

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE SITUATION OF THE AGRICULTURAL MARKETS

REPORT 1983

(report from the Commission to the Council)

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This report was drafted in autumn 1983 and a summary appeared in "The Agricultural Situation in the Community - 1983 Report" published in conjunction with the seventeenth General Report on the Activities of the European Communities. This summary is given in its entirety under point A of the present report.

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THE SITUATION ON THE AGRICULTURAL MARKETS

1983 REPORT

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A - MARKETS FOR AGRICULTURAL PRODUCTS - SUMMARY

I. INTRODUCTION

1. Examination of the markets for agricultural products is separated into two distinct sections. The first focusses attention on those sectors which represent nearly 80% of agricultural output and on which more than 90% of the total agricultural budget was spent in 1982. Individual sectoral analysis for crop products is given for cereals, sugar, fruit and vegetables, wine and tobacco; included for animal products are milk and milk products, beef and veal, sheepmeat and pigmeat. This review by sector includes reference to the pattern of production and consumption as well as to the development of the internal market in terms of prices and support measures taken in the Community during the year; it also covers the evolution of Community trade in world markets.

The second part draws the major strands of these analyses together and sets out the outlook for agricultural markets in the short to medium term, indicating those sectors where problems exist or are likely to arise.

Further details concerning the market situation of all agricultural products are provided in 'The Situation of the Agricultural Markets - 1983 report'. Statistical information on all sectors is contained in the second part of the present report.

II. SITUATION ON THE PRINCIPAL AGRICULTURAL MARKETS

Cereals

Community

2. The total area of cereals under cultivation in the Community in 1982 was 28.1 million ha or 28% of the utilized agricultural area (UAA). There was considerable variation concerning land use for cereals according to the Member State concerned. About 42% of the UAA was utilized for cereals in the Federal Republic of Germany and 59% in Denmark (compared to 7% in Ireland and 10% in the Netherlands).

Production and Consumption

3. Total cereals production in the Community for 1982/83 reached a record level of 130,5 million tonnes (excluding rice), an increase of 7,1% over the previous year, owing to excellent growing conditions in all Member States except Italy and Ireland. Preliminary indications for 1983/84 are that production forecasts, excluding rice, will be around 123 million tonnes; yields for barley and maize are expected to be well below last year's high levels.

4. Total consumption of cereals utilized in the Community during 1981/82 amounted to 116.3 million tonnes, a fall of 1.6 million tonnes compared to 1980/81. About 59% of all cereals were utilized in animal feed, 35,6% for human consumption and industrial use, while the remainder was used for seed (roughly the same proportions as in 1980/81). Within these three categories, the percentage varies substantially from one Member State to another and from year to year, according to the cereal concerned. Final balance sheets for 1981/82 show that self-supply of cereals remained stable at about 105%; it is expected to increase to around 117% in 1982/83 owing to the record crop harvested.

5. The use of cereals in animal feed has been significantly affected in recent years by the growth of cereal substitutes such as manioc and a variety of food industry by-products. In 1982, imports of cereal substitutes amounted to the equivalent of 16,2 million tonnes of cereals. Imports of manioc have increased from 2,3 million tonnes in 1974 reaching 8,1 million tonnes in 1982. Even if such imports can be stabilized at these levels through self-restraint arrangements with the major suppliers e.g. as with Thailand, imports of other similar products are likely to increase over the medium term owing to the ease of substitution. As an example, corn gluten feed imports have risen from 0,7 million tonnes in 1974 to 2,8 million tonnes in 1982 and can be expected to increase still further in line with the development of the production of alcohol from maize in the USA (imports are expected to reach 3,2 million tonnes in 1983).

6. Use of home-grown cereals has been given some support by the operation of the silo system which encourages the use of more Community wheat in animal feed. The trend of decreasing utilization of home-grown cereals for animal feed, however, is continuing (less than 45% in 1981/82 compared with around 50% in 1975/76). This is mostly accounted for by farmers tending to sell more of their cereals (or producing less oats, normally used for animal feed) and to purchase compound feedingstuffs made from imported cereal substitutes. In 1972/73 cereals represented over 62% of the energy supplied by concentrate feeds (i.e. excluding barley fodder, root crops and grazing, etc.). This proportion fell to 53,5% in 1980/81.
7. Cereals used for industrial purposes decreased by 2,9% in 1981/82. Industrial use of wheat decreased slightly while that of maize declined by 3,0%. These two cereals, accounting for 4% and 45% respectively of total industrial use of cereals, are mainly used for the production of starch and glucose. A large quantity of maize is also used in the distilling industry in the UK. Industrial use of barley decreased by 3,0% in 1981/82 to 5,1 million tonnes (5,6 million tonnes in 1980/81).

Main market features

8. The 1982/83 marketing year opened with stock levels at about 12 million tonnes (of which 0,9 million tonnes was stored on farms) including 5,9 million tonnes of common wheat, 0.6 million tonnes of durum wheat, 1,3 million tonnes of barley and 2,5 million tonnes of maize in public intervention stocks. At the beginning of the 1983/84 marketing year, off farm stocks were at 16,0 million tonnes.
9. Despite substantial exports during the 1982/83 marketing year, internal market prices were depressed owing to large quantities of wheat and barley being available. The notable exception to this general trend was in Italy where the prices of common wheat were well above support levels. With the decline in availability of coarse grains, it is expected that an extra quantity of 3-4 million tonnes of wheat will be absorbed into animal feed. In 1982/83, intra-Community trade increased by 15% to around 20 million tonnes, France remaining the principal supplier of cereals to other Member States. Its exports of common wheat, barley and maize decreased to 9,4 million tonnes in 1982/83 (9,6 million tonnes in 1981/82). Trade in cereal products such as wheat flour, barley malt and maize grits is also continuing to grow.

World markets

10. At the beginning of the 1982/83 marketing year, world stocks of wheat were estimated at 85 million tonnes with coarse grains at about 114 million tonnes. World production of cereals (excluding rice) in 1982/83 reached the record level of 1,285 million tonnes, with excellent harvests in all the major exporting countries; Community production was equivalent to 10% of this total. Equivalent percentages of other major exporting countries of cereals were: USA 26%, Canada 4%, Australia 1% and Argentina 3%.

With stabilization in global consumption levels and the continuing vigorous export activities by the US (under pressure from a high level of carryover stocks), prices were under strong pressure in the first few months of the 1982/83 marketing year; this eased towards the end of the marketing year mainly because of the strengthening of the dollar.

11. For 1983/84, world production of wheat is expected to reach 486 million tonnes while a significant drop is anticipated for coarse grains (about 700 million tonnes against 780 million tonnes in 1982/83) owing to reduced expectations for the US soya and maize crops. This has led to the situation that feed grain prices have risen sharply on the world market and are now close to the level of wheat prices. As a result, wheat stocks will remain high while the stock of feed grains is expected to decrease. Closing global stocks at the end of the 1983/84 marketing year for wheat and coarse grains are currently forecast at 199 million tonnes (190 million tonnes in 1982/83).
12. In 1981/82, the Community imported 14,4 million tonnes of cereals (7,6% less than in 1980/81) confirming the trend of diminishing imports noted over the past few years. Of the overall total in 1981/82, 8,7 million tonnes were maize (about 92% imported from the USA), 3,5 million tonnes of common wheat (over 95% from North America, including 0,7 million tonnes under inward processing) and about 0,9 million tonnes of barley (coming mainly from Canada). Total imports of cereals during 1982/83 are expected to be about 10,5 million tonnes.

13. Total exports of cereals and cereal products in 1981/82 from the Community rose by 1,8% to 21,6 million tonnes: within this total, common wheat and flour accounted for 14,3 million tonnes. For 1982/83, estimated exports of common wheat and flour are expected to be 13,2 million tonnes - 12,4 million tonnes as commercial sales, of which 2,9 million tonnes in the form of flour, and the remainder as food aid. About 1,5 million tonnes of flour as commercial sales were exported under inward processing arrangements (0,6 million tonnes in 1981/82). During both these marketing years, sales have been made to the Community's traditional clients in West and North Africa, as well as several Eastern European countries. In 1982/83, a larger percentage of exports went to the Middle East. Flour exports continued to go to a wide variety of traditional destinations, in particular Egypt, Syria and the USSR. Barley and barley products exported (principally malt) amounted to a total of 5,7 million tonnes in 1981/82 of which 1,7 million tonnes in the form of barley products. Exports in 1982/83 are expected to be slightly lower at around 5,1 million tonnes.

Sugar

Community

14. The total area under cultivation for sugar beet in 1982/83 fell by 9,3% in comparison to 1981/82, covering about 1,8% of the utilized agricultural area in the Community. The decrease was principally due not only to world price levels being much lower than Community prices at the time of planting, but also to substantial quantities being carried over in stock in certain countries.
15. In terms of production structure, the total number of farms producing sugar beet is falling (about 370.000 in 1977) although the rate of decline is now tending to fall off less rapidly than previously. At the same time, the number of sugar-beet processing factories has decreased from 250 in 1972/73 to 203 in 1982/83, a decrease of 19%, accompanied by an increase in total processing capacity of 36%. This improvement of production structure over the past decade illustrates that the development of production has not been hindered by the existence of a quota system, now in operation for over seven years.

Production and Consumption

16. Total sugar production in the Community in 1982/83 was 13,94 million tonnes, 7,3% less than the record level of 15 million in 1981/82. Taking into account the carryover of 1 million tonnes of sugar for the preceding marketing year, 9,4 million tonnes was produced within the basic quota ('A' sugar); an amount of 2,1 million tonnes was reached outside the basic quota but within the maximum amount ('B' sugar) while the remainder of the production ('C' sugar) remained at 3,5 million tonnes. For 1983/84, the Community crop is expected to be much lower than for 1982/83 owing to the lower acreage planted as well as lower sugar yields (about 11,1 million tonnes).
17. Human consumption of sugar during 1982/83 in the Community remained at about the same level as 1981/82 (34,5 kg per head). Less than 1% of total production went for industrial purposes, mostly to the chemical industry. Total production and consumption of isoglucose in 1982/83 remained almost static at 182.300 tonnes.

Main market features

18. The marketing year 1982/83 was the second where the new sugar policy has been in force (since July 1981). With the continuing presence of significant quantities for export together with very low prices on the world market, the Commission and the Community sugar producers agreed to continue their stocking policy during 1982/83, as initiated in 1981/82. Producers carried over 1,083 million tonnes of 'C' sugar to the following marketing year. They also bore, through levies on 'A' and 'B' quota sugar, the full cost of exporting sugar in excess of internal demand in the Community other than the equivalent of about 1,3 million tonnes imported from ACP countries (financed by the EAGGF). The Commission limited export commitments in 1982/83 to the same level as 1981/82 (5,2 million tonnes of 'quota' and 'C' sugar).

Market prices remained near to the intervention price level during the 1982/83 marketing year and then approached the level of the new intervention prices decided in the 1983/84 price package (+ 4% for white and raw sugar). Intra-Community trade increased in 1982/83 mostly because production fell in Italy: about two thirds of the trade in raw sugar took place between the UK, Italy and Germany.

World Markets

19. As in 1981/82, world production exceeded consumption in 1982/83 by more than 5 million tonnes (as compared to more than 8 million tonnes in 1981/82). As a result, stocks at the end of August 1983 were very high. World prices remained depressed during the 1982/83 marketing year until May 1983. The rise in the world market price since then has been stimulated by reduced expectations for world production for the 1983/84 marketing year (the current estimate is for 92 million tonnes against 99,9 million tonnes the previous year) as well as hopes for rising consumption (96 million tonnes compared to 94,4 million tonnes in 1982/83). For 1983/84, the Community expects to have a total quantity of 5,2 million tonnes of sugar available for export, of which 3,5 million tonnes of 'C' sugar.

Fruit and vegetables

20. Total production of fresh fruit and vegetables during 1982 in the Community, including that part destined for the processing industry, rose by 8,6% in comparison with 1981. Community production of fresh fruit increased to 22,5 million tonnes while vegetable production remained at about the same level at 28,7 million tonnes. Italy was the major producer of fresh fruit (45%) and vegetables (39%) in the Community. In contrast, production of processed fruit and vegetables rose slightly during 1982 mainly due to increases for canned products (other than tomatoes) and frozen products.

Consumption of fresh fruit in 1981/82 was 16,6 million tonnes, a fall of 12,9% in respect of the preceding year. 90% went for human consumption, each inhabitant in the Community eating approximately 85 kg per head during the year. The total internal utilization of vegetables fell by 3,3% to 31,7 million tonnes.

21. Market prices fluctuated considerably over the year and were supported in several instances by temporary measures like countervailing charges on imports. Quantities withdrawn for pears (3,2% of total production) and lemons were lower in 1982/83 than in 1981/82, but higher for other products such as apples (11,1%) and cauliflowers (1,6%).
22. Turning to trade, fresh fruit imports into the Community remained at about the same level in 1982 as in 1981, around 4,3 million tonnes (including 3,1 million tonnes of citrus fruit and 0,48 million tonnes of apples), or nearly five times the total export volume. Total imports of fresh vegetables were about 1,2 million tonnes in 1982, or 3 times the total export volume. Intra-Community trade for fresh fruit remained at 2,8 million tonnes in 1982, the level of vegetables being similar (tomatoes being the main product traded at 0,46 million tonnes).

Intra-Community trade for processed fruit and vegetables in 1982 remained at a similar level to 1981. Total imports from non-member countries diminished slightly while exports rose to 3,35 million tonnes in 1982 compared to 2,71 million tonnes in 1981.

Wine

23. Production in the Community during 1981/82 was 141 million hectolitres (hl), accounting for 45,8% of world production, after reaching a record level of 182 million hl in 1979/80. In 1982/83, production rose by 30 million hl to 171 million hl. Domestic consumption in 1981/82 totalled 150 million hl (164 million hl in 1980/81): the comparable figure for 1982/83 was 157 million hl. A decreasing amount went for human consumption in 1982/83 (126,4 million hl compared to 127,5 million hl in 1980/81), confirming a downward trend noted over the past few years, while the majority of the remainder was distilled (29,7 million hl, 68% with Community aids). The level of self supply for the Community in 1981/82 was about 103%.
24. Intra-Community trade slightly decreased to 20,7 million hl. in 1981/82 (22 million hl in 1980/81). Exports in the same period were 10,6 million hl. in comparison to imports of around 5,8 million hl. The general trend observed is for exports to increase as a result of increasing Italian sales while imports are tending to decrease.
25. For 1983/84, production is expected to fall slightly to 163 million hl. Disposal of those quantities in excess of human consumption will be facilitated by the new distillation measures now in force following the decisions taken by the Council in the context of the 1982/83 prices package.

