable land	36	2 746	3 863	141
320	Grazing stock - permanent crops	37	2 155	3 148	146
336	Cattle	25	3 387	4 806	142
337	Sheep and goats	21	2 330	3 445	142
340	Grazing stock - pigs and poultry	35	3 261	4 163	128
430	Pigs and poultry - grazing stock	38	3 994	5 264	132
448	Pigs	39	5 915	7 823	132
	Others	76	-	-	-
	Total sample	34	3 176	4 392	138

¹% of new returning holdings in "1972" compared with "1971".

2. Trend of agriculture incomes in the new Member States

The data used for the analysis of farm incomes in the new Member States were harmonized as far as possible, account being taken of the concepts and definitions used by the FADN. Despite this attempt at harmonization, the data in question are not entirely comparable either with the FADN data or as between the countries concerned: it is for this reason that each country will be discussed separately.

UNITED KINGDOM

Earned income in the United Kingdom in 1972 was between 3 679 and 11 054 u.a./ALU in 1972, depending on the type of farm and the region.

Generally speaking, disparities in income between the various types of farm are relatively low compared with those found in other Member States; they even tend to diminish with time. They range from 1 to 1.24 in England and Wales and from 1 to 1.35 in Northern Ireland, depending on the type of farm. In Scotland, however, the disparities are much greater (from 1 to 3).

The levels of earned income per ALU, broken down according to region, are much higher in Scotland for all types of holding common to several regions. Thus, the level of income on dairy farms is 11 054 u.a./ALU in Scotland, 6 801 u.a./ALU in England and Wales and 5 061 u.a./ALU in Northern Ireland; the same is true of farms specializing in beef and veal or in mutton and lamb production, for which the respective figures were 8 702, 6 885 and 3 746 u.a./ALU.

Earned income per farm, broken down according to
main type of farm, in the United Kingdom

1970-72

Type of farm	England & Wales			Scotland			Northern Ireland		
	Average size in SMD 1972 *	Earned income per farm		Average size in SMD 1972 *	Earned income per farm		Average size in SMD 1972 *	Earned income per farm	
		1972 u.a.	Index 1972 1970= 100		1972 u.a.	Index 1972 1970= 100		1972 u.a.	Index 1972 1970= 100
General agriculture	1209	19788	152	1263	22716	158			
Arable land - cattle				699	11431	191			
Cattle - arable land				743	16423	223			
Beef and veal - mutton and lamb	726	13757	228	817	17390	212	370	7488	209
Milk	765	13879	214	1188	22548	203	478	10327	238
Milk, pigs, poultry							548	10176	214
Sheep (hill)				847	16639	220			
Pigs and poultry	999	14037	197						
Mixed	1058	19673	196				489	9170	210

Sources: "Farm Income in England and Wales", HMSO, London "Scottish Agriculture Economics", HMSO, Edinburgh.

"Northern Ireland Farm Management Survey", Ministry of Agriculture, Belfast.

* SMD = Standard Man Days.

The table above shows that earned income increased considerably between 1970 and 1972. For most types of holding it more than doubled in two years; only on farms engaged in general agriculture did the earned income increase less rapidly. The rise in farm income embraced all the regions in question, including hill-farming areas.

Earned income per ALU is closely correlated with the size of farms. On dairy farms, for example (average = 100), it varied in England and Wales in "1972" from index 52 for the lowest size category (< 599 standard man days) to index 124 for the highest (> 2 400 standard man days). In certain cases, however, maximum incomes are not earned on the largest holdings; in 1972/73, for instance, a higher income index (+ 133) was recorded in England and Wales for dairy farms of a size equivalent to 1 800 - 2 399 standard man days. Economies of scale are even more apparent on holdings specializing in pig and poultry production.

IRELAND

The earned income per ALU for the various types of holding in Ireland is known only for "1972", hence it is not possible to draw conclusions regarding the trend of this income during the preceding years. On the whole, however, it can be said that this income is relatively low on numerous types of farm especially on small ones. The income of the farmer's family rarely exceeds 2 400 u.a. on farms of less than 12 hectares; the figure is about 2 400 u.a. for sizes between 12 and 20 hectares and about 4 800 u.a. for sizes between 20 and 40 hectares.

Incomes on farms of more than 40 hectares differ widely; depending on the specialization, they range from about 2 400 to 4 800 u.a., the better incomes being earned on farms which combine dairy production with arable land or pig farming.

Farmer's family income on farms of 1 ALU and more*
in Ireland

"1972"

u.a.**

Type of farm \ Area	2 - 6 ha	6 - 12 ha	12 - 20 ha	20 - 40 ha	40 - 80 ha	> 80 ha
Chiefly dairy	1 358	1 672	2 944	5 138	8 565	-
Milk and arable land	-	-	-	5 978	10 176	20 566
Milk and pigs	-	2 584	4 274	5 957	9 187	15 372
Lean cattle	478	1 207	1 731	2 997	4 471	5 880
Lean cattle and arable land	-	-	2 659	5 441	6 828	9 907
Lean hill cattle	-	816	1 316	1 690	3 062	2 150

*Categories represented by at least 10 returning holdings.

**Conversion rate: £1 = 2.4 u.a.

Source: "Farm Management Survey" - Agricultural Institute.

DENMARK

The accountancy results of the Danish farms observed by the "Landøkonomiske Driftsbureau" were used to determine the earned income per ALU during the three years "1970", "1971" and "1972".

During this period there was a continuous growth of earned income per ALU, the highest rate of growth being recorded in the case of farms specializing in "grazing stock and arable land", where earned income more than doubled during these three years.

This period was more favourable for farms devoted to livestock production either alone or in combination with crop farming. Farms engaged in general agriculture, whose level of earned income per ALU was appreciably higher than that of others in 1970-71 and 1971-72, had a lower growth rate and lost

some of their lead over farms specializing in cattle. Consequently, disparities in income as between various types of farm decreased during the period under review. In 1972, on the other hand, the best results were obtained by farms which combined grazing stock with pigs and poultry; these had an earned income per ALU of 8 014 u.a.

Earned income per ALU* in Denmark broken
down according to type of farm and determined
on the basis of accounting data from 1 000 farms

u.a.**/ALU

Accounting period Type of farm	1970/71	1971/72	1972/73	Index 1972-73	
				1970/71 = 100	1971/72 = 100
General agriculture	6 309	6 949	7 726	122.5	111.2
Grazing-stock arable land	3 199	4 680	6 620	206.9	141.5
Grazing stock - pigs & poultry	4 230	5 924	8 015	189.5	135.3
Pigs	4 259	5 820	7 726	181.4	132.7
Pigs and poultry - arable land	4 030	5 201	6 441	159.8	123.8
Pigs and poultry-grazing stock	3 773	5 403	7 346	194.7	136.0

*One ALU is equivalent to 2 380 hours of work per year.

**1 u.a. = Dkr 7.50000 (1970/71);
= Dkr 7.54129 (1971/72);
= Dkr 7.57831 (1972/73).

For each of the years in question, better earned incomes per ALU were recorded in the case of large farms. The growth of earned income per ALU was also considerable for large farms. Disparities in income as between farms accordingly increased, not as a function of type but as a function of size. Although the distribution of farms according to size is not very great in Denmark, the majority of farms fall within the 20 - 30 hectare category. Only one-fifth of the farms exceed 30 hectares.

II. AGRICULTURAL INCOMES IN 1973

The data relating to agricultural incomes in 1973 are still very incomplete. The data from the national accounts are generally provisional. The accounting data from the returning holdings belonging to the FADN are not yet available at Community level; certain accounting results have however been subjected to specific analyses. The 1964-1972 series for Net Value Added and "Agricultural Income" per ALU has been extended to 1973 wherever possible. The series makes it possible to trace the development of this criterion during the latter year.

1. Development of incomes between 1972 and 1973 in the agricultural sector as a whole

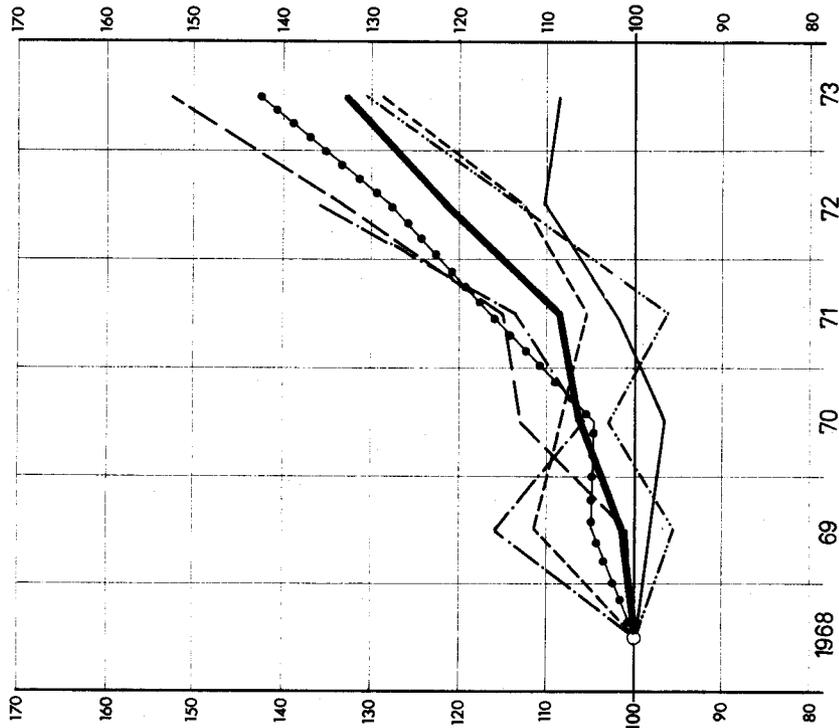
In money terms the Net Value Added per ALU and the "Agricultural Income" per ALU showed a considerable increase in 1973, thus continuing the upward trend recorded on 1972. The NVA/ALU for the original Community increased by 25.4% on average. For the seven Member States for which data are available, the increase in NVA varies from 9.8% (Germany) to 37.0% (Italy).

Between these two extremes one finds Luxembourg (+ 25%), France (+ 21.8%) and the United Kingdom (+ 19.5%).

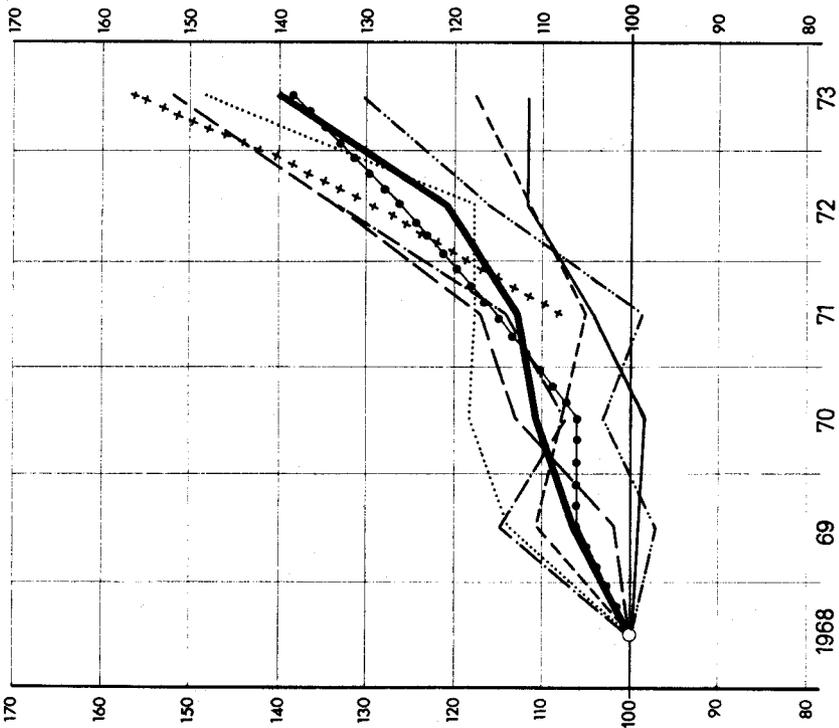
From 1972 to 1973 the "Agricultural Income" in money terms increased by 17.2% in the original Community. This percentage is difficult to compare with that for the NVA, since no data are available for Italy (NVA without Italy: 16.9%). The percentages for the five countries for which data are available range from 27.1% (Luxembourg) to 9.2% (Germany). Disparities within Member States between the rates of increase of NVA and of "Agricultural Income" are insignificant.