Tobacco

26. Production in the Community in 1982 increased to 329 300 tonnes (6,5% up on 1981), accounting for about 5% of world production, representing 0,6% of total agricultural output. Consumption in the Community slightly declined to 570,000 tonnes, falling in the Federal Republic of Germany, France and the United Kingdom. Self-supply in 1982 was about 49%.

27. 21% of world production was traded in the world market in 1982, falling to 1,43 million tonnes (3,4% down on 1981). EC exports took up about 8% of the world market (118.300 tonnes). About 60% of EC imports (413.900 tonnes) were flue-cured Virginia tobacco: furthermore, about 2/3rds of imports entered duty free or at a preferential level into the Community, being covered by ACP or GSP arrangements. Costs of this sector are expected to be 668 million ECU in 1983, accounting for 4,2% of total EAGGF expenditure, a rise of 7,3% over 1982.

Milk

Production and consumption

28. A small increase of 1,6% in cow numbers to 25,4 million head in 1982 coupled with a significant rise of 3,8% in the average annual yield per dairy cow to 4.382 kg per animal (e.g. Denmark increasing its average yield by 8.1%, France by 5.1% and Germany by 2,5%) led to a jump in milk production of 3,5% in 1982 compared to 1981. This reflected the further improvement in herd structure, the quality of milk cows and cheaper feed inputs. Milk production in 1983 is also anticipated to rise by about 3,5%.

29. A similar proportion of milk production from dairy cows in 1982, as in 1981, continued to be sold by farmers to dairies for processing into milk and milk products (about 92.2% amounting to 99.6 million tonnes in 1982). Total milk deliveries to dairies increased by 3,5% in 1982, helped considerably by favourable autumn weather. The extra 3,4 million tonnes so generated were mostly converted into the two intervention products, butter and skimmed milk powder. The rate of increase in production of condensed milk (+1%) and cheese (+1,7%) slowed down while whole milk powder production declined by 18%, reflecting the decline in external and internal demand. Conversely, the increase in butter (+7,8%) and skimmed-milk powder (+6,6%) resulted in high year end intervention stocks at 31 December 1982 (112.000 tonnes for butter and 574.000 tonnes for skimmed-milk powder).

30. The overall use of milk in the Community for liquid milk and fresh milk products increased only marginally in 1982. The general tendency emerging over the past decade to consume more semi-skimmed milk and less whole milk continued in 1982. The total share of UHT milk, as a percentage of Community consumption of whole and semi-skimmed milk, was 23% in 1982 (22% in 1981), the highest levels being found in France (55%) and West Germany (46%). Consumption of cheese continued to increase by 2% in 1982 (2,5% in 1981).
31. Internal consumption of both condensed milk and whole milk powder are low as these two products are mainly geared to the export market. Total internal off-take for butter rose slightly by 1% in 1982 mainly because of an increase in the quantities sold at reduced prices to the food industry (bakeries and ice-cream) and non-profit making institutions. An end year sale also took place (Christmas butter) but reduced normal consumption is likely to result during 1983 owing to the low level of additional sales resulting from the operation. Disposal of skimmed-milk powder also continued to cause difficulties as only about 12% of the powder manufactured could be sold at a fixed price in the Community: about 1.36 million tonnes were sold for animal feed in 1982 (or 60% of production).

Main market features

32. The target price for milk was fixed for 1983/84 with effect from 23 May 1983 at 27,43 ECU/100 kg, an increase of 2,3% (estimated to be an increase in average producer prices of 4,5% in terms of national currencies - much below the average rate of inflation). The limited increase reflected the operation of the guarantee threshold system for the first time in the milk sector. As milk deliveries to dairies in 1982 exceeded the "guarantee threshold" by 3%, the price increase was adjusted downwards accordingly. The coresponsibility levy for 1982/83 was maintained at 2% of the target price while the previous criteria fixed for reduced levy and exemption from the levy were left unaltered. In recognition of the problems of small milk producers, the Council continued the payment of 120 million ECU to be distributed between them.

33. During 1982/83, the principal effort in the milk sector was to continue to find markets for the volume of milk produced at the cheapest unit cost, both internally and externally. With the sharp rise in domestic production of butter and skimmed-milk powder continuing during 1983, coupled with stagnation in internal consumption and declining possibilities for export as the world market for most dairy products has continued to contract, public intervention stocks for both these products have risen very rapidly in spite of raising subsidies for internal disposal. The special measures introduced in July 1982 to encourage the inclusion of skimmed-milk powder in animal feed for pigs and poultry resulted in additional sales of 74.000 tonnes in 1982: sales of more than 500.000 tonnes are expected in 1983. Nevertheless, on 15 October 1983, the levels for butter and skimmed-milk powder in public store were 614.000 tonnes and 1.044.000 tonnes respectively.

World Markets

34. World milk production increased in 1982 by more than 2% (compared to 0,5% in 1980). This rate of increase was due mainly to the significant expansion of the milk yield per dairy cow as a result of favourable animal feed conditions. Production increased in the USA by 2.1%, in the USSR by 1,3% and in Canada by 3,2%. World milk production is likely to increase by more than 3% during 1983 with substantial increases in the Community, the USA and the USSR. In contrast the constant expansion in the world markets for all dairy products noted since 1975 has now been reversed; markets have been decreasing in terms of total exports since 1981. Thus, as world milk production has increased, the world market has continued to decline in 1982 for butter and skimmed-milk powder (by 7% each); for whole milk powder (by 3%); stagnated for condensed milk and expanded only for cheeses (by 5%).

35. Furthermore, the Community's world market shares for butter and butteroil and for skimmed-milk powder continued to decline in 1982. Its market share for butter has dropped from 62% in 1980 to 51% in 1982 and has fallen for skimmed milk powder from 61% in 1980 to 42% over the same period. For example, while the Community exported 193.000 tonnes less butter in 1982 than in 1980, the US and New Zealand increased butter sales by 67.000 and 23.000 tonnes respectively over the same period. This was mostly due to decreased export opportunities in Eastern Europe. A feature of the present market is a sharp increase in the use of concessional sales by a few third countries (particularly the US). As a result of these developments, international market prices reported to GATT have continued to weaken during 1982 and 1983, despite continued close cooperation between the Community and New Zealand on the functioning of the markets. EEC whole milk powder exports also fell by 15% while whole EEC exports for condensed milk and cheese only increased by 3% and 5% respectively.
36. Total butter imports in 1982 into the Community amounted to 108.000 tonnes (of which 92.000 tonnes of New Zealand butter were imported into the United Kingdom representing over 7% of the world butter trade or almost 5% of total butter production in the Community). Cheese imports in the Community amounted to 104.000 tonnes (representing 13% of the world cheese trade). Thus, the Community remained the world's second largest importer of butter, next to the USSR, and the second biggest importer of cheese, next to the USA..

Beef and Veal

Community

37. Beef production takes place on about half of the farms in the Community, contributing about 16% to final agricultural production in the Community. It is mostly concentrated in the Member States with a large grass production and comes either from herds producing milk or from specialized beef herds. The trend towards larger units since 1973 has continued, the number of producers decreasing at a rate of 3,7% per annum since 1975. The beef herd slightly decreased in 1982 (approximately 1% over 1981) while the number of veal calves increased by 2,0%.

Production and Consumption

38. After the cyclical reduction in beef production during 1976 and 1977, total beef production rose by 3,4% in 1980 (compared to 6,2% in 1979), but fell by 3,5% in 1981 and by 4% in 1982, declining to 6,65 million tonnes. Within this figure, adult beef production fell by 4,5% while veal production rose by 0,7%. As a normal indicator, beef consumption can be linked to the rate of general growth in the economy. With a slowing down in growth rates and a significant rise in unemployment, consumption of beef and veal in the Community diminished by 2% in 1982 to 6,6 million tonnes or 24,4 kg per head (21,6 kg per head for beef and 2,8 kg per head for veal).

Main market features

39. Market prices of adult beef animals have gradually risen over the past three years from 130 ECU/100 kg live weight in autumn 1980 to more than 160 ECU/100 kg live weight in September 1983. At this date, the average producer price level in the Community was about 78% of the guide price. After two consecutive years of lower prices, the market prices for veal rose during 1981 and 1982.
40. Despite continuing a flexible management of intervention, avoiding public purchasing to a considerable extent throughout the year, public intervention stocks have risen from 160.000 tonnes at 30 September 1982 to 350.000 tonnes a year later owing to rising production and reduced export opportunities (see point 41 below). Production is expected to rise by about 3% in 1983 compared to 1982. Intra-Community trade was at the same level as 1981, stabilizing at around 1,4 million tonnes in 1982.

World Markets

41. The Community produces around 14% of the total world production of beef being the second largest producer in the world (well behind the USA).

Beef exports from the Community have declined from their 1981 peak of 662.000 tonnes to 480.000 tonnes in 1982. The principal destinations were Mediterranean countries (about 24%), Eastern European countries (around 26%, of which the USSR 14% compared to 36% in 1981) and to the Middle East (30%).

42. Imports from non-member countries, mostly entering the Community under special conditions negotiated bilaterally or multilaterally in GATT, rose during 1982 to 440.000 tonnes (including 66.000 tonnes of live animals and 164.000 tonnes of frozen beef).

Principal suppliers were Latin American countries (e.g. Uruguay, Brazil and Argentina), accounting for more than 50% of total imports, and Eastern European countries, accounting for over 10% of total imports (in particular over half the total imports of live animals).

Sheepmeat

43. The percentage of sheepmeat production in the value of final agricultural production in the Community is about 2%. 92% of the Community's total flock (58,8 million head at 31 December 1982) is to be found in 4 Member States - United Kingdom (38%), France (23%), Italy (16%) and Greece (15%). Sheepmeat production remained stable in 1982 at 706.000 tonnes: it is expected to rise by 3,4% during 1983 to 730.000 tonnes. Consumption rose in 1982 by 4,5% to 975,000 tonnes: Community consumption per head has been remarkably stable over the past 15 years oscillating between 3,3 and 3,8 kg per head (ranging from 13,8 kg per head in Greece to 1,5 kg per head in Italy). The average Community price in 1982 was 369,86 ECU/100g, a 4,3% rise in respect of 1981.
44. The Community produces around 12% of the total world production of sheep and goat meat, being the second largest producer in the world just below the USSR (800.000 tonnes) but in front of Australia and New Zealand (both producing about 600.000 tonnes each).
45. Imports in 1982 rose by 24% over 1981 to 281.000 tonnes mostly due to increases from suppliers of frozen meat (in particular Australia, Argentina and New Zealand). Exports over the same period fell to 3.800 tonnes (a 36% decrease compared to 1981). Intra Community trade remained stable in 1982 at around the same level as 1981 of 81.000 tonnes.

Pigmeat

46. Production of pigmeat in the Community remains concentrated in regions surrounding the North Sea and the Channel as well as in Northern Italy. In 1982, pigmeat production slightly fell by 0,2% compared to 1981, settling at 10,1 million tonnes. It is expected to rise by about 2% in 1983. Consumption in contrast rose a little to 10,2 million tonnes. As a result, self-sufficiency in the Community decreased to 100,7%, the highest being in Denmark with 395%.
47. Low market price levels on representative markets in the first part of the year led to the introduction of support through private storage between 31 March and 23 July 1982. Seasonal demand then lifted market price levels to 167 ECU/100 kg in December 1982, (150 ECU/100 kg in April 1982). A similar pattern was seen during 1983 when private storage was open from 1 February to 9 September 1983 during which 120.000 tonnes was taken into intervention.
48. The Community is the world's second largest producer of pigmeat after the People's Republic of China. In 1982, the Community exported 274.100 tonnes (22.6% less than in 1981) while importing 191.700 tonnes (a decrease of 12% in comparison to 1980). Exports of live pigs and fresh meat went to a wide variety of destinations, while processed pigmeat was mostly exported to the USA and Japan. Major suppliers of pigmeat and pig products in 1982 to the Community included Eastern European countries (e.g. Hungary and Rumania), the USA, the People's Republic of China and Sweden. Intra-Community trade in 1982 rose slightly to 2,32 million tonnes or 3,1% more than in 1981.

III. Outlook for the agricultural markets in the Community

49. In general terms, Community production is now running at high but not record levels in the major product sectors. This is to be expected after the significant fluctuations in climate during the year with a wet spring and a dry summer in many parts of the Community. For 1983/84, cereal production will be 9,3% down on its record level of 130.5 million tonnes in 1982/83; the sugar crop will be about 26% less than its peak production of 1981/82 of 15 million tonnes and the wine harvest is expected to be 10,5% down on the record level reached in 1979/80 of 182 million hl.

50. The situation for most animal products is less reassuring as increases are expected in 1983 for beef, sheepmeat and pigmeat: the picture is also particularly disconcerting in the milk sector. The rhythm of increase in milk deliveries to dairies continues unabated with a 3.5% rise expected in 1983. This will mean that, in the past two years, an extra 8 million tonnes of milk has been produced for which additional internal or external markets have to be found. With the extreme difficulty of finding new commercial outlets under present economic conditions, stock levels in the milk sector have continued to increase for the two intervention products, butter and skimmed milk powder (SMP). At 30 September 1983, the public intervention stock for butter and SMP were 614.500 tonnes and 1.044.000 tonnes respectively. The total butter stock, when including private stocks of 206.000 tonnes, thus has already touched 860.000 tonnes: the previous record for Community butter stocks was reached in September 1976 with 600.000 tonnes.
51. Additional outlets on the internal market are circumscribed by a shortage of finance. In 1982, about 88% of the skimmed milk powder and around 40% of the butter consumed on the domestic market was subsidised. The average cost of disposing of butter internally is still about twice the cost of export (about 3.000 ECU/tonne). The cheapest outlet for these two products has always been the export market but, despite increases in 1983 in export refund levels, quantities so far committed for export this year for most dairy products are well below those for the same period in 1982 (which were lower than in 1981). In addition, the existence of high stock levels in other developed countries, particularly the United States, are not contributing towards price stability in the world market. Nor can it be expected that traditional customers (e.g. the USSR) will continue to purchase large quantities in the future owing to substitution of butter by margarine as well as increasing domestic production.
52. The milk sector provides the most acute example of a sector where domestic consumption is not keeping up with production increases. A similar situation, however, is also evident for most other temperate products (e.g. for cereals, sugar, wine and beef). This decrease can be explained partly by the unfavourable economic environment, with high levels of unemployment, less purchasing power and lower growth rates than in the 1970s, and partly by the fact that there are fewer additional people to feed through declining population growth. Externally, some reduction in demand in third countries is also being affected by the economic recession coupled with considerable difficulties for some of them in financing high costs of external debt.