The rates of increase in NVA and "Agricultural Income" in money terms are much affected by inflation. The series "in real terms" give an idea of the purchasing power of agricultural incomes. Even in real terms the increase in the NVA/ALU in 1973 as compared with 1972 is, as a rule, very marked. This is particularly the case with Italy and Ireland where exceptional rates of increase, 26.2% and 20.7% respectively, were achieved. In France with 13.6%, Luxembourg with 13.4% and the United Kingdom with 11.3%, the NVA/ALU also showed a significant increase; in the Netherlands (5.6%) and Germany (3.7%), however, the NVA/ALU did not show such a high rate of increase. The index figure for the original Community is 15.9%.

TREND OF AGRICULTURAL INCOMES/AIJ IN REAL TERMS BETWEEN 1968 = 100 AND 1973



TREND OF THE NVA/AIJ IN REAL TERMS BETWEEN 1968 = 100 AND 1973



- | | |
|-------|----------------|
| --- | NETHERLANDS |
| — | EEC-6 |
| >>> | DENMARK |
| +++ | IRELAND |
| ●●● | UNITED KINGDOM |
| -.-. | BELGIUM |
| — | GERMANY |
| --- | FRANCE |
| ..... | ITALY |
| ---- | LUXEMBOURG |

2. Development of agriculture incomes between 1972 and 1973 in the main types of farm

The 1973-74 forecasts published for Germany in the agricultural report (Agrarbericht) at the beginning of 1974 held out the prospect of a 6% to 10% increase in farm incomes in comparison with the 1972 accounting year. These forecasts, which were differentiated by type of farm, indicated rates of increase in agricultural income which varied by type of production and size of farm. For example, the predicted rate of increase in the income of small farms and farms specializing in fodder production was lower than the average. More recent estimates relating to the accounting year which ended on 30 June 1974 have indicated, however, that the results actually achieved will be much less satisfactory than initially forecast, particularly in the case of cattle and pig farms. The prices of farm products increased only slightly but the price of products required for agriculture rose considerably.

Whilst the increase in the price of farm products was less than 1%, that of the products required for farming was approximately 9%.

In spite of this unfavourable trend in the terms of trade, it is estimated that agricultural incomes could show an increase of 5% to 6% as a result of economies such as the reduction of the labour force and the improvement of farm structures in general. The recent processing of the accounting results for the 1973/74 marketing year in certain Länder would tend to show, however, that such conclusions could still be too optimistic¹.

Analysis of the FADN accounting results in France for the 1973 accounting year (1.1.73/31.12.73) began in August.

¹In the case of a group of 460 returning holdings in Lower Saxony, the earned income per family ALU is reported to have dropped by 9% in 1973/74 as against 1972/73.

A first summary analysis shows that compared with 1972, agricultural incomes were down for farms of the mixed farming-livestock type (farms of the "arable-cattle" or cattle-arable" types). The drop in income recorded for such farms increased with the size of the farm¹.

Farms practising "general farming" maintained their level of income, with a slight drop if anything. The incomes of holdings specializing in horticulture also remained at the same level, except in the west of France where a certain improvement took place. Farms of the "cattle-pigs" type also recorded a slight increase in income. Wine-growers' income increased substantially in 1973, both in respect of table wines and quality wines.

In conclusion it may be said that the year "1972" saw much change in farm incomes in France, varying with the type and size of the farm, the causes being:

- considerably lower prices of bovine animals at the end of accounting year (stock value) than at the beginning of the year;
- considerable increase in certain costs, particularly cattle feed and fertilizers;
- fall in crop yields.

¹The "1973" farm income index (1972 = 100) for the French returning holdings was as follows:

	Farms of the "cattle-arable" type	Farms of the "cattle" type
From 5 to 10 ha	101	97
From 10 to 20 ha	91	74
From 20 to 50 ha	72	69
More than 50 ha		60

The "1973" accountancy data for farms in Italy are only available for some areas of this country. It has not yet been possible, therefore, to analyse the results.

For Belgium some provisional conclusions may be drawn from the analysis of a reduced sample of 363 holdings which have sent in returns to the Farm Accountancy Data Network over two successive years (1972/73 and 1973/74).

In 1973/74 operating costs increased by 14%, while the corresponding gross production only increased by 6%. Thus, the net result of these farms has dropped considerably, falling from Bfrs 572 per hectare in 1972/73 to Bfrs 473 per hectare in 1973/74. Earned income fell by Bfrs 2 629 per hectare, which represents a drop of approximately 8%.

This result stems from the increase in the product of pig and crop farming on the one hand (Bfrs 3 267 and Bfrs 1 454 per hectare respectively) and from the drop in the product of cattle farming on the other (approximately Bfrs 751 per hectare), as well as from the considerable increase in cattle-feed and labour costs (Bfrs 4 536 and Bfrs 3 272 per hectare respectively). The rising labour costs are mainly the result of the increase in the hourly wage which appears in the accounts; this wage rose from Bfrs 103.60 per hour in 1972/73 to Bfrs 117.15 in 1973/74. These considerable changes affected different types of farm in different ways, however; for cattle farms the drop in production per hectare of fodder crops is about 12%. For pig farming generally, the product corresponding to an input of Bfrs 1 000 in cattle feed showed a slight decrease, falling from Bfrs 1 769 in 1972/73 to Bfrs 1 694 in 1973/74; this trend varied, however, according to the particular type of pig farming practised: farms specializing in the production of piglets recorded a very

slight increase in their income, while farms engaging in the fattening of pigs suffered a relatively serious drop in income. Vegetable farms - with the exception of those with a large area under potatoes, where gross production per hectare in 1973 only reached 59% of the level achieved in 1972 - that is, farms producing beet, wheat, barley, oats and rye showed a slight increase in their production per hectare.

From an analysis of these early accountancy data for 1973/74, it also becomes clear that trends in income vary greatly from region to region.

Trends in agricultural incomes also vary according to size of farm; income is 5% down for farms of less than 10 hectares; for farms of 10 to 20 hectares and more than 20 hectares this drop is 6% and 9% respectively. In Belgium, 1973/74 has, therefore, seen a drop in farm incomes accompanied by highly divergent trends. Of all farm accounts analysed, however, 40% show a level of income higher than that for the preceding year.

In the Netherlands provisional figures show that the income of farms of the "general agriculture" type remained the same on average for all regions, with the exception of the south-west, where potato farming is widespread. The earned income of farmers in this last-named region dropped from F1 68 800 in 1972/73 to F1 45 000 in 1973/74. This represents a drop in earned income of approximately 30%. Undertakings of the "mixed farming" type, with pigs and poultry predominant, maintained the same level of earned income, whilst mixed farms with cattle predominant experienced a drop of about 20%; the income of the latter fell from F1 25 900 in 1972/73 to F1 20 000 in 1973/74. In the case of grassland farms, the earned income of the farmer fell by approximately 20% in all regions.

The data from the returning holdings in Luxembourg have not yet been fully processed. The trends observed in Belgium and the Netherlands will probably be reflected in the data relating to farming in Luxembourg during the accounting year 1973/74.

In the United Kingdom forecasts of the probable trends in farm incomes for 1973/74 as compared with those achieved in 1972/73 indicate that for all types of farms, with the exception of horticultural undertakings, the net income from full-time undertakings in England and Wales will continue to rise, although probably at a slower rate than in 1972/73. This growth is a continuation of the tendency observed throughout the last five years. Apart from this increase in average farm incomes, it is expected that incomes will vary to a greater extent from one type of farm to another. The income of many dairy farms is thought to have decreased, but the average income of farms specializing in cereal production has probably doubled; satisfactory results are also expected for undertakings of the "general agriculture" type and for pig and poultry farms.

Incomes in the South and East of England should increase at the same rate as elsewhere. Higher prices for cereals, larger numbers of fat and rearing stock, increased egg production, a further good cereal harvest and high sugarbeet yields should all contribute to a considerable rise in gross production; only milk yields have probably shown a decrease. Most costs have, however, been rising and the cost of cattle-feed will probably increase by about 50%. Even so, reserves of cattle-feed for the winter have been sufficient and this has somewhat lessened the immediate effect of this sharp rise in costs. The recent levelling off in cattle prices should have the result that increases in the value of livestock will represent a smaller proportion of the net income.

The 1973/74 accountancy data for Ireland show that from 1972 to 1973 farm incomes increased by about 30% over the agricultural sector as a whole; this increase has been accompanied by a considerable change in the distribution of incomes among the various types of farm. Cattle farms have specially benefited from the increase in income; their income has increased twice as rapidly as that of farming as a whole; moreover, the incomes of the largest farms increased to a greater extent than those of small and medium-sized farms.

In Denmark, where the accountancy data are not yet available, it is difficult to give a reliable forecast as to whether farm incomes have increased or decreased in 1973/74. It may be surmised, at any rate, that farm incomes in 1973/74 cannot have risen much above their level for the preceding year.

SUMMARY AND CONCLUSIONS

A certain number of conclusions may be drawn from an analysis of the development of farm incomes until "1972".

A. Farm incomes until "1972"

1. Farm incomes per ALU generally showed a substantial increase over the eight years under consideration, both in money and real terms. This increase was particularly marked during the last two years of this period ("1971" and "1972");
2. Despite this considerable increase, the average Community farm income (EEC-6) did not succeed in catching up with incomes in other sectors of the economy. In absolute terms, the gap widened slightly;
3. This general remark must, however, be qualified by the statement that certain countries (Belgium, France, Luxembourg) experienced such a rise in farm incomes that agriculture now finds itself in an improved position vis-à-vis other sectors. This trend was also seen in the United Kingdom. In the other Member States for which data are available (Germany, Netherlands, Italy), however, agriculture now finds itself in a relatively less favourable position;
4. Farmers added to their relatively low incomes by engaging to a greater degree in non-agricultural activities (the number of part-time farmers has considerably increased). Farmers also received, from public and private sources, extra non-agricultural income, which cannot however be objectively assessed for all Member States on the basis of the information available at present.

5. The considerable regional differences in farm incomes which were characteristic of the sixties had been somewhat reduced in most countries by the year 1970. Since then, however, the differences in farm incomes from one region to another have greatly increased in absolute (including money) terms.
6. Similar tendencies were seen at the level of individual farms. Farms with a low initial income generally experienced a higher rate of increase in earned income per AUU than other farms, yet this rate was scarcely sufficient to enable such farms to draw level with the more successful farms. As the growth in incomes accelerated towards the end of the period, the disparities within the agricultural sector became even more marked.
7. Large farms, particularly those of the "general agriculture" type, continued to prove more profitable than others. In recent years, however, farms specializing in animal production have experienced a new growth in their incomes, which has encouraged greater investment on their part, particularly the "capitalization" of their livestock.
8. During this period improvements in farm structures have favoured the growth of farm incomes (increase in the UAA per farm, reduction of the AUU per farm). Perhaps the most significant phenomenon has been the great increase in working capital, namely 42% in four years. This increase coincides with a growth in the debts incurred by farms, particularly cattle farms.