53. Thus, even if the production levels expected in certain sectors in 1983/84 are below peak levels, there is a growing market imbalance through declining internal and external demand for these products. Increasing expenditure and higher stock levels for many products (e.g. for butter, skimmed milk powder, cereals, rapeseed and beef) provide evidence of this trend.
54. While there is room for optimism in the sugar sector that the regime introduced in July 1981 is beginning to have a significant effect on production through its system of coresponsibility, there can be no doubt that the Council has not yet taken sufficiently strong decisions in other market sectors to bring production into line with expected demand.
55. While the budget cost of agricultural support in the Community fell in 1981 and was only a little above the 1980 level in 1982, expenditure has surged in 1983 with the need for a supplementary budget of 1.78 billion ECUs in order to cover the cost of market support.

Although the domestic situation has recently improved for pigmeat, eggs and poultry and some savings can be expected in the budget cost for cereals and rapeseed in 1983/84 through the sharp rise in feed grain prices on the world market during August/September 1983, there can be no room for complacency in 1984 in terms of total budgetary cost. The trend observed in 1983 will continue over the next 12 months in the absence of decisions to change the direction of the common agricultural policy. Sufficient savings cannot be generated by continuing to manage the agricultural markets in an efficient and cost-effective manner.

56. With little perspective of significant expansion of exports in the major product sectors of the Community (e.g. milk products and cereals) in the medium term, either because of continuing financial difficulties or because of intense competition from our major trading partners in third world markets, it is not possible for the Commission to continue to operate the markets successfully within the guidelines currently established by the Council. Urgent changes are called for in the support arrangements as they are now operated for certain sectors, particularly milk, in order to remain within budgetary limits over the next couple of years.

It is for this purpose that the Commission has repeatedly sought decisions from the Council in this direction, the latest set of proposals being set out in COM(83)500 following the European Council meeting in Stuttgart in June 1983. As in other sectors of the general economy, where unemployment is now at very high levels, it is no longer possible for agriculture to be shielded indefinitely from the realities of the market place. Decisions must now be taken by the Council to bring the Common Agricultural Policy back in proper balance.

B. Analysis by Sector

I. Products subject to common market organisation

1. CEREALS

1. Introduction

(a) General situation:

The 1982/83 harvest was again at record level with a crop approximately 5% higher than the record crop in 1980/81. The increase is particularly due to an increase in the yield. The quality of the harvest was likewise well above the quality of last years crop.

Although the opening stocks were at a normal level the stocks increased considerably through the year as the supply, particularly for common wheat, strongly exceeded the internal demand, and the outlets on the world market were limited to last years level as a matter of the Commission's position not to increase the Community share of the world market in a situation with general over supply in the main exporting countries. This measure has had a dampening effect on prices, which in general has been relatively stable around the support price level throughout the year.

The 1983/84 prospects are well below last years record, mainly due to a drop in the coarse grain crop. Though the harvest of common wheat is expected to be slightly lower than last year it is still at a high level and is well above the crop of common wheat in 1980/81.

World market prospects for 1983/84 are exceptional as production of common wheat is still at a record level while the major producing countries (particularly USA) have recorded a remarkable drop in the coarse grain crops. Prices for wheat therefore remain depressed while prices on the feed grain market have increased considerably and are close to wheat prices.

(b) Cereals in Community agriculture:

The total area of cereals in 1982 was 28.1 million ha. Their importance in the land use of individual Member States varied considerably, being lowest in Ireland and the Netherlands (7% and 10% of UAA respectively) where fodder crops and permanent grasslands are more important. Cereals are of greatest significance in Germany and Denmark (42% and 59% of UAA respectively) where they account for about 70% of the arable land; they also account for a high proportion of the arable land in Luxembourg (67%). In the remaining Member States cereals occupy 20% to 30% of the UAA and 26% to 57% of the arable land.

Cereals' share in final production is a less useful measure of their economic importance since in many cases a large proportion of production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in Germany, where cereals account for 42% of the UAA, they represented only 10% of the value of final production in 1982 because over 40% of the total quantity produced was used for animal feeding on the farm where it was grown. In the

United Kingdom, by way of contrast, cereals accounted for only 21% of the UAA but 18.4% of the value of final agricultural production because only 15% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about 27% of the crop was fed to livestock on the farm where it was grown, the contribution of cereals to the final production of agriculture was 12.8% in 1982.

(c) The Community in world cereals production :

World production of cereals in 1982/83 amounted to 1 285 million t, of which the Community produced 10% (equal to 1981/82). The proportions produced by other major exporters of cereals were: United States 26%; Canada 4%; Australia 1%; Argentina 3%.

2. Production

Community cereals production in 1982/83 reached 130.5 million t - excluding rice - an increase of 7.1% on the 1981/82 crop and 5.0% above the 1980/81 record of 124.3 million t. Weather was generally excellent and yields increased in all Member States except Italy and Ireland, where adverse weather conditions resulted in a slight decline of both yields and final production for cereals.

The total area sown with cereals for 1983 was slightly below the area in 1982. The growing conditions were difficult, particularly for spring-sown cereals, and yields especially for barley and maize are expected to be well below last years high yields. Final production for all cereals will be well below that in 1982, preliminary estimates indicate a total production of about 123 million t.

(a) Common wheat:

Sowing conditions were generally good in the winter of 1982/83. The harvest is forecast at about 55 million t (- 1.0%). Harvesting operations have been facilitated by good weather and quality is expected to be good but not exceptional. The tendency among producers to switch from high-quality varieties to higher yielding but mediocre-quality varieties of breadmaking wheat is continuing. On the other hand the production of varieties which are only suitable for animal feeding seems to have stabilized.

(b) Durum wheat:

The area of durum wheat in 1983 declined slightly in France and Italy and continued to increase in Greece. Total area under durum wheat in the Community was unchanged at 2.1 million ha. Yields have further decreased from their 1982 levels and production is expected to reach 3.8 million t (- 7%). Italy accounts for the lion's share of Community durum production but the area under cultivation has remained stable for a number of years. Durum wheat occupies about 50% of total wheat area in Italy.

(c) Rye:

The area of rye increased by about 5% in 1983 indicating a stabilization around 0.65 million ha. Yields are expected to be slightly below last year and production will be a little higher than 2.4 million t.

(d) Barley:

The total area of barley in 1983 was 9.1 million ha, slightly below the area in 1982. Weather conditions were unfavourable particularly for spring seed because of very bad sowing conditions. Yields in 1983 are therefore expected to drop by 6% to less than 40 qt/ha but with big regional variations.

The area of winter barley as a percentage of total barley area is still increasing in the four main producing countries although it seems to have stabilized in Germany and France. In the UK and especially Denmark the use of winter barley has started at a later date but it is steadily increasing.

Area of winter barley (% of total barley area)

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Germany	39 %	46 %	49 %	53 %	55 %	59 %	63 %	48 %	62 %
France	20 %	31 %	42 %	51 %	38 %	55 %	57 %	55 %	62 %
UK	-	-	-	-	25 %	32 %	35 %	39 %	42 %
DK	-	-	-	-	-	0.4%	1.4%	1.2%	6 %

(e) Oats:

The area of oats has continued its longterm downward trend and is at a total of 1.8 million ha in 1983 (- 12%). Production is forecast at about 6 million t.

(f) Maize:

The area of maize in the Community in 1983 will be slightly below 1982 or approximately 2.94 million ha. Yields are as well a little lower and the production is expected to be 18.4 million t (- 4%).

3. Consumption

In 1981/82 the total volume of cereals used in the Community amounted to 116.3 million t, a decline of 1.6 million t compared to 1980/81. About 35% consisted of wheat, 30% of barley and 22% of maize. The utilization of all cereals was made up as follows in 1981/82:

human consumption and industrial use: 35.6% (34.4% in 1980/81); animal feed: 59.2% (60.4% in 1980/81); seed and losses, 5.2% (5.2% in 1980/81).

The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year; the following table gives the breakdown by cereals for 1981/82:

Cereal consumption in 1981/82 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Durum wheat	90.7	0.0	-	9.3	100.0
Common wheat	59.5	33.3	1.0	6.2	100.0
Rye and meslin	48.1	44.8	1.5	5.6	100.0
Barley	-	78.6	14.9	6.5	100.0
Oats and mixed cereals	4.6	89.9	0.0	5.5	100.0
Maize	4.3	77.1	17.4	1.2	100.0

- (a) Net human consumption in 1981/82 increased at about 3.0%. Per capita consumption of durum wheat rose by 1,8% on 1980/81 while per capita consumption of common wheat increased by 4,1% to 66.3 kg/head which is equal to that of 1979/80. The per capita consumption of both durum and common wheat has remained roughly unchanged over the past ten years.

Net human consumption of cereals in 1981/82 - breakdown by cereal

	Net overall human consumption ('000 t)	Net per capita consumption (Kg per capita)	% change 1980/81 to 1981/82
Wheat - common	17 985	66.3	+ 4.1
- durum	3 073	11.3	+ 1.8
Rye	1 048	3.9	0.0
Barley	42	0.2	0.0
Oats	210	0.8	+14.3
Maize	778	2.9	- 3.3

(b) Animal consumption:

The animal consumption is the principal outlets for cereals grown in the Community and make up about 59% of cereals used in the Community in 1981/82.

The total quantity of cereals used for animal consumption has dropped from a record 74.7 million t in 1973/74 to 67 million t in 1976/77. An increase to 73.2 million t was registered in 1977/78 since when the trend has been downwards.

Annual consumption of cereals was 71.4 million t in 1980/81 and 68.9 million t in 1981/82, a further decrease is expected in 1982/83.

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

Animal feed use of cereals in 1981/82, on the farm where grown and through the market - breakdown by cereal

: Cereals :	Used on farms	Marketed	Total	
	: 1 000 t :	: 1 000 t :	: 1 000 t :	: % :
: Wheat :	5 682	7 866	13 548	19.7
: Rye :	894	265	1 159	1.7
: Barley :	14 954	12 009	26 963	39.1
: Oats etc.:	4 927	1 560	6 487	9.4
: Maize :	4 578	15 542	20 120	29.2
: Other :	72	561	633	0.9
: Total :	31 107	37 803	68 910	100.0
:	45.0%	55.0%	100.0%	

Up to 1975/76, the animal feed use of cereals on the farms where they were grown accounted for around 50% of the total feed use. Since then, however, this proportion has fallen to about 45%. This shift is due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. Production of oats, a cereal which is largely used on the farm where grown, has also been declining rapidly.

The importance of cereals in animal feeds reached a peak in 1972/73 and 1973/74 where they accounted for more than 26% of total energy requirements (expressed in feed units). Since then it has slightly decreased to around 24% in 1979/80.

In 1972/73 cereals represented over 62% of the energy supplied by concentrate feeds (i.e. excluding bulky fodder, root crops and grazing, etc.). This proportion had fallen to 53.5% in 1980/81. In the same period the part taken by manioc passed from 1.5% to above 4% and that of oilcakes from 12% to around 17%.

This decline is principally due to the substitution of cereals by products such as manioc, oilcakes and a variety of industrial by-products which may be imported into the Community with little or no import charge. The most important substitute for cereals is manioc, imports of which rose from 2.1 million t in 1974 to 6 million t in 1978 and reached 8.1 million t in 1982.

Since 1982 the voluntary restraint agreement on manioc has been in force, which limits the imports of manioc to a little less than 6 million t. The imported amount registered in 1982 is well above that limit, which is due to the fact that shipments done by the exporting countries in the last months of 1981 are registered as imported into the Community in 1982.

Another important substitute for cereals is maize gluten feed, imports of which have risen from 0.7 million t in 1974 to more than 2.8 million t in 1982 and are expected to increase to about 3.2 million t in 1983. Without any import limitations a continued increasing trend must be envisaged, due to the limitations in import of manioc on the one hand and the evolution in the production of isoglucose on the other hand, since it is a by-product of this process.

(c) Industrial use:

The use of cereals for processing and industrial purposes decreased by 2.9% in 1981/82. There were, however, substantial differences from one cereal to another

Industrial use of wheat decreased slightly while that of maize has declined by 3.0%. These two cereals, which account for 4% and 45% respectively of total industrial use of cereals, are mainly used for the production of starch and glucose. A large quantity of maize is also used by the distilling industry in the United Kingdom (600 000 t in 1981/82) and a substantial amount in brewing mainly in France, the Netherlands and the BLEU.

Industrial use of barley decreased by 3.0% in 1981/82, to a total of 5.1 million t..

(d) Self-sufficiency:

Even though production dropped by 2% in 1981/82, the self sufficiency degree remained almost unchanged around 105% (- 0.6%) because of a drop in domestic consumption of 1.6 million t (- 1.4%). The lower domestic consumption was mainly due to a drop in animal consumption of 2.3 million t (-3.2). Industrial use decreased as well by 2.9% while human consumption increased by 3.5% solely due to an increase in the consumption of durum and common wheat.

The preliminary estimates of domestic use in 1982/83 are about 112 million t, i.e. 3.7% less than in 1981/82. Production on the other hand increased by 7.1% to 130.5 million t, so that the degree of self sufficiency is estimated at about 117%

Summary of the cereal balance sheet in 1981/82

(million t)

	:Common : wheat	: Durum : wheat	: Rye	: Barley	: Oats : etc.	: Maize	: Other :cereals	: Total
:Stock change(1):	+1.66	+0.24	+0.11	+0.35	+0.03	0.0	0.0	+2.39
:Net external :balance (2)	-10.73	+0.01	0.0	-5.45	+0.08	+7.53	+0.18	-8.38
:Domestic use :less production:	- 9.07	+0.25	+0.11	-5.10	+0.10	+7.54	+0.18	-5.99
:Self- :sufficiency (%)	122.3	94.7	95.7	114.8	98.6	71.1	72.1	105.1

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

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

(e) Stocks:

The estimation of stocks in the different Member States is undoubtedly of very variable accuracy as between both Member States and stock positions. According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1982/83 marketing year amounted to 12.0 million t of which 0.9 million t were held on farms. Common wheat accounted for 5.9 million t, durum wheat for 0.6 million t, barley for 1.3 million t and maize for 2.5 million t.

By 1 August 1983 the off-farm stocks increased to about 16.0 million t, including more than 9.7 million t of common wheat (17.5% of production), 0.7 million t of durum wheat (18% of production), 2.1 million t of barley (5% of normal production) and about 2.7 million t of maize (14.3% of normal production).

4. Trade

(a) Between Member States:

Trade between Member States of the Community falls into two distinct categories: trade in cereals of Community origin and trade in or transshipment of cereals produced in non-member countries.