To sum up, the period up to "1972" has been all in all a relatively favourable time for farm incomes, in spite of certain contrary aspects.

During this period farming became more specialized and intensive, thus making the agricultural sector more and more sensitive to external events, particularly those of an economic nature.

B. Farm incomes in "1973"

From an analysis of farm incomes in "1973" it may be concluded that:

1. They were, generally speaking, no worse, and in some cases even better, than the excellent results obtained in the preceding year.
2. The year "1973" saw major changes in the relative levels of farm incomes according to type of farm, region and country. In some categories incomes improved considerably, in others they registered a spectacular decrease.
3. The smaller the farm, the more it was affected by these changes.
4. Farm incomes continued to increase substantially, particularly in the new Member States and in Italy; in Germany, France and Luxembourg, farm incomes increased only slightly; in Belgium and the Netherlands, incomes remained the same or fell slightly.
5. Generally, farms specializing in crop production, except those with a large acreage under potatoes, succeeded in maintaining or even improving their position, while the income of livestock farms fell substantially through the stagnation and fall in the price of animal products, combined with higher prices for cattle feed. These reductions in income as compared with the preceding year also stem from the fact that the results of the preceding year were exceptionally good.

6. The continued improvement of farm structures (increase in size and savings in manpower) had the effect of slightly offsetting downward trends and somewhat accentuating upward trends.
7. These major changes did not, however, create a better balance within the agricultural sector. The disparities in farm incomes within the sector became even more pronounced.
8. Disparities in farm incomes from one region to another were also accentuated. At regional level the gaps between agricultural incomes and non-agricultural incomes seems to have widened, since the farms most affected are the large ones, whose statistical importance varies from one region to another.
9. Incomes in the "1973" accounting year were partly influenced by the considerable increase in the price of inputs, resulting from the oil crisis at the end of 1973 and the recession on the beef and veal market. The later the date for the closure of the accounting year, the more the influence of these factors was felt. Where the closure was dated 30 April or even 30 June, the farm accountancy results are noticeably poorer than those emerging from accounts closed on 31 December. This is doubtless one of the reasons why the German, Belgian and Netherlands results are not so good as those obtained in other countries.

The "1973" accounting year, therefore, represents a turning point. After a period of growth in farm incomes over several successive years, "1973" may mark the beginning of a period of instability during which farms and the agricultural sector as a whole will be faced with the problem of finding a new balance.

C. Farm incomes in "1974"

The most recent estimates of farm incomes in 1974 confirm the foregoing conclusion; these estimates indicate that the general tendency is downward, particularly because yields of certain areas and certain products will not be as high as in 1973 and because the prices of some farm products are remaining stable or even dropping at a time when the prices for the corresponding means of production have reflected the considerable rise in the cost of raw materials.

Most farms will be greatly affected by the major changes in the economic balance which have been taking place throughout the year. The suddenness and the extent of these changes has taken many farmers by surprise; the slowness of the production cycle in agriculture and the rigidity of agricultural structures have prevented such farmers from adapting quickly to these great changes. As things are, they have little incentive to do so, since no type of farming has been spared by these changes and considerable uncertainty continues to surround the economic and financial future. Steadily pursuing the ever more complex business of farm management, they find themselves turning more and more to governments for increased aid and guaranteed income levels, an attitude dictated also by the long-term commitments into which many have entered by borrowing larger sums of money on the basis of the excellent results obtained in previous years.

Thus, 1974 promises to be a difficult year for the economic and financial equilibrium of farming: the prospects for farm incomes in 1974 are also none too good.

E. FINANCIAL ASPECTS OF THE COMMON AGRICULTURAL POLICY
AND OF NATIONAL AGRICULTURAL POLICIES¹

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

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

It may be recalled that by virtue of Article 10 of Regulation No 729/70 on the financing of the common agricultural policy², the Commission is required to submit each year to the Council and the European Parliament a "financial report on the administration of the Fund during the preceding year, and in particular, on the state of its resources and the nature of its expenditure and the conditions for achieving Community financing". These reports, which contain more detailed information, are as follows:

- 1st financial report on EAGGF, 1971, containing a summary of the main statistics since the beginning of EAGGF, dated April 1973 (SEC 73/1259 or R 980/73);
- 2nd report, 1972, dated 8 March 1974 (Doc. SEC(74) 786 final);
- 3rd report, 1973, which should be transmitted to the Council and the European Parliament before the end of 1974;
- 4th report, 1974, the preparation of which will be speeded up so that it will be available in the early part of 1975.

¹See Tables II.E/1.1 to II.E/3.5 of the Annex.

²OJ No L 94, 28 April 1970, p. 13.

1. The Guarantee Section of EAGGF

(a) Features of the Guarantee Section

The following expenditure is borne by the Guarantee Section in implementation of Article 1(2) of Regulation (EEC) No 729/70:

- expenditure on export refunds to non-member countries;
- expenditure on intervention to stabilize the agricultural markets.

In principle, this expenditure has been entirely financed by the Community since 1 July 1967 through the Guarantee Section of EAGGF. However, there continues to be one exception, namely intervention spending for buying-in, storage and disposal, the financial rules for which are still such that the amounts under certain expenditure heads continue to be calculated on a flat rate basis for the time being. In addition, the capital outlay involved in buying-in continues to be borne by Member States and EAGGF intervenes only to cover net losses which correspond to the overall balance of expenditure and receipts arising from these intervention operations.

Furthermore, for several special measures, the Council decided in 1973 and 1974 that certain public expenditure should be borne by the Guarantee Section of EAGGF (consumer subsidy for butter, selective consumer subsidies for beef and veal, premiums for the orderly marketing of beef and veal).

With regard to financial operations, since the definitive financial arrangements came into effect on 1 January 1971, matters concerning cash flow have also been transferred to the Community except for public intervention buying-in of products. The Commission makes monthly advances to Member States for cash payments by disbursement agencies.