Briefly, the latter consist of imports into one Member State via another Member State, generally for sound economic reasons such as vessel size and port charges, but occasionally in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular its monetary compensatory amounts system. The majority of this trade consists of imports of grain ultimately destined for Germany, France and the United Kingdom via the large Benelux ports. The cereal most commonly involved is still maize, exports of which from the Benelux countries to other Member States amounted to 1.9 million t in 1981/82 (- 7% from 1980/81). There has also been a significant trade of this kind in common wheat (0.5 million t from the Benelux countries in 1981/82).

The major Community supplier of cereals to other Member States is France. French deliveries in 1981/82 totalled 9.4 million t (including cereal products) as compared with 9.7 million t in 1980/81. Deliveries of French wheat in 1981/82 were 4.0 million t but decreased in 1982/83 to 3.3 million t.

Deliveries of barley decreased, as well in 1982/83, from 2.3 to 2.1 million t, the main customers being Belgium, Germany and Italy. However a significant part of the consignments to Belgium are believed to have been for subsequent export to non-member countries via Belgian ports. French deliveries of maize to other Member States rose from 2.5 million t in 1981/82 to 3.9 million t in 1982/83. The principal customers were the Benelux countries, Germany, the United Kingdom and Ireland.

Intra-Community trade in cereal products is also of increasing importance, including such products as wheat flour and semolina, barley malt and maize grits.

(b) With third countries:

Imports of cereals from non-member countries (reduced by the estimated level of transshipments) amounted to 14.4 million t in 1981/82 (7.6% less than in 1980/81) of which 8.7 million t were maize (13.6% less than in 1980/81). In 1982/83 the preliminary estimates indicate imports of about 10.5 million t of cereals, including only 6.5 million t of maize. In 1981/82 about 92% of the maize imports came from the United States, with the remainder coming mainly from Argentina. Imports of barley for malt production in 1981/82 amounted to over 600 000 t. The barley came mainly from Canada but also from Australia and the United States. Imports of barley in 1982/83 are estimated at around 200 000 t and again consisted mainly of imports of North American barley into Italy.

Imports of common wheat rose from 3.3 million t in 1980/81 to almost 3.5 million t in 1981/82 and then dropped back again to 2.2 million t in 1982/83. This total includes temporary imports under inward processing arrangements for subsequent re-export in the form of flour: 0.7 million t (wheat equivalent) in 1981/82 and about 0.7 million t in 1982/83. Durum wheat imports increased from 1.2 million t in 1980/81 to 1.3 million t in 1981/82. Over 90% of imports in 1981/82 came from North America and most of the remainder from Argentina. It is expected that durum wheat imports in 1982/83 will be slightly down, to approximately 1.0 million t.

Total exports of cereals and cereal products in 1981/82 rose by 1.8% to 21.6 million t. Within this total, common wheat and flour accounted for 14.3 million t. Exports of wheat and wheat flour in 1982/83 are estimated at about 13.2 million t, broken down as follows: 12.4 million t of commercial sales, of which 2.9 million t in the form of flour, and almost 0.8 million t as food aid. The estimated total of commercial flour exports includes around 1.5 million t exported under inward processing arrangements (+). The arrangements on an equivalent basis has been suspended since the end of 1982. Commercial exports of wheat in 1981/82 went to the Community's regular clients in West and North Africa as well as to countries in eastern Europe. In 1982/83 the pattern was similar, with a larger percentage of exports going to the Middle East. Flour exports continued to go to a wide variety of destinations, with the Soviet Union and Syria among the most important.

(+) Inward processing traffic: importation into the Community of products from non-member countries for processing and subsequent re-exportation; such operations are exempt from import levies and charges.

There were again large exports of barley in 1981/82 and 1982/83. Total exports of barley and barley products (mainly malt) amounted to 5.7 million t in 1981/82 (- 10%), of which 1.7 million t was in the form of malt. The quantities exported in 1982/83 are believed to have been slightly lower (about 5.1 million t, including 1.5 million t in the form of malt), though the principal destinations of the barley were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East. In both years France was the dominant supplier (including French barley exported through the Belgian ports) though the United Kingdom and Denmark were also important.

5. Prices

(a) Common prices:

The reference price for common wheat of bread-making quality has for several years been fixed for the minimum quality by way of derogation from the Regulation on the common organization of the market. Since fixing the prices for the 1981/82 marketing year, however, the Council defined an average bread-making quality as provided for in the basic Regulation and fixed the reference price for that quality. Nonetheless, at the same time it fixed a reduction to be applied in the event of intervention in respect of the minimum quality. Thus for 1983/84 there are two prices designed to support the market in bread wheat:

- the actual reference price (215.29 ECU/t) which serves as a basis for deriving the target price and thus the threshold price;
- a derived price ($215.29 - 11.62 = 203.67$ ECU/t) at which level any intervention measures for minimum-quality bread wheat must take place.

The latter price may be compared with the derived price fixed for 1982/83 (+ 2.5%). Such a comparison reveals a slight improvement in the competitive position of common wheat in animal feed in relation to the intervention price for coarse grains (+ 3.0% in 1983/84) and the threshold price for maize (+ 4.4% in 1983/84).

As for durum wheat, its intervention price was increased by 4.6%, which has slightly improved its competitive position compared with common wheat in the areas where it is grown.

(b) Internal market prices:

The 1982/83 marketing year, like the previous one, was characterized by surpluses of wheat and barley. These surpluses depressed prices of common wheat to the "reference price" (1) (this reference price was 10.8% above the intervention price)(2) except in Italy, where prices were around the reference price - average quality as intervention measures for common wheat were carried out at this price in Italy in 1982/83. The most notable exception to these general observations was the situation in Italy and France, where the price of maize was higher than the guaranteed prices.

(1) ("minimum quality")

(2) In the case of barley the market prices were, in some Member States, near or below the intervention price levels.

(c) World prices

At the beginning of the 1982/83 marketing year world stocks of wheat were estimated at 85 million t, an increase from last year, while feedgrain stocks also increased by about 30 million t to approximately 114 million t. Global production of both common wheat and feed grains again attained record levels in 1982/83.

There were excellent harvests in all the major exporting countries, with the United States and Canada achieving record wheat and feedgrain crops. While the production in Australia was extremely low (- 46% in 1981/82), Argentina also reached a very high production level. In the Soviet Union the crop was better than the previous year (106 and 99 million t for wheat and feedgrains respectively), while China had a satisfactory harvest.

The United States' aggressive export activities continued under the pressure of high American stocks. The global consumption remained more or less unchanged. Prices were under strong pressure in the first months of the marketing year but eased towards the end of the marketing year mainly because of the strengthening of the dollar.

Prospects for 1983/84 show a different situation for wheat and other cereals. Wheat stocks will remain high while the stock of feed grain is expected to decrease. Consumption will remain unchanged. Wheat prices will continue to be depressed, while feed grain prices are expected to increase between 15% and 20% depending on the strength of the dollar.

Highest and lowest monthly average prices in 1982/83 -
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	ECU/t	Month	ECU/t	Month
<u>Common wheat</u> :	:	:	:	:
: Soft Red Winter II	: 193.88	: July 1983	: 145.64	: October 1982
: Dark Northern	:	:	:	:
: Spring II/14%	: 215.69	: June 1983	: 184.52	: August 1982
<u>Barley</u> :	:	:	:	:
: Canada Feed I	: 136.99	: April 1983	: 115.16	: October 1982
<u>Maize</u> :	:	:	:	:
: Yellow Corn III	: 183.70	: July 1983	: 118.65	: October 1982
<u>Durum wheat</u> :	:	:	:	:
: US Hard Amber	:	:	:	:
: Durum III	: 224.54	: May 1983	: 173.79	: August 1982

(d) Consumer prices:

Bread prices increased by an average of about 9% between 1981 and 1982, rather less than in previous years. There were, however, great differences from one Member State to another:

- | | |
|--|-----------------|
| - Belgium, Germany, United Kingdom, Ireland: | from 3 to 7% |
| - Denmark, Netherlands: | from 9 to 11% |
| - Italy, Greece, France: | from 12 to 17%. |

It is very unlikely that these increases were caused by the price of wheat, as the price of bread is determined primarily by distribution and manufacturing costs and by government price controls and/or consumer subsidies. Moreover, these increases are very much smaller or even negative when expressed in relation to the general index of consumer prices.

6. Short-term outlook

Community cereals production in 1983/84 is estimated at about 123 million t, i.e. much lower than in 1982/83. Even then the Community is expected to be in net surplus for all cereals, with continuing imports of certain substitutes such as manioc, gluten feed and citrus pulps.

Cereal imports, which consist mainly of maize and quality wheat, are unlikely to diminish significantly. The exportable surplus of common wheat will remain almost unchanged at about 14.4 million tonnes, of which 13.1 million t is in the form of commercial exports of grain and flour. Barley available for export is expected to be around 3.5 million t, malt included, against 6.7 million t in 1982/83.

In the first months of the 1983/84 marketing year the situation on the world market has been favourable. The world production of wheat has remained at the record level of 1982/83, while the production of maize has been significantly lower (- 15%) due to an exceptionally low production in the US (- 38%). The very high price of maize (above common wheat) together with the strength of the dollar has made it possible for the Community to find outlets for a rather big part of the quantity foreseen to be exported with refunds substantially lower than last year.

The outlook for the rest of 1983/84 is still uncertain as the high production of wheat must be balanced against a low international demand and the uncertainties about the Soviet or Chinese demand.

7. Economic aspects of the measures taken

(a) Levies and refunds:

(1) Import levies:

Import levies varied considerably, influenced by the great fluctuations in world prices during 1982/83:

- common wheat:

76 to 125 ECU/t, i.e. 39 to 85% of the cif price (net of tax)

- barley:
106 to 113 ECU/t, i.e. 77 to 97% of the cif price (net of tax)
- maize:
63 to 112 ECU/t, i.e. 34 to 94% of the cif price (net of tax).

(2) Export levies:

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

(3) Export refunds (1982/83):

Export refunds for common wheat and barley were mainly fixed by standing invitations to tender from the open market.

For wheat, one tender covered all destinations except Scandinavia and South America (6.0 million t sold), a second covered South America only (375 000 t sold,). The total quantity of wheat sold in tenders from the free market was 6 million t with an average refund of 73 ECU/t.

For barley, a tender was opened for all destinations except Scandinavia, Japan and South East Asia (2.3 million t sold, average refund 69.0 ECU/t).

As far as fixed refunds are concerned, licences were issued as usual at the beginning of the marketing year for West Africa. Licences were also issued for the major basic cereals (apart from maize, of which there is a Community deficit) for countries bordering on the Community (notably Switzerland, Austria, Liechtenstein and Scandinavia) which see the logistic advantage of importing from the Community rather than its competitors. Export refunds were also fixed in the normal way for wheat flour, rye flour and durum wheat semolina.

The tenders ran from July 1982 to the end of May 1983, with the following results:

- common wheat : 6.0 million t
- barley: 2.3 million t.

Refunds for malt continued to be fixed as in the previous year by a special system which involves a weekly calculation based on the import levy for barley, with an added precaution in order to avoid speculation.

The period of validity of normal export licences was two months from the end of the month of issue except where licences were issued under the refund tendering procedure, in which it was four months from the end of the month of issue.

(b) International agreements and food aid:

The commitment of the Community and Member States under the 1980 Convention is for the annual supply of 1,650,000 t instead of 1,287,000 t under the previous Convention. Of this amount, 927,663 t (i.e. about 56%) normally is to be supplied by the Community as such and the remainder by the Member States, broken down by agreement amongst them, but exceptionally the amount to be supplied by the Community was increased to 1 million t in 1982.

By 30 September 1983 the Community had put in hand 91% of the 1981/82 programme and 25% of the 1982/83 programme (started only in August 1983). The previous programmes are executed at 99-100%.

The corresponding figures for Member State's aid were 98% for the 1981/82 programme, 39% for the 1982/83 programme and 98-100% for the previous programmes.

(c) Intervention:

The intervention agencies experienced an exceptional level of activity during the 1982/83 marketing year. The quantities accepted totalled 8.1 million t, common wheat 5.7 million t, which overburdened storage capacity and analysis facilities in some Member States. Stocks therefore had to be transferred to regions under less pressure. About 3.2 million t of cereals were sold during the marketing year, most of it for export. Stocks increased from 2.7 million t on 31 July 1982 to 7.6 million t on 31 July 1983, mainly due to an increase in stocks of common wheat (+ 4.0 million t).

Details of changes in intervention stocks during 1982/83 were as follows :

Intervention stock changes in 1982/83 (provisional estimates)

(1 000 t)

	Common wheat	Durum wheat	Rye	Barley
Stocks on 31.7.82	1 583	752	286	121
Purchases	5 705	79	41	2 232
Sales	1 630	4	21	1 521
Net change	4 075	75	20	711
Stocks on 1.8.1983	5 658	827	306	832

All the common wheat is bread-making wheat offered during the first three months of the marketing year under the special intervention measures in the form of buying-in at the reference price.

(d) End-of-season carryover payments:

Payments were made on private stocks of wheat in order to prevent recourse to special intervention measures for this product at the end of the marketing year. Carryover payments were also granted for maize stored in the surplus production regions and for rye stocks at mills. These carryover payments, which are designed to compensate for the price adjustment at the end of the marketing year, are calculated on the basis of the differences in intervention prices.

(e) Uniformity of prices:

Monetary compensatory amounts: In common with other sectors, cereals suffer from some disunity caused by monetary differences.

(f) Production refunds:

Production refunds are paid to cereal and potato starch manufacturers in order to enable them to compete with starch manufactured from other raw materials. The refunds fixed for the 1983/84 marketing year are 19.41 ECU/t for maize starch, 27.79 ECU/t for wheat, 23.91 ECU/t for broken rice and 31.25 ECU/t for potato starch.

(g) Durum wheat aid:

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where producers are dependent on this cereal for a significant part of their income.

For 1983/84 the aid is fixed at 99.81 ECU/ha in Italy and France, and in Greece at 77.36 ECU/ha for the regions receiving national aid before entry into the Community and 57.26 ECU/ha for the regions not receiving national aid.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on cereals was 1 824.5 million EUA in 1982; it is estimated at 2 548 million EUA for 1983 and 2 510 million EUA for 1984, i.e. a slight decrease (- 5.0%) in 1982 but an exceptional increase (39.7%) in 1983 compared to the previous year. The 1 824.5 million EUA for 1982 breaks down into 1 065 million EUA for export refunds and 759.5 million EUA for intervention measures.

2. RICE (*)

1. Introduction

In the 1982/83 marketing year the area under rice in the Community of Ten represented about 0.21% of its total UAA and 0.14% of the total area under rice in the world.

Rice is grown only in France, Italy and Greece. Some 89.8% of Community production comes from Italy; in 1982 the Community accounted for only 0.25% of world rice production (419 million t) (1).

Rice represents around 0.3 % of final agricultural production.

2. Production

In 1982 the area sown with rice in the Community was 198 000 ha, an increase of 4.2% compared with the previous year. In France the area was 5 450 ha compared with 4 500 ha in 1981, a rise of 21.1%. In Greece the area under rice rose by 2.6% from 15 123 ha in 1981 to 15 500 ha in 1982. In Italy the area under rice in 1982 totalled 178 000 ha, an increase of 5.3% compared with 1981.

In 1982 rice production in the Community of Ten, at 1 074 000 t, was 13.8% up on the 944 000 t produced in 1981 (1). This rise was due partly to the increase in area and partly to a higher average yield of 54.2 q/ha in 1982, as against 50.0 q/ha in 1981 (1).

The 1982 production figure in France was 27 450 t (1), a rise of 35%, and in Italy 964 000 t, a rise of 15.2% (1). Production in Greece, at 83 000 t, was 4.6% lower than the 87 000 t produced in 1981.

3. Internal consumption

In 1981/82 Community consumption of rice amounted to 978 000 t, a drop of 4.7% compared with the previous marketing year (1 026 000 t). Industrial uses dropped by 31.8% (30 000 t against 44 000 t in 1980/81), but the amount of seed used rose by 12.0% (37 000 t against 33 000 t in 1980/81). The use of rice in feedingstuffs was well up (+ 20.3%), rising from 69 000 t in 1980/81 to 83 000 t. Human consumption fell slightly, from 877 000 t in 1980/81 to 829 000 t (- 3.1%).

(1) Quantities expressed in terms of paddy rice.

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

(*) Because of the change in the basis for calculating the estimate and the estimate's new form the figures cannot be compared with those contained in previous reports. In addition it must be stressed that broken rice is included in these new figures.

(b) Market prices

During the 1982/83 marketing year market prices in the main producing area (Vercelli) were :

- . for round-grain rice, 11.3% above the intervention price;
- . for long-grain rice, 16.5% above the intervention price for Lido and 26.0% above the intervention price for Ribe.

In 1981/82 market prices for round-grain and long-grain rice were 29% and 37% respectively above the intervention price.

The end of the 1982/83 marketing year saw a decrease in prices, which at the beginning of September 1983 had settled somewhat and stood at :

- approximately 114.3% of the intervention price for round-grain rice;
- approximately 113.4% of the intervention price for long-grain rice (Lido) and 120.4% for Ribe.

(c) World prices

In 1982/83 world market prices were lower than in the previous marketing year at the start but by September 1983 they were close to the September 1982 level.

On the Thai market the price of milled rice went down from USD 300 in August 1982 to USD 285 at the end of August 1983, while the price of husked rice stayed around USD 275.

The United States market lacked transparency because of the payment-in-kind programme, coupled with a reduction in the area sown. Most United States deliveries were made under PL 480, which explains the lack of price transparency on the world market. Forward market prices at New Orleans rose appreciably until that market closed on 14 June 1983.

(d) Consumer prices

These are available for only some Member States. The following were recorded :

	1981	1982	1982/81 %
. Germany	DM 3.58/kg	DM 3.70/kg	+ 3.4
. Belgium	BFR 54.88/kg	BFR 61.25/kg	+ 11.6
. France	FF 6.50/kg	FF 7.56/kg	+ 16.3
. Italy	LIT 1,237/kg	LIT 1,666/kg	+ 34.7
. Netherlands	HFL 5.00/kg	HFL 5.12/kg	+ 2.4
. Greece	DR 45.31/kg	DR 57.15/kg	+ 26.1

4. Trade

In 1981/82 imports from non-member countries, including the quantities imported under inward processing arrangements, amounted to 0.802 million t compared with 0.655 million t in 1980/81, an increase of 22.4%.

Rice exports in 1981/82, including the quantities exported under inward processing arrangements, amounted to 0.463 million t compared with 0.327 million t in 1980/81, an increase of 41.6%.

The Community's share of world trade in 1982 was 8% of imports and 2.6% of exports. The main sources of whole rice remain the United States, Thailand, South America and Surinam and of broken rice South America, Burma and Thailand.

Exports were again concentrated on the Community's neighbours : Switzerland, Austria, Portugal and countries around the Mediterranean. There were also some special sales to more remote destinations.

Intra-Community trade fell slightly by 1.1% from 469 000 t in 1980/81 to 464 000 t in 1981/82, approximately 50% of this being Italian rice exported to the other Member States. Italian exports to the rest of the EEC reached the figure of 280 000 t in the 1981/82 marketing year.

5. Prices

(a) Common prices

Prices for the 1983/84 marketing year have been fixed as follows :

- the intervention price for paddy rice has gone up by 5.5% compared with the previous year to 306.53 ECU/t;
- the target price for husked rice (round-grain and long-grain) has been set at 523.16 ECU/t, an increase of 5.3% on 1982/83;
- the threshold price for husked rice (long-grain and round-grain) is 516.64 ECU/t, an increase of 5.3% on 1982/83.

6. Short- and long-term outlook

As forecasts had indicated, the 1982/83 harvest was 13% up overall on the previous marketing year. Production in 1983 looks like being around 4% more than in 1982. In 1982, as in previous years, 25% of the rice produced was round-grain and 75% long-grain. These proportions are expected to change slightly for the 1983 harvest, with an increase in the quantity of long-grain rice and a marked drop in the quantity of round-grain.

Despite the fact that Community demand is for long-grain rice, some long-grain rice produced mainly in Italy continues to find its only practical outlet on the world market while the Community continues to import types of long-grain rice which seem to be particularly popular with consumers in the northern countries. Community trade continues to progress satisfactorily; there is nothing to indicate that this situation will not continue, even though the latest figures show a fall in exports from Italy to the other Member States.

7. Economic aspects of the measures taken

(a) Levies and refunds

The sharp drop in world market prices in 1982/83 meant that import levies stayed high and were sometimes higher than in the previous year.

For the last three marketing years levies have been as follows:

	<u>ECU/t</u>			
	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	
Round-grain husked rice	30.66	133.39	212.55	:
Long-grain husked rice	30.89	138.64	210.59	:
Round-grain milled rice	59.93	193.65	343.34	:
Long-grain milled rice	169.57	313.30	442.40	:
Broken rice	8.04	36.40	64.69	:

Levies were high from March 1983 onwards because of the drop in world market prices, and remained high until mid-August.

A structural surplus brought about by the insufficient number of easy outlets for rice in the EEC meant special measures had to be taken regarding exports. These measures had two different aims, depending on whether they were applied to traditional exports of quality products or to disposing of purely structural surpluses to non-member countries. The following measures were adopted to maintain traditional export flows to Switzerland, Austria and Liechtenstein.

For long-grain husked rice refunds of 90 ECU/t at the beginning and 103 ECU/t until the end of the marketing year were fixed for the traditional exports to Austria, Liechtenstein and Switzerland. The corresponding refunds on long-grain milled rice were 112.5 ECU/t and 128.75 ECU/t.

The disposal of the surplus proper was carried out under the tendering procedure so that the quantities to be exported and the expenditure incurred could be better supervised (1). The highest amounts granted under these arrangements were between 198 and 302 ECU/T for long-grain milled rice and between 193 and 285 ECU/t for round-grain rice. A refund of 145 ECU/t for Zone I was maintained until July 1983 so that it might still be possible to penetrate markets further afield than Switzerland, Austria and Liechtenstein. The amounts so exported were fairly small.

(b) Food aid

+ 78.000 t of rice (milled equivalent) had been exported as food aid in 1982/83, including 70.300 t as national aid and 7.700 t as Community aid. The reduction in quantity is due to problems unconnected with the availability of funds and products. In the coming marketing year the quantities may be similar to those in 1981/82.

(1) 146.250 t of long-grain rice and 38.500 t of round-grain were exported from 18 August 1982 to 30 June 1983.

(c) Quantities offered for intervention

There has been no intervention for rice since 1972/73.

(d) Monetary compensatory amounts

No monetary compensatory amounts have so far been set for rice.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section for rice amounted to 50.3 million EUA in 1982; the estimate for 1983 is 71 million EUA, i.e. 0.5% of the Guarantee Section's total expenditure. The total of 71 million EUA breaks down into 62 million EUA for refunds and 9 million for intervention.

9. Other measures

In view of points of uncertainty that have arisen when the rice supply forecast was being prepared a Regulation introducing a compulsory declaration of production and stocks was adopted by the Council along with the 1983/84 prices package (R. (EEC) No 1566/83).

3. SUGAR

Introduction

The 1982/83 marketing year was the second one governed by the new basic Regulation in the sugar sector (1). This provides in particular for a system of production quotas, to apply until 1985/86, and an arrangement whereby the producers themselves bear the full cost of the disposal of surpluses resulting from the difference between Community production and consumption.

The salient features of this second marketing year in the sugar sector were as follows:

- the area under beet contracted by 9,3% compared with the previous marketing years;
- sugar production approached 14 million t of white sugar equivalent (1 million t short of the record figure of 1981/82);
- large surplus stocks were maintained throughout the year (especially owing to the carryover of 1,1 million t of C sugar to 1983/84);
- total exports on the world free market in 1982/83 were maintained at the 1981/82 level (i.e. about 5,3 million t);
- sugar prices on the world market stayed extremely low throughout the year (making the export of surpluses particularly costly).

1. Cultivation of sugarbeet in the Community

In 1982 the area under beet for sugar production declined by 187.000 ha, or 9,3%, on the previous year.

The area under sugarbeet in the Community at present represents about 1,8% of the total UAA.

The figures provided by the 1975 Structure Survey, and confirmed by those yielded by the 1977 Survey (about 370.000 units), show the total number of holdings growing sugarbeet to be declining in all Member States. It would appear that at present the number is still declining but that the rate of decrease has slowed.

(1) Regulation (EEC) No 1785/81, OJ No L 177, 1.7.1981, p. 4.

The figures provided by the 1975 Structure Survey, and confirmed by those yielded by the 1977 Survey (about 370.000 units), show the total number of holdings growing sugarbeet to be declining in all Member States. It would appear that at present the number is still declining but that the rate of decrease has slowed.

The average area of sugarbeet per grower varies between Member States, ranging from about one hectare in Greece to almost 11 ha in France.

Generally speaking, large acreages are to be found in France and the United Kingdom, medium-sized ones in Germany, the Benelux countries, Denmark and Ireland and small ones in Italy and Greece.

On the whole, the far-reaching structural changes in sugarbeet growing over the last ten years have brought about an improvement in production conditions and indicate that the current system of production quotas has not hampered the necessary restructuring process.

2. Restructuring of the processing industry

In 1972/73 there were 128 sugar manufacturers in the Community of Ten, with greater concentration in France, Germany and Italy. In the same year there were 250 beet processing factories.

The latest figures available for 1982/83 show a marked change in the structure of the sector.

The number of sugar manufacturers has dropped to 98 (- 23%) and the number of processing plants in operation to 203, a decrease of 19%.

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The number of sugar manufacturers has dropped to 98 (- 23%) and the number of processing plants in operation to 203, a decrease of 19%.

This development has been accompanied in the main by improvements in the equipment of the factories remaining in operation and the daily throughput of the Community as a whole rose from 879.000 t of beet in 1972/73 to 1.194.000 t in 1982/83, an increase of about 36%.

The most significant restructuring measures have been in Italy where, in 1982/83, three of the biggest sugar producers also encountered major financial problems.

3. Sugar production

Sugar production in 1982/83 did not attain the exceptional figure of the previous year (a record output of 15 million t of white sugar equivalent) but, at 13,942 million t (i.e. 7,3% below 1981/82), it must be regarded as excellent.

Given this level of production in 1982/83 and the carryover of one million t from the previous year, sugar production under the A quota (A sugar) stood at 9,4 million t, while output of B sugar attained 2,1 million t and production of C sugar was about the same as in 1981/82 at 3,5 million t.

In view of the large quantity of C sugar and the unpromising outlook on the world market, the Commission and the Community producers (manufacturers and growers) agreed to pursue the storage policy introduced in 1981/82 in an effort to improve world sugar prices. Consequently, for the second time, the producers carried over 1,083 million t of C sugar to the next marketing year; this means keeping this sugar in store for 12 months. The Commission, for its part, limited export commitments so that the Community's exports on the world market in 1982/83 would not exceed the 1981/82 level (i.e. about 5,3 million t of quota sugar and C sugar.

4. Sugar consumption

Human consumption

In 1982/83 human consumption of sugar was slightly down on the previous year, per capita consumption in the Community amounting to 34,6 kg compared with 35,1 kg in 1981/82.

Non-food sector and degree of self-sufficiency

In 1982/83, about 80.000 t were used in the chemical industry. The production refund was 3,72 ECU per 100 kg of white sugar used up to 31 July 1983 and 3,88 ECU per 100 kg used after that date.

The Community's self-sufficiency in sugar in 1982/83 fell to 147,2%. This surplus was further increased by imports of preferential sugar from the ACP countries, amounting to 1,29 million t of white sugar equivalent.

5. Isoglucose

Consumption and production of isoglucose in the Community remained practically unchanged in 1982/83.

Production/consumption (EUR - 10)

('000 t dry matter)

1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
82,6	102,8	139,1	164,2	179,7	182,6	182,3

6. Trade

Between Member States

More than two thirds of imports of sugar in the natural state are to the United Kingdom, Italy and Germany from the other Member States.

The main outlets for sugar in the form of processed products are the Federal Republic of Germany and France, which import from the other Member States.

In 1982/83 the total volume of intra-Community trade increased, particularly as a result of the decline in production in Italy.

With non-member countries

As in the past, more of the preferential sugar imported in 1982/83 went to the United Kingdom. Some was also imported by France (13,6% of total preferential imports).

In 1982/83 contracts were awarded by tender for most of the sugar exported on Community responsibility. Awards were thus made for 2.524.000 t of sugar (white sugar equivalent). In addition, 305.000 t were committed under the "periodic" system. Including exports of C sugar, the total volume of exports of sugar in the natural state in 1982/83 should reach about 5,3 million t of white sugar equivalent.

7. Community prices

1982/83

The average increase in agricultural prices in ECU was 10,4% for the Community as a whole.

In the sugar sector the increase in the intervention price for white sugar was less (+ 9,5%) less than for raw sugar (+ 10,5%).