(b) Expenditure trends and estimates

It should be mentioned that the attached tables refer to years and not budget periods, as the two concepts do not coincide for the periods 1972 and 1973. Because of the enlargement of the Community, the month of January 1973 (about 155 million u.a.) was attached for budget purposes to the financial year 1972. The calendar years have been re-established for this report so that the expenditure indicated for 1970 to 1975 relates to equal 12-month periods.

For 1970 to 1973, expenditure relates to what has been actually incurred by Member States and reimbursed by EACGF. On the other hand, the 1974 figures are estimates revised by the Commission staff, as of 15 September 1974.

The 1975 appropriations are those laid down by the Council on 23 September 1974 in connection with the draft General Budget of the European Communities, increased by a letter of amendment from the Commission to the Council dated 21 September 1974 following the agricultural agreements of 20 September 1974.

The average level of expenditure in 1973-1975 was on the whole considerably higher than in 1970-1973 owing to:

- the enlargement of the Community, from 1 February 1973 total expenditure covered the three new States (536 million u.a. in 1973);
- the expenditure incurred as a result of the monetary situation (100 to 150 million u.a. per year);
- higher expenditure in certain sectors (beef and veal, wine, tobacco, seeds).

These increases were partially offset by decreases mainly due to world economic trends (cereals, sugar, oilseeds) and to a lesser extent to an accounting operation: food aid in the form of milk products coming under the heading of food aid and no longer under the Guarantee Section with effect from 1 January 1975.

Note should also be taken of the magnitude of the accession compensatory amounts, mainly due to the export of farm products to the United Kingdom in accordance with the transitional provisions in respect of farm prices.

(c) Expenditure accounted for in Member States

The following table shows expenditure by type of financing in each Member State in the 1973 budget year, compared with 1972.

Expenditure accounted for in Member States in the 1973 budget year by type of financing

(million u.a.)

MEMBER STATE	REFUNDS	INTERVENTIONS	TOTALS		%	
			1973	1972	1973	1972
GERMANY	127.0	549.0	676.0	492.4	18.47	20.13
FRANCE	386.8	707.9	1 094.7	913.4	29.91	37.33
ITALY	88.5	535.5	624.0	573.6	17.05	23.45
NETHERLANDS	202.4	327.9	530.3	337.1	14.49	13.78
BELGIUM	81.5	111.6	193.1	128.1	5.28	5.23
LUXEMBOURG	0.2	5.2	5.4	1.9	0.15	0.08
EEC-6	886.4	2 237.1	3 123.5	2 446.5	85.35	100.0
UNITED KINGDOM	12.0	139.8	151.8	-	4.15	-
IRELAND	26.3	62.6	88.9	-	2.43	-
DENMARK	101.9	193.5	295.4	-	8.07	-
EEC-9	1 026.6	2 633.0	3 659.6	2 446.5	100.0	100.0

Source: EC Commission, Directorate-General for Agriculture

It should be stressed that this expenditure was made by the spending departments in Member States in pursuance of the common policy on agricultural markets, hence the expression "expenditure accounted for in the various Member States".

In fact:

- owing to market fluidity some of the expenditure on a product originating in one Member State may appear as recurring in another Member State;
- the rhythm of payments in respect of an operation generating expenditure varies according to the type of operation and to Community or national administrative procedures.

Furthermore, 1973 was the opening year for the three new Member States.

(d) Economic nature of the measures financed

Refunds tend to decrease (954 million u.a. in 1972, 1 541 million u.a. in 1973 and 668 million u.a. in 1974, i.e. 40.9%, 40.4% and 19.6% respectively of total expenditure¹, for the following reasons:

- the present favourable world situation for certain products, particularly cereals, sugar and oilseed;
- the enlargement of the Community in 1973, which abolished refunds from the Community to the United Kingdom, Denmark and Ireland, and replaced them by accession compensatory amounts, assimilated to interventions and to be phased out by the end of the transitional period;
- the increase in intervention measures thereby reducing the percentage of refund expenditure.

Interventions are mainly related to storage operations proper and to market withdrawals which have a fairly limited financial impact, except in 1974 on account of the beef surplus.

For both types of intervention, expenditure came to 248 million u.a. in 1972, 291 million u.a. in 1973 and 450 million u.a. in 1974, that is respectively, 10.6%, 7.6% and 13.2% of total expenditure.

But intervention expenditure is mainly allocated for price subsidies (1 milliard in 1972, 1.5 milliard in 1973 and 1.5 milliard in 1974 namely 46.2%, 39.8% and 46.5% of total expenditure); there is a wide range of

¹The relatively high figure for 1973 was due to exceptional butter exports in connection with special arrangements for the disposal of butterfat and owing to the favourable world situation that began mid-1973.

measures providing for different price subsidies in relation to world prices and where applicable to substitute products.

Expenditure on food aid in the form of milk products will, as cereals do already, come under the food aid heading and no longer under the Guarantee Section from 1 January 1975. On the other hand, compensatory monetary amounts for intra-Community trade will remain under intervention.

(e) Agricultural levies

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

These levies tend to decrease for the following reasons:

- since most of them arise in the cereals sector, the high world price level has led to a sharp fall in receipts from levies;
- the increased degree of self-sufficiency for certain products has also reduced levies (for example, beef and veal and pigmeat).

On the other hand, levy receipts in the sugar sector tend to hold up since one of the sugar levies relates to storage costs.

Most Member States do not provide a breakdown of levies by common market organization. The breakdown made by the Commission is therefore intended as no more than a rough guide.

(f) Expenditure by the Guarantee Section compared with various economic aggregates

Guarantee Section expenditure is a relatively steady percentage of gross domestic product (about 0.4%), with a slight downward tendency, as expenditure is growing less than gross domestic product.

Guarantee Section expenditure represents about 2.5% of food expenditure by Member States.