The extra 1% for raw sugar made up for the difference in the previous marketing year, when the price rose by 1% less for raw sugar than for white sugar.

The rates of increase in the intervention prices for white sugar and raw sugar are thus the same overall for the two marketing years.

Under the system of compensation for storage costs, the reimbursement calculated on the basis of an annual interest rate of 13% (almost the same as that applied in 1981/82) was raised by 8,6%.

1983/84

The average increase in agricultural prices in ECU was 4,2% for the Community as a whole, against an increase of only 4% in the intervention price for white sugar.

Other prices in the sugar sector were aligned on the latter increase, except the threshold price for molasses which was increased by 6,0%.

Storage costs reimbursed so far, on the basis of an annual interest rate of 11,0%, are about 10% less than in 1982/83.

Prices on the internal market

Ex-refinery market prices net of tax charged by the sugar industry in 1982/83 were close to the intervention price until May 1983, and then moved closer to the intervention price for the new marketing year 1983/84. In Italy and Ireland, prices continued to exceed the intervention price by a larger amount.

8. World market trends

During 1981/82 the situation on the world market was marked by a significant excess of production over consumption. The same situation prevailed in 1982/83, causing a considerable increase in effective surplus stocks (stocks above normal stocks). By the end of August 1983, these had exceeded 13 million t (raw sugar equivalent).

During 1982/83 world sugar production reached 99,9 million t, 1% less than the previous year, while consumption showed signs of recovery with a total of 94,2 million t.

The persisting surpluses have depressed world prices since 1981.

In 1982/83 the annual average price of white sugar on the Paris exchange was 24,07 ECU/100 kg for short-term deliveries (spot prices), compared with 30,82 ECU/100 kg for the previous year.

At the end of September 1982 prices for raw sugar in New York had fallen to around 5,5 cents/lb, the lowest level since 1968 in real terms; it was not until May 1963 that the situation improved and raw sugar prices in New York have been fluctuating between 8 and 12 cents/lb since then.

Accordingly to the first estimates for 1983/84, world production is expected to drop to 94-96 million t (compared with 99,9 million t in the previous year); this should be accompanied by a further increase in world consumption, to 96 million t compared with 94,3 million t in 1982/83.

9. EEC outlook for 1983/84

Given the further decrease in the area under sugarbeet, which in 1983 totals about 1,67 million ha in the Community, compared with 2,03 million ha in 1981, and given the weather during the crop year, in effect, better than expected in many regions of the Community, the production in 1983/84 will probably be about 11,1 million t of white sugar.

Total consumption in the Community in the same year may be estimated at about 9,5 million t; if imports of preferential sugar, the customary trade with non-member countries in the form of processed products and the quantities carried over to 1983/84 are also taken into account, the total quantity of sugar available for export in the natural state will probably be distinctly less than effective exports in 1982/83.

10. Economic aspects of the measures taken

Levies and refunds

In view of the trend in world prices, which throughout the marketing year were below Community prices, all exports of sugar covered by the quota qualified for export refunds.

The average refund at the fob stage for the 1982/83 marketing year was 35,12 ECU per 100 kg of white sugar (39% higher than the refunds in the previous year).

Import levies for 1982/83 averaged 38,82 ECU per 100 kg white sugar and 35,50 ECU per 100 kg raw sugar.

The average refund at the fob stage for the 1982/83 marketing year was 35,12 ECU per 100 kg of white sugar (39% higher than the refunds in the previous year).

Import levies for 1982/83 averaged 38,82 ECU per 100 kg white sugar and 35,50 ECU per 100 kg raw sugar.

Intervention and food aid

In 1982/83 no sugar was offered to the intervention agencies and none of the customary food aid operations was effected.

11. Budgetary expenditure

In recent years expenditure in the sugar sector has fluctuated considerably on account of changes in world prices and in Community stocks.

Expenditure by the EAGGF Guarantee Section was thus 768 million ECU in 1981 and 1.242 million ECU in 1982 and is estimated at 1.434 million ECU for 1983.

From the 1981/82 marketing year the cost of disposing of surpluses resulting from the imbalance between sugar production and consumption in the Community has had to be borne entirely by the producers themselves.

This expenditure is covered by revenue from the production levies payable on A and B sugar and isoglucose. Another levy to equalize storage costs is charged on all sugar produced and disposed of within the quotas. The latter levy must cover the reimbursement of the relevant storage costs.

After deduction of the revenue from the levies in the sugar sector (production and storage levies), net Community expenditure totalled 285 million ECU in 1981, 536 million ECU in 1982 and 475 million ECU in 1983. However, most of this is expenditure resulting from the need to export a quantity of Community sugar corresponding to the 1,3 million t of preferential sugar imported from the ACP countries; this expenditure has fluctuated between 330 and 460 million ECU in recent years.

4. OLIVE OIL

1. Introduction

Establishing Community olive oil statistics for the most recent marketing years presents the same difficulties as previously. The information available gives the following picture.

Of the oil produced in the Community, 0,20% comes from France, 30% from Greece and 70% from Italy. In 1980 the value of olive oil production as a proportion of the value of agricultural production in each country was 11,0% in Greece and 5,8% in Italy, and olive oil production overall represented 1,4% of the value of final agricultural production in the Community.

Until 1975 approximately 70% of the Community's requirements were met by Community production, but over the last six years this percentage has been steadily increasing and with the accession of Greece the Community has become virtually self-sufficient, quantitatively, if not qualitatively.

According to available information, 2,7 million ha are planted with olive trees in the Community (2,2 million ha in Italy and 0,5 million ha in Greece). This accounts for roughly 27% of the total world area under olives and 2,5% of Community UAA. These areas remain more or less the same. According to certain estimates, the total number of cultivated and wild olive trees is about 307 million (185 million in Italy, 117 million in Greece and 5 million in France).

The number of families involved in olive-growing in Italy, Greece and France is about one million, 400.000 and 40.000 respectively.

In a normal year, Community production of olive oil is 47% of world production but since olive trees bear fruit in alternate years only, production can vary sharply from one year to another.

2. Production

Since 1978/79 aid to growers belonging to a producers' organization has been based on the actual quantity of oil produced. Other growers receive aid at a fixed rate according to the number and production potential of the trees they cultivate.

There are at present four producers' organizations in Italy, four in France and 90 in Greece. In France all growers belong to an organization, in Italy roughly 95% and in Greece about 85%.

On the basis of application for aid, production in the 1980/81 marketing year was 720.000 t in Italy, 338.000 t in Greece and 1.800 t in France. The quantities covered by aid applications for 1982/83 were not yet known when this report was drawn up. The Italian applications for 1980/81 are still being reexamined by the Italian authorities.

3. Consumption and marketing

A system of consumption aid was introduced in the Community on 1 April 1979. The aid in question is granted for oil put up in packaging of a maximum capacity by approved packaging establishments and is subject to the oil being marketed at a price which takes account of the consumption aid. Only four countries, however, operate packaging establishments approved for the purposes of the scheme (Italy, France, the United Kingdom, Greece and the Netherlands). The scheme has been in operation in Greece since 1 November 1981.

From 1978/79 - the marketing year in which the aid scheme was operated for the first time - up to and including 1981/82, aid applications (almost all of which are made in Italy) have shown an average annual increase of about 30%.

For 1981/82 applications were made in respect of about 260.000 t.

Applications made during the period to the end of September 1983 suggest that the figure for 1982/83 will be of the order of 320.000 t.

The increase in the quantities eligible for consumption aid does not necessarily imply a rise in consumption. It can be explained partly by the heavier consumption of Community oil at the expense of oil imported from non-member countries which does not qualify for the aid.

Regarding the impact of the aid on the retail price, five years of operation of the scheme show that it has been effective and that retail prices for olive oil have increased much less than wholesale prices.

4. Trade

Traditionally the Community has been the world's largest bulk importer of olive oil. Since the accession of Greece, however, and in view of the quantity of oil available in that country imports from non-member countries have fallen from 125.570 t (average for the five marketing years preceding enlargement) to 61.600 t in 1980/81 and 81.210 t in 1982/83 (the latter figure being based on import licences issued up to 30 September 1983). The main importing Member State remains Italy, followed by France.

Since the accession of Greece, exports from the Community to non-member countries have exceeded the quantities traditionally exported. Compared with the five marketing years prior to enlargement, during which exports were 16.890 t, exports were 62.100 t in 1981/82 and are already in excess of 50.000 t in respect of 1982/83 (export licences issued up to 30 September 1983 covered 51.000 t).

Of the quantities exported during the 1982/83 marketing year, no less than 24.580 t came from intervention, of which 7.390 t were from Italy and 17.190 t from Greece.

5. Prices

(a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979. For the 1982/83 marketing year the mechanism established was as follows:

	<u>ECU/100 kg</u>
Producer target price	302,77
Production aid	66,60
Intervention price	217,93
Representative market price	159,50
Threshold price	155,88

The consumption aid is equal to the difference between the producer target price less production aid, and the representative market price. For the 1982/83 marketing year it was 76,67 ECU/100 kg.

For 1983/84 the prices fixed by the Council are as follows:

	<u>ECU/100 kg</u>
Producer target price	319,42
Production aid	70,26
Intervention price	229,92

By 1 November 1983 the Council had not yet fixed the representative market price or the threshold price; the figures proposed by the Commission are as follows:

	<u>ECU/100 kg</u>
Representative market price	196,87
Threshold price	193,25

(b) Market situation and intervention purchases

The 1982/83 crop was small in Italy (resulting in negligible quantities being taken into intervention) but large in Greece. This has increased direct sales of Greek oil on the Italian market and reduced the quantities taken into intervention in Greece. Sales from intervention totalled nearly 100.000 t in 1982/83. Stocks of olive oil therefore fell from 169.000 t on 31 October 1982 to 117.000 t on 30 September 1983.

(c) Olive oil held by the Italian and Greek intervention agencies

After purchases and sales in Italy and Greece approximately 117.440 t of olive oil were in storage on 31 September 1983 (46.680 t in Italy and 70.760 t in Greece).

6. Economic aspects of the measures taken

(a) Import levies

Since June 1976 the levy has been fixed by tender, account being taken not only of the world market but also of the Community market and of levy offers made by traders. No particular difficulties arose in connection with the fixing of levies in 1982/83.

(b) Refunds

During the 1982/83 marketing year a refund was granted on exports of olive oil put up in packaging of less than 5 kg. The level of the refund, which fluctuated between 14 and 35 ECU/100 kg, enabled 35.580 t to be exported by the end of September 1983, compared with 15.702 t by the same date last year. Olive oil exports to Libya qualified for a special refund during a four-month period.

7. Budgetary expenditure

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

EAGGF Guarantee Section expenditure on olive oil was 493,1 million ECU in 1982. Forecast expenditure for 1983 is 676 million ECU.

For 1984, expenditure is estimated, on the basis of the draft budget for 1983, at 761,4 million ECU. Two main factors explain the size of the figures for these last two marketing years compared with expenditure in previous years: the steady increase in the catching-up rate for production aid payments in Italy and the alignment of aids in Greece, which is a major olive oil producer.

The figures for 1983 and 1984 can be explained by a further factor, the increase in the rates of aid.

Expenditure on olive oil accounted for 4% of total Guarantee Section expenditure in 1982 and 4,3% in 1983. For 1984 the estimate is 4,7%.

5. OILSEEDS AND PROTEIN SEEDS

I. Rape and sunflower seed

1. Introduction

In 1982, the share of oilseeds in the value of final agricultural production was 1,0% and these crops accounted for 1,5% of the Community's UAA. World production of rape seed rose from 12.3 million t in 1981 to 15.0 million t in 1982; Community production increased in 1982 to 2 695 000 t, and the Community's share of world production therefore rose from 16% to 18%.

World production of sunflower seed rose from 14.5 million t in 1981 to 16.6 million t in 1982. Community production of sunflower seed was 721 000 t in 1982, representing 4% of world production.

The Community's own oilseed production meets only a very small part of its oil and oilcake needs. The degree of self-sufficiency in 1982 was approximately 24% for oil, excluding olive oil, and 8% for oilcake.

2. Production

In 1982, the Community area under rape was 1 006 000 ha compared with 881 000 ha in 1981. Area increased in all the major producing countries and by 14% in the EEC as a whole. Yields increased by 18%, taking total production to 2 695 000 t.

In the Community of Ten, the area under sunflower seed rose by 62% from 210 000 ha in 1981 to 340 000 ha in 1982. Yields were lower, however, and production rose by only 44%.

3. Consumption

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

(i) Oil

Consumption of colza oil in 1982/83 rose by 46%, reflecting the increase in Community production.

Sunflower oil consumption increased by 6% in 1982/83 compared to 1981/82, to 607 000 t. This reflects largely the increase in EEC sunflower production.

(ii) Oilcake

Consumption of rape seed cake increased in 1982/83 in comparison to 1981/82, from 1.388 million t to 1.784 million t. This reflects the increase in Community production, since the Community tends to crush the major part of its requirements in the EEC and exports very little.

Sunflower cake consumption rose in 1982/83 compared to 1981/82 from 988 000 t to 1.131 million t. This reflects not only an increase in the EEC level but also a reduction in imports.

(iii) Oilseeds

Since the crushing margins for rape seed were more favourable than for competing oilseeds, no difficulty was experienced in marketing the 1982 rape seed crop.

Since the Community is considerably deficient in sunflower seed, no difficulty was experienced in marketing even the larger 1982 crop.

4. Trade

Imports of rape seed fell from 135 000 t in 1981/82 to 110 000 t in 1982/83, reflecting a poor crop in the main producing country, Canada.

Imports of sunflower seed also declined, from 874 000 t in 1981/82 to 654 000 t in 1982/83. This reflects the increase in the EEC's own sunflower seed production.

Exports of rape and sunflower seed remain at a relatively low level, (15 000 t of rape seed and 2 000 t of sunflower seed in 1982/83).

Trade in rape within the Community consists mainly of French exports to Germany. Sunflower seed is traded largely between France and Germany.

5. Prices

(a) Common prices

For the 1982/83 marketing year, the target price for rape seed was 46.39 ECU/100 kg and for sunflower seed 54.44 ECU/100 kg. For rape an increase of 4% was decided on for 1983/84. This is the first marketing year in which prices have been influenced by the guarantee threshold arrangements. In view of the Community's wish to encourage the cultivation of sunflower seed, a rise of 6% was adopted. The target price for rape seed was therefore fixed for 1983/84 at 48.22 ECU/100 kg and for sunflower seed at 51.71 ECU/100 kg.

For 1983/84, the Commission again provided for a special bonus in addition to the intervention price for double-zero rape varieties. This measure is designed to support the production of these varieties in the Community.

6. Market prices

(1) World market

During 1982/83 world market prices generally fell following an increase in the USA's soya production compared to 1981/82. For 1983/84, world oilseed production is expected to be at a very low level, and prices are expected to rise above 1982/83 levels.

(2) Community market

Prices obtained by Community producers were generally between the intervention price and the target price. The sunflower crop is normally sold at prices well in excess of the intervention price and even close to the target price.

7. Outlook

The Community rape crop for the present marketing year (1983/84) is estimated at 2.4 million t, which is down on last year, despite increases in planted area, particularly in the United Kingdom and Germany. As regards selling the crop, the marketing is well advanced, and trade sources expect little problem in disposing of the remainder.

The Community sunflower seed crop for 1983/84 is estimated at 1 050 000 t compared to 778 000 t in 1982/83. This reflects a substantial production increase in France, a smaller increase in Italy and a limited output in Greece.

8. Economic aspects of the measures taken

(a) Aid and refunds

Aid for rape seed in the 1982/83 marketing year fluctuated between 21.759 ECU/100 kg and 35.354 ECU/100 kg with an average of about 24.3 ECU/100 kg. The export refund during the same period varied between 21 and 24 ECU/100 kg.

For sunflower seed, aid varied between 25.841 and 34.970 ECU/100 kg, averaging around 30.1 ECU/100 kg. No export refunds were fixed for this product because of the Community deficiency situation.

(b) Intervention

During the 1982/83 marketing year, 38 213 t of rape seed were offered for intervention. This amount was sold during the same marketing year.

(c) Change in aid rules

- (i) By Regulation (EEC) No 1594/83, the Council extended the aid system for oilseeds to rape seed incorporated into animal feedingstuffs.
- (ii) By Regulation (EEC) No 2027/83, the Council also extended the system of differential amounts for rape and sunflower seed to take account of forward exchange rates.

9. Budgetary expenditure

EAGGF Guarantee Section expenditure on rape and sunflower seed amounted to 703 million ECU in 1982. The appropriations for 1983 are 932 million ECU. The appropriations allocated in the 1984 draft budget are 955 million ECU.

II. Soya beans

From 1974 to 1978 the area under soya, almost all of it in France, was about 4 000 ha. Between 1979 and 1982 it rose to 17 000 ha, with production reaching 27 000 t in 1982. In Italy the area sown for 1983 shows signs of increase.

The soya crop accounts for only a very small proportion of Community UAA, world production (95 million t of soya in 1982/83) or Community consumption (18 million t of seed equivalent in 1982/83).

The guide price for the 1983/84 marketing year was set at 56.17 ECU/100 kg, a 6.5% increase compared with the 52.77 ECU/100 kg for 1982/83.

III. FLAX SEED

Two types of flax are grown in the Community : fibre flax, which is grown mainly for the production of fibres but which also yields large quantities of seed, and seed flax cultivated solely for seed.

With about 65 000 ha producing 65 000 t of seed in an average year, the cultivation of flax¹ accounts for only a very low proportion of the Community UAA and the world production of flax seed (5.3 million ha with 2.8 million t in 1982 according to the FAO, against only 4.9 million ha with 2.3 million t in 1981). Argentina, Canada, India, the USSR and the United States are the main producers, accounting for 86% of world production.

This crop makes only a modest contribution to meeting the community's large requirements, since imports in 1982 amounted to 204 000 t of flax seed (187 000 t of which came from Canada), 34 000 t of oil (26 000 t from Argentina) and 459 000 t of oilcake (331 000 t from Argentina and 84 000 t from the United States).

Despite this deficit and despite yields which are as high as, or higher than, the yields in other countries (in 1982, 1 400 kg/ha compared with 1 000 kg in Canada and 760 kg in Argentina) the cultivation of seed flax is not expanding within the Community. In fact, areas are declining because returns are inadequate (yields, although double or triple the world average, are well below those of other oilseeds) and insufficiently guaranteed compared with those from competing rotating crops, namely cereals and other oilseeds. In 1982 only 3 147 ha (4 400 t) were sown compared with 4 294 ha in 1981 and 4 955 ha in 1980.

France, Italy and the United Kingdom are practically the only Member States which produce flax seed. Community production of flax seed amounted to 62 500 t, compared with 47 400 t in 1981 and 64 000 t in 1980.

For the 1982/83 marketing year, the guide price was fixed at 51.50 Ecu/100 kg compared with 46.40 ECU/100 kg for 1981/82 (+ 11%). the average world market price having been set at 26.638 Ecu/100 kg, aid was 24.862 ECU/100 kg compared with 14.866 ECU/100 kg for 1981/82 (world price : 31.534 ECU).

EAGGF Guarantee Section expenditure on seed flax and fibre flax (1) are for 1982 6,7 Mio ECU.

(1) See also under 7 B : Fibre flax and hemp.

IV. CASTOR SEED

Despite serious attempts to encourage the growing of castor seed in the Community, only about 10 hectares were producing this crop in 1981 and 1982. The share of castor seed in the value of final agricultural production, in the Community UAA or in world production is therefore infinitesimal.

According to the FAO, world production of castor seed in 1982 was 804 000 t from 1.5 million ha. India (250 000 t), Brazil (212 000 t) and China (130 000 t) together accounted for 74% of this production.

In the Community this crop is still at an experimental stage since some problems have proved more difficult to solve than expected. Yields are very satisfactory but the varieties cultivated are too late and the development of harvesting equipment is progressing too slowly. In 1982 imports amounted to 43 400 t of seed, principally from China, Pakistan, Sri Lanka and Sudan, and 60 000 t of oil from Brazil, India and China.

The aid system set up in 1978/79 for a minimum of five marketing years involves the fixing of a guide price, which is 66.39 ECU/100 kg for 1983/84 (as for 1982/83), and the granting of aid equal to the difference between that price and the world market price, provided that the producer has received at least the minimum price, which was fixed at 63.23 ECU/100 kg for 1982/83 and 1983/84.

For 1982/83 the average aid was 23.081 ECU/100 kg compared with 21.304 ECU/100 kg for 1981/82.

An additional aid (launching aid) of 12.90 ECU/100 kg was introduced for the five marketing years for which the system applies.

Since Community castor seed production does not seem to be expanding, despite the aid system, the Council has decided not to extend the latter beyond 1983/84.

6. DRIED FODDER, PEAS AND FIELD BEANS

a. Dried fodder

1. Introduction

The common organization of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried legumes, protein concentrates obtained from lucerne and grass juice and by-products obtained in the manufacture of protein concentrates. By a Regulation of 17 May 1983 the Council decided that the common organization of the market would continue to apply to dehydrated potatoes for the 1983/84 marketing year.

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

2. Production

Production of dehydrated fodder, other than dehydrated potatoes, in the Community in 1982 was 1 330 000 t, 9% down on 1981.

In 1982 France was once again the main producer with 768 000 t, more than half (58%) of Community production.

Dehydrated potatoes are much less important than conventional dehydrated fodders (mainly lucerne and grass).. In 1982/83 Community production of such potatoes was 28 810 t, 19% down on the previous year (35 695 t). The main producer in the Community is Germany, with around 25 814 t.

For sun-dried fodder, the common organization of the market has been in operation since 1 July 1978. Community production eligible for aid is estimated at 120 000 t in 1982/83 (80 000 t in France and 40 000 t in Italy). This is about 8% up on 1981/82.

3. Quantities available

Dehydrated fodder available in 1982/83 totalled 1 537 495 t, appreciably down on 1981/82 (1 607 866 t). The drop both in Community production (about 70 000 t) and imports (about 51 000 t) was responsible for this fall in available fodder.

4. Trade

Mainly as a result of the steep rise in production costs in certain non-member countries, Community imports of lucerne meal fell from 444 000 t in 1980 to 184 000 t in 1981. Imports in 1982 totalled 235 000 t.

As in earlier years, the United States and Hungary remained the largest exporters of dehydrated fodder to the Community. Imports from non-member countries went mainly to Germany (134 000 t) and Italy (38 000 t).

Community exports of dehydrated fodder to non-member countries have never been on a large scale. In 1982, they amounted to 27 800 t compared with 38 000 t in 1981.

5. Prices

On 1 April 1982, which was the beginning of the 1982/83 marketing year, the world market price of dehydrated fodder was 143 ECU/t. Since then prices have risen, reaching maximum levels in July 1982 (144 ECU/t) and February 1983 (148 ECU/t). However, following the general fall in the prices of protein products, the prices of dried fodder fell to 136 ECU/t in October 1983.

6. Economic aspects of the measures taken

For 1983/84 the Council fixed the guide price for dried fodder at 178.940 ECU/t and the flat-rate aid at 8.49 ECU/t, i.e. at levels higher in both cases by 6% than in 1982/83.

7. Outlook

Community production of dried fodder amounted to 1.46 million t in 1982/83 as compared with 1.59 million t in 1981/82. Production forecasts for 1983/84 range between 1.4 and 1.5 million t.

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

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on dried fodder was 42 million ECU in 1982. The appropriations set aside for 1983 in the budget total 49 million ECU. The appropriations set aside in the draft 1984 budget total 56 million ECU. These amounts correspond respectively to 0.3%, 0.2% and 0.3% of the EAGGF Guarantee Section budget.

b. Peas and beans used in animal feed

Since the Community's demand for feed protein greatly exceeds production, the Council adopted, on 22 May 1978, special measures designed to expand the utilization of peas and beans in animal feed.

In 1982/83 aid for the processing of peas and field beans was paid in respect of 419 000 t of peas and 194 000 t of field beans. This represents a 70% increase in the case of peas and an 83% increase in the case of beans compared to 1981/82 (246 000 t and 106 000 t). It reflects increases in utilization in the United Kingdom and France, but a decline in Belgium.

For the 1982/83 marketing year, the activating price for aid to peas and field beans was fixed at 47.60 ECU/100 kg of soya cake, while the minimum purchase price was set at 31.40 ECU/100 kg. The aid varied between 11,949 and 10,636 ECU/100 kg.

For the 1983/84 marketing year, the activating price was fixed at 51.76 ECU/100 kg and the minimum price at 29.19 ECU/100 kg; these prices represent increases of 8.7% and 6.4% respectively as compared to 1982/83.

Expenditure on this sector by the EAGGF Guarantee Section in 1982 totalled 41 million ECU. The appropriations for 1983 are 60 million ECU. The appropriations entered in the draft 1984 budget amount to 70 million ECU.

c. Peas and beans for human consumption

On 18 May 1982, by Regulation (EEC) No 1432/82, the Council adopted a new set of special measures for peas and beans, extending the aid system to peas and field beans used for human consumption. The new system entered into force on 1 August 1982.

The aid for peas and field beans destined for human consumption is granted on a different basis to that applicable for peas and field beans for animal feed. In the case of human consumption, aid is granted for an amount equal to the difference between the guide price and the world market price registered at the frontier of the Community for peas and beans of varieties capable of competing with Community production.

EEC production of peas and field beans qualifying for such aid was 78 000 t in 1982/83.

7. COTTON, FIBRE FLAX AND HEMP

A. Cotton

1. Introduction

Although cotton is not included in Annex II to the Treaty, Protocol No 4 on cotton which is part of the Treaty of Accession of Greece recognizes the specifically agricultural character of this product.

At Community level cotton is of limited importance both with regard to the areas planted (125.000 - 145.000 ha in recent years, or 1,5% of the UAA) and with regard to the number of growers (50.000). Nevertheless, for Greece, which is effectively the only producer Member State, cotton is of very great economic and social importance. The yield of unginned cotton and fibre is very high in Greece (in 1982/83, 738 kg/ha of fibre compared to a world average of 465 kg and 649 kg in the United States) and the fibre produced is of excellent quality. At present about 75% of the harvest is mechanized but the small size of the cotton fields (less than 3 ha on average) does not facilitate the use of machinery.

According to the FAO world production of cotton fibre was 14,7 million t in 1982. The Community share of world production is therefore less than 1%.

2. Production

Under the Greek national aid system it has not been possible to maintain the area under cotton. It fell from 183.000 ha in 1977 to 141.000 ha in 1980. In 1981, the first year of application of the Community aid system, the area under cotton was 126.000 ha and in 1982 it rose again to 137.000 ha. In Italy cotton growing has virtually disappeared. Community production in 1982 was 316.000 t of unginned cotton and 101.000 t of cotton fibre compared to 351.000 and 121.000 t in 1981. Production of cotton seed was 156.000 t in 1982 compared to 192.000 t in 1981.

3. Trade

Since unginned cotton is difficult to transport over long distances both for technical (preservation is difficult) and economic reasons (it is more profitable to gin the cotton on the spot), there is no international trade in this product.

Since the Community has a spinning capacity which is far greater than its production of fibre, it imports large quantities.

In 1982 the Community of Nine imported 772.000 t of cotton fibre (raw cotton plus linters) compared to 671.000 t in 1981. The Soviet Union (179.000 t), the United States (145.000 t), and Turkey (91.000 t), are the main suppliers (54% of total supplies). Community exports of cotton fibre were only 25.000 t.

Trade between Greece and the other Member States is limited.

4. Prices

Because there is no trade in this product there is no world price for unginning cotton.

As regards the world price for fibre, the "A" index published by Liverpool Cotton Services and by "Cotton Outlook" is considered one of the most representative of the world spot market for a specific usual grade. (Middling 1 - 3/32 inch).

During the 1982/83 marketing year world cotton prices stayed at fairly low levels until December 1982. The "A" Index, which was 78,8 ct/lb on 1 August 1982, declined to 68,7 ct/lb in December. Since January 1983 it has gradually recovered and at the end of the marketing year was 87,10 ct/lb.

The average for 1982/83 was 77 ct/lb compared to an average of 74 ct/lb in 1981/82, a rise of 4%.

5. Aid system and budgetary expenditure

The aid system involves the granting of aid for the Community quantity of unginning cotton, equal to the difference between a guide price fixed every year by the Council and the world market price recorded regularly by the Commission.

The aid is fixed once a month except when there is an important change in the world market situation. The aid is granted to ginning undertakings provided that they have paid the producer at least the minimum price fixed by the Council for the marketing year in question. The full aid is granted only for a limited quantity. Any excess production results in a reduction in aid for all producers, so that this maximum quantity provides a barrier to any excessive development of Community production.

In any case, production finds a natural limit in the fact that fertile irrigated land in an area with a subtropical climate is not very abundant in the Community.

For the 1983/84 marketing year, the Council fixed the guide price at 92,75 ECU/100 kg, the minimum price at 88,12 ECU/100 kg and the quantity of unginning cotton which will receive the full aid at 450.000 t. The corresponding figures for 1982/83 are 85,88 ECU/100 kg, 81,59 ECU/100 kg and 450.000 t. The prices have therefore been increased by 8%.