2. Guidance section

(a) Financing

The role of the Guidance Section is to support Community policy on the modernization of farms by financing three categories of measures:

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

Credits of some 325 million u.a. per year are earmarked in the first instance for common projects. Any balance is used to finance common projects under Regulation No 17/64/EEC.

(b) Breakdown of expenditure by type of measure

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

Financing in 1973 and 1974

In 1973, the Commission decided to grant aid for projects relating to 1972 owing to the backlog of about one year in the work of the Guidance Section. 429 projects, representing a total investment of 538 million u.a., were aided at a total cost of 149 223 266 u.a.

In 1974, the Commission made a major effort to catch up and aid granted for projects relating to 1973 came up for examination at the end of July 1974. This was the first time that the three new Member States received aid from the Fund.

637 projects were aided at a total cost of 170 million u.a.

Results since 1964

Since 1964, the first year of operation of the Guidance Section, 3 998 projects have received aid from the Fund, the total amount granted being 1 028 655 758 u.a.

The annexed Tables contain a threefold analysis of the projects financed:

Breakdown by sector: Land and water improvement works have received most aid from the Fund (43.1%), followed by the milk, wine and meat sectors, with 14.7%, 10.8% and 8.1% respectively of aid granted.

Regional breakdown: Interventions by the Fund are broken down by the Community regions for the Six original Member States of the Community and by statistical regions for the three new Member States, for which the Community regions have not yet been defined.

Breakdown by category of investment: Here the sector for the improvement of production structures has benefited the most, receiving 57.2% of aid granted, the sector for the improvement of marketing structures has received 37.5% of aid and the mixed production/marketing structures 5.3%.

Financing of special measures

This category of measures has been in existence since 1966 and aims to improve the operation of the common agricultural policy in general, or of particular common market organizations. At first expenditure was used mainly for general purposes (surveys, campaigns to combat animal diseases); more recently the emphasis has been on measures to regulate particular markets.

The following such measures have been aided by the Community in 1972 and 1973: aid to fruit and vegetable producers' organizations (R. 1035/72); slaughtering of cows and withholding of milk and milk products from the market (R. 1975/69);

the grubbing-up of certain species of fruit trees (R. 2517/69).

Financing of common measures

Although the Council has already approved a number of common measures, there was very little expenditure under this heading in 1973. Expenditure mostly consisted of the reimbursement of Member States, a process which cannot begin until Member States have put the measures in hand and begun to finance them.

Expenditure by the Fund for common measures in 1973 mainly relates to:

- a contribution to the cost of a survey on the crop potential of certain kinds of fruit tree (Directive 72/286);
- the financing of conversion measures in the salt cod-fishing industry (R. (EEC) No 2722/72).

In 1974 expenditure by the Guidance Section should begin in a small way on the modernization of farms (under Directives 72/159/EEC, 72/160/EEC and 72/161/EEC).

The planned expenditure will however be considerably less than the initial estimates: as a result of Member States' slowness in applying measures, applications for reimbursement in 1974 amounted to some 4 million u.a. against 1974 budget estimates of 15 million u.a.

In 1973, as for other years since 1969, the Council continued to hold certain appropriations on reserve against expenditure on common measures, existing or future.

In 1973 92.2 million u.a. were held in reserve, thus raising to 538.5 million u.a. the appropriations held in reserve for common measures in the years 1969 to 1973.

(c) Problems associated with the execution of the budget for 1974

The approved budget for 1974 included 170 million u.a. to finance projects under Regulation No 17/64/EEC. The remainder of the available credits were allocated either to finance special measures and common measures or held in reserve for subsequent financing of common measures.

In practice:

- the number of projects for which aid from the Fund has been requested, together with the projects carried over from 1973 to 1974 exceeds the number of projects that can be financed with the appropriations available;
- **actual** expenditure on common measures and certain special measures will be less than estimated.

In the circumstances, since a substantial amount of appropriations is already held in reserve, the Commission considered it advisable to use most of the appropriations available to finance projects and transmitted a proposal to this effect to the Council on 14 October 1974¹.

(d) Outlook for 1975

The main features of the draft budget for 1975 are:

- an increase over 1974 of estimated expenditure on common measures;
- a correspondingly slight reduction in the appropriation, which amounts to 145.14 million u.a., for the financing of projects under Regulation 17/64/EEC.

¹R. 2642/74.

3. Total expenditure^{1,2}

(a) The trend of total expenditure in the original six Members of the Community

In 1974, the total expenditure of the original six Members of the Community on agriculture, including subsidies, interest rate subsidies, social transfers and expenditure financed by the farming community through parafiscal charges may be estimated at about 9.7 milliard u.a.

In 1973 this amount was 9.6 milliard u.a. of which 3.2 milliard were financed from Community resources and 6.4 milliard by national means, in other words, two-thirds of the total expenditure for agriculture.

Looking at the trend of this expenditure (by the original Community) since 1967, the year when community financing for market support came into force, there has been an average annual increase of 9.6% in money terms.

(b) Total expenditure for agriculture in the enlarged Community

Taking into account the equivalent expenditure in the three new Member States and the increased expenditure of EAGGF to include the three new Member States since 1 February 1973, total Community expenditure is estimated at 11.5 milliard u.a. in 1973 and 1974. In 1973, the part financed by Community means was 4.0 milliard and the part financed by national means was 7.5 milliard, in other words 35% of total expenditure for agriculture.

This amount corresponds very roughly to about 5.5% of total national expenditure of the nine Member States.

The relationship between national expenditure for agriculture and final agricultural production shows a slight fall since the accession of the three new Member States, from 17.9% to 17%.

(c) The structure of expenditure

In 1973, EAGGF financed by Community means some 35% and in 1974 some 32% of total expenditure, 63% of the expenditure for agriculture thus being financed on a national basis, 28% of which went on the structures policy, some 2% on social policy and 11% for various other purposes.

¹Including forestry, excluding fisheries.

²See Tables II.E/3.1 to II.E/3.3 of the Annex.

Excluding expenditure on instruction, information and agricultural research.

But the analysis of overall amounts is only of relative value, since it conceals wide divergences in the level of support and the structure of expenditure within each Member State. In particular, the Commission does not have any information on the numerous methods of granting aid or sufficiently detailed information to make a more sophisticated breakdown of each Member State's expenditure.

A fuller analysis of national aid and a better assessment of the incidence of such aid on the terms of competition in agriculture will become possible following the undertaking which the representatives of Member Governments gave at the Council meeting on 2 October 1974 to ensure that the EEC Treaty rules on aid (Articles 92 and 93) would be strictly observed and to forward before 1 January 1975 a complete record of all aid being given in 1974.

To assess the situation of competition in agriculture, the effects of taxation must also be taken into account.

(d) Taxation

Direct taxation

Direct taxation in agriculture is not subject to harmonization at community level.

The system of collecting income tax is based on two methods of calculation:

- on the real profits of the enterprise calculated on the basis of the balance sheet of profits and losses; or
- on a lump-sum basis.

Most farmers are subject to the second system since the former calls for systematic bookkeeping. The figures below¹ show the percentages of farms maintaining books:

Germany	5.5%	Luxembourg	4.6%
France	2.5%	Denmark	60%
Italy	2.1%	United Kingdom	80%
Belgium	3.8%	Netherlands	83.1%

In view of the graduated income tax and the disparity in rates in the different countries, it is difficult to provide any estimate of the income tax burden on agriculture in the different Member States.

¹Based on the last structural survey (1966).

However, Member States may be placed in the three following categories:

- with a heavy burden: Denmark and United Kingdom;
- an average burden: Netherlands and Belgium;
- with a light burden: in decreasing order - Germany, France, Luxembourg, Italy and Ireland.

However, the existence of other direct taxes such as capital tax, collected in Germany, Luxembourg, Netherlands and Denmark, capital gains tax in Denmark and United Kingdom and the differences in the collection of land tax and taxes on the acquisition of land make an estimate of the impact of direct taxes even more unreliable.

Indirect taxation

Excise duties

In 1972, the Commission forwarded to the Council five proposals for directives on the harmonization of excise duties.

The first proposal is an outline directive setting forth the tax system which should be instituted in the Community in the field of consumer taxes other than VAT when the economic and monetary union is established, at which time there will be free circulation of goods between Member States and, consequently, no tax reductions on imports.

The outline directive makes provision for the maintenance and harmonization of five excise duties on manufactured tobacco, alcohol, wine, beer and mineral oils.

In this context, it should be stressed that the impact of excise duties on fuels employed in agriculture partly determines the differences in the price of energy in the Member States. On 9 August 1973, the Commission forwarded to the Council a proposal for a directive on the harmonization of excise duties on mineral oils¹. The first directive leaves Member States the option for the time being of retaining exemptions or reduced rates for inshore fishing and agriculture when it comes into force (Article 10).

The directive, which has not yet been adopted, makes provision (Article 19) for the Commission to submit to the Council at an early date proposals on a system of common excise duties to be applied to mineral oils used in the farming sector. The existence of a common agricultural policy, one of the consequences of which is to fix common prices within the Community, would seem to be sufficient reason to harmonize as soon as possible the system of excise duties for mineral oils used in agriculture.

¹OJ C 92, 31 October 1973.

Turnover tax

1. The turnover tax is a consumption tax the method of collection of which is much the same now in all Community countries. At each stage of production or marketing, the added value is imposed by levying a tax on gross sales, the tax paid on purchases of goods and services necessary for production being deducted.

2. In all Member States every farmer has the possibility of opting for the normal VAT system or a flat rate system which has been adopted by seven of the nine Member countries. This system peculiar to agriculture is designed to offset at a flat rate the deductible tax imposed on farmers' purchases and the services they receive. The United Kingdom and Denmark are the only countries that have not applied this system¹.

The system works as follows:

In Germany, the farmer who opts not to be subject to the normal VAT system, is subject to a flat rate system which enables him to recover the VAT paid on his purchases in his selling price. The purchaser subject to VAT is entitled to deduct the amount of the tax paid from the flat rate farmer.

A similar system has been adopted in Belgium, Italy, Luxembourg and the Netherlands. In France, the flat rate farmer delivers his products free of tax regardless of the nature of the purchaser. Deliveries to purchasers subject to VAT entitle the flat-rate farmer to a flat-rate payment from the State on application.

¹In Article 15 of the second Council Directive of 11 April 1967 on harmonization of legislation of Member States concerning turnover taxes (67/228/EEC) state that until the adoption of common procedures for applying value added tax to transactions relating to agricultural products, each Member State may apply to farmers whose subjection to the normal system of value added tax would meet with difficulties, the special system best suited to national requirements and possibilities.

In Ireland, the farmer who does not opt for the application of VAT according to the normal system delivers his products free of tax regardless of the nature of the purchaser, and the latter if he is subject to the tax, is entitled to a notional reduction of 1% calculated on the invoiced value of the delivery.

3. Since agriculture has a different economic content in different Member States and since the offsetting percentages vary considerably from one Member State to another it has become necessary to define the scope of the flat-rate system for reasons of competitive neutrality and to calculate the levels of VAT rates according to a common method of computation.

4. To attain these objectives, the Commission transmitted to the Council on 29 June 1973¹ a proposal for a 6th Council directive on the harmonization of Member States' laws concerning turnover taxes. Article 27 makes provision for a common flat-rate scheme for farmers which is designed to meet the following four essential requirements:

- ensure the equitable collection of own resources for the Communities derived from VAT;
- reduce as far as possible the distortions of competition arising from the application of different special VAT systems to farmers in the different countries;
- ensure that farmers who are not in a position to apply the normal VAT system receive the flat rate offsetting the VAT charge imposed on goods they have purchased and services they have received for farming purposes;
- promote the gradual integration of the agricultural sector into the normal VAT system.

¹OJ No C 80, 5 October 1973.