During the 1982/83 marketing year the Commission, taking into consideration the world market situation, fixed the aid for unginned cotton 20 times. The aid was about 33 ECU/100 kg in August but then due to the fall of cotton prices during the ginning months of October, November and December, it was increased to 36,4, 37,4 and 37,6 ECU/100 kg respectively. Following a recovery of prices the aid was gradually reduced from January to 22,4 ECU/100 kg in July 1983. The expenditure on cotton by the Guarantee Section of the EAGGF for the 1982/83 marketing year was about 125 million ECU compared with 116 million in 1981/82.

B. FIBRE FLAX AND HEMP

1. Introduction

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

The Community area under fibre flax is 50.000 to 55.000 ha. Fibre flax is grown on about 10.000 farms in the Netherlands, Belgium and north west France. Flax straw is processed into fibres in about 250 retting and scutching concerns located in the production areas. Their number is decreasing but they are growing in size and they produce a considerable and relatively stable quantity of raw materials which the Community lacks: natural textile fibres, oilseeds and wood particles. The Community accounts for only 4% of the total world area under fibre flax (1,5 million ha) but for 12% to 15% of world production of flax fibre (700.000 t), as a result of yields which are well above the world average. The quality of the Community fibre is also well above that of flax produced elsewhere in the world (USSR, Eastern Europe, China, Egypt).

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

2. Production

In 1982 the Community area under fibre flax, which in earlier years had been close to 60.000 ha and in 1981 was only 49.600 ha, rose again to 50.000 ha. This increase (+ 2%) is attributable to an overall improvement in the industry. The relative importance of the producer Member States has changed slightly: France (79%) lost two points to Belgium (15%). Dew retting continues to replace water retting, the higher cost of the latter (in terms of labour and energy) being insufficiently compensated for by the higher price for the fibre and higher seed yield. This trend is a danger to future supplies of good quality certified seed, particularly in years when weather conditions hamper or delay seed stripping in the fields.

On the whole, growing, pulling and retting conditions for the 1982 harvest have been very satisfactory. The straw yield was normal and the quantity and quality of the fibre were above average.

The area under paper hemp, after a steady increase in previous years, began to fall in 1979 and dropped again in 1982, reaching only 5.300 ha (5.100 ha in France) compared with 5.700 ha in 1981 (- 7%).

The difficulties in selling paper have caused paper mills to conduct a very cautious buying policy consisting mainly in replacing hemp by flax. Sales of hemp seed, on the other hand, have improved.

3. Consumption and stocks of fibres

Stocks of fibres held by scutching concerns, dealers and spinning undertakings at the start of the 1981/82 marketing year were estimated by the trade at the alarming level of 75.000 t. During the marketing year, however, 300.000 t were absorbed and stocks at the end of the year (44.800 t) can be considered normal or even slightly down on normal.

Sustained operations by the spinning industry combined with the loss of around one third of the French harvest during retting explain this fall in stocks.

The market in short flax fibres and to a less extent the market in hemp fibres have also improved, with a rise in prices and a fall in stocks.

4. Trade

Since its unit value is too small to justify long-distance transport, there is no trade in flax straw with non-member countries. Intra-Community trade is limited to Belgian imports from France and the Netherlands.

In 1982 retting and scutching concerns in Belgium purchased 51.000 t of flax straw in France and the Netherlands to swell the Belgian crop. The fall compared with the previous marketing year (- 7%) is explained by an increase in the number of years the Belgian retting and scutching industry has been processing a relatively stable quantity of straw which it has been obtaining from as near home as possible.

The quantities of flax fibre imported in 1982, which were down on 1981 (15.900 t) and 1980 (14.000 t), fell to the very low level of 13.000 t. The quantities exported on the other hand (30.500 t) far exceed those recorded in previous years.

The Community does not produce enough low and medium quality fibre, which it imports from Eastern Europe, Egypt and China where it is produced in large quantities, but it supplies the entire world and in particular Eastern Europe (12.200 t) with good and superior quality fibre which is not produced elsewhere.

Imports of hemp fibre fell from 9.400 t in 1981 to 5.600 t, thus confirming the difficulties in this sector, and exports were only about 1.500 t.

5. Prices

The damage caused to the 1981 harvest sharply pushed up the prices of flax straw for the 1981/82 marketing year, and prices continued to rise in 1982/83. Returns for the majority of growers also rose sharply. Average selling prices for long flax fibres, which have been rising since October 1981, continued rising throughout the 1982/83 marketing year.

The market situation for short fibres improved but the level of prices continued to remain lower than in 1978/79 and 1979/80. The contract price for hemp straw agreed between users and producers rose from FF 435/t (75,40 ECU/t) in 1980 and to FF 475/t (79,23 ECU/t) in 1981 to FF 524/t (84,58 ECU/t) in 1982.

6. Outlook

In 1983 the Community area under fibre flax was 53.100 ha. This represents a recovery (+ 4,5%) which is smaller, however, than was originally expected in view of the fact that the flax could not be sown at the appropriate time.

The quality of both straw and fibre was very uneven. Yield for straw, fibre and seed was down on normal.

The drop in the areas under hemp which began in 1979 slowed down in 1983. About 5.000 ha have been sown (4.900 in France) compared with 5.300 ha in 1982. However, there is no prospect of this crop recovering in the short term.

7. Projections for fibre flax for 1983/84 and beyond

The very satisfactory marketing situation for straw and the promising situation for long fibres from the 1983 harvest should enable producers and scutchers to increase without risk the areas currently sown. However, the fact that the market is currently in balance and should remain so in the short term is due principally to a contraction of supply.

The future of the sector will be assured in the long term only if flax succeeds in capturing an increasing share of the range of textile products available to the modern consumer. To do this, not only will flax have to maintain and increase the outlet it has found in the clothing industry but it will also have to recover some of the other outlets it has lost.

8. Budgetary expenditure

The aid for fibre flax was fixed at 355,12 ECU/ha for 1983/84 compared with 335,02 ECU/ha for 1982/83 (+ 6%). Of this amount, 23,08 ECU are to contribute towards financing measures to encourage the use of flax fibres.

For hemp, aid for 1983/84 is 322,52 ECU/ha compared with 304,26 ECU/ha for 1982/83 (+ 6%).

Expenditure chargeable to the Guarantee Section of the EAGGF for fibre flax and hemp in 1982 was 19,5 million ECU.

8. SEEDS

I. Introduction

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

- dried leguminous vegetables for sowing	CCT 07.05 A
- spelt for sowing	CCT 10.01 A
- hybrid maize for sowing	CCT 10.05 A
- rice for sowing	CCT 10.06 A
- oilseeds and oleaginous fruit for sowing	CCT 12.01 A
- seeds, fruit and spores, of a kind used for sowing	CCT 12.03

This sector must be considered not only in terms of seed production but also in terms of its strategic value. In 1981 fodder seed produced a 12.526.000 ha crop of green fodder in the EEC, while permanent grasslands covered an area of over 46.000.000 ha. A production of around 1,4 million quintals provides enough hybrid maize seed to put approximately 5 million ha under grain maize and forage maize. Similar examples can be given for rice and other seeds. It should also be stressed that indigenous varieties, particularly of leguminous vegetables, are generally more persistent (long-lived) than varieties imported from abroad.

II. Production

Denmark is the main Community producer of grass seed; the Netherlands and the United Kingdom are also large-scale producers. France and Italy are the main producers of leguminous plants.

In 1982 production of fodder seed in the Community was about 2,4 million quintals (2.988.243 in 1981); with the leguminous plant sector apparently reaching an equilibrium state. The area declared for the 1983 harvest (212.305 ha) was substantially down on 1982 (242.302 ha), particularly in the case of leguminous plants:

Graminae : 96.611 ha in 1982 as compared with 104.042 ha in 1983
Leguminosae : 145.691 ha in 1982 as compared with 108.263 ha in 1983.

The production of rice for sowing is running at around 409.000 quintals (1982). With the granting of Community aid, the use of certified seed now meets 80%, rather than just 40%, of requirements; Community aid thus seems to be having a positive effect in this sector.

Production of hybrid maize seed is around 1,4 million quintals (1982) but the area sown is still shrinking, particularly in Italy.

III. Supply situation

Community supplies of fodder seed continue to be satisfactory. With + 3 million quintals available to meet an estimated demand of some 1.800.000 quintals the Community is able to cover its own requirements for most of the species grown. The situation should remain more or less the same for the marketing year ahead. However, trade with non-member countries will continue, particularly in the case of certain species which are in short supply in the Community (Phleum pratense, Trifolium repens, Vicia sativa, etc.). The beginning stocks of the crop year are superior to 1982 figures. Approximately 900.000 q against 808.000 q.

In the case of hybrid maize the supply situation is deteriorating and imports from certain Eastern bloc countries and the USA continue to rise (216.280 q in 1979/80; 386.987 q in 1982/83 to 31 May). The trend in the rice seed sector is positive.

IV. Prices

Producer prices in the Community are moving downwards by comparison with the same period last year. Prices on the Danish market, which is the main Community market, were as follows:

	ECU/100 kg	
	<u>September 1982</u>	<u>September 1983</u>
Lolium perenne L (late varieties)	97 - 100	90
Lolium multiflorum L	109	86
Festuca pratensis L	121	107
Festuca rubra L	121 - 124	107
Poa pratensis	-	120

The countervailing charges on hybrid maize imports range at present (October 1983) from 10,9 to 80,8 ECU/100 kg depending on the country of origin.

For 1983/84 the reference prices for hybrid maize have been fixed as follows:

I. Double hybrids and topcross hybrids:	78 ECU/100 kg
II. Three-cross hybrids:	97 ECU/100 kg
III. Single hybrids:	174 ECU/100 kg

V. Action decided

The Council decided to include various species of Graminae and Leguminosae in the Annex to Regulation (EEC) No 2358/71; it also fixed the aid levels for seeds for the 1984/85 and 1985/86 marketing years. The Commission fixed the reference prices for hybrid maize for the 1983/84 marketing year. The lists of varieties of *Lolium perenne* L (varieties of high persistence, late or medium-late; varieties of low persistence, medium-late, medium-early or early) have been altered slightly.

VI. Outlook

The 1983 harvest would seem to be satisfactory, with prices at the beginning of the marketing year moving downwards.

VII. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was around 40 million ECU in 1982.

9. WINE

I. 1981/82 wine-growing year

1. Introduction

In 1982 wine represented 5,8% by value of the Community's final agricultural production. In the 1981/82 wine-growing year the area under vines in production amounted to 2.373.000 ha, out of a total area of 2.463.000 ha, or 2,7% of the Community's UAA; in five years the total area has been reduced by 200.000 ha (8,1%).

The FAO puts world wine production in 1981/82 at 306 million hl, which is 43 million lower than the previous year's figure and lower than average production over the last five years (324 million hl).

2. Production

Production in the Community was 141 million hl in 1981/82, compared with 164 million hl in 1980/81 and 182 million hl in 1979/80 (an absolute record).

In the three years this represented 45,8% (in 1981/82), 47,0% (in 1980/81) and 48,6% (in 1979/80) of world production (on the basis of FAO figures).

Since the area under vines in the Community represents only about 24% of the world vineyard, the average Community yield is considerably higher than the world figure.

3. Consumption

In 1981/82 total internal utilization accounted for 150 million hl compared with 164 million hl in 1980/81; these quantities include the intervention distillation mentioned below.

(a) Human consumption

In 1981/82 direct human consumption was 124,8 million hl against 127,5 million hl in 1980/81.

These figures confirm that the trend is still downwards, even though there was a slight upturn in consumption in 1979/80 (probably owing to the increase in growers' own consumption which generally occurs in years of abundant harvest).

This drop can be attributed to the reduction of consumption in the main producing countries, which the slight increases in the other countries do not offset.

(b) Processing

The quantities processed in 1981/82 amounted to 24 million hl, including quantities used for making spirits of designated origin, quantities distilled under compulsory distillation measures and quantities distilled with Community aid.

The quantities distilled with Community aid in 1981/82 totalled 14 million hl.

In the two previous wine-growing years the quantities processed were 35 million hl and 32 million hl, while the quantities distilled with Community aid were 23 million hl and 18 million hl.

(c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1981/82 for all internal utilizations was 93,5% (99,9% in 1980/81).

If the quantities distilled under the various intervention measures (about 14 million hl) are included in the supply figure, the degree of self-sufficiency for 1981/82 becomes 103,2% compared with 116,3% in 1980/81 and 126,4% in 1979/80.

4. Stocks

At the end of 1981/82 stocks in the Community amounted to 76,4 million hl, well down on the previous year (91,4 million hl) and below the level in 1978/79 (78,1 million hl).

5. Trade

In 1981/82 imports into the Community of Ten were 5,8 million hl, whilst exports amounted to 10,6 million hl. (The figure for exports in the attached tables (the balance sheet) is different because it is calculated from the difference between the total of exports from Member States and intra-Community trade which is worked out on the basis of imports).

The trend is still for imports to drop (despite the slight increase of 0,3 million hl compared with the previous year), although since the 1975/76 wine-growing year exports have shown an upward trend, mainly owing to expanded Italian exports.

II. 1982/83 wine-growing year

1. Production

The most recent production figures indicate a volume of 171 million hl, an increase of 31 million hl compared with the previous year.

2. Consumption

Total internal utilization accounted for 157 million hl, an increase of 7 million hl.

(a) Human consumption

In 1982/83 direct human consumption was 126,4 million hl, confirming the downward trend which has been apparent for several years (127,5 million hl in 1980/81).

(b) Processing

The quantities processed in 1982/83 amounted to 29,7 million hl compared with 24,0 million hl in the previous marketing year.

The quantities distilled under Community intervention measures rose sharply (20,1 million hl as against 14,1 million in 1981/82) owing to the increase in quantities coming forward.

3. Prices

(a) Institutional prices

For 1982/83 the average increase in guide prices for all types of table wine was 11,0% compared with the previous year.

(b) Average prices for the wine-growing year

- Red wine of type RI

French prices remained stable for most of the year but fell in the last two months and even ended up slightly below Italian prices.

Average French prices for the year as a whole, however, were about 2% up on the previous year. They were around 79% of the guide price.

Prices of Italian wines rose slowly and steadily over the year. From July onwards they were above French prices and around 80% of the guide price. Quotations in Italy varied from the previous year's by 6% to 28%.

The only Greek quotation taken into account during the year was equal to 90% of the guide price.

- Red wine of type RII

The only French quotation, for Bastia, fell continuously throughout the year. It started at around 87% of the guide price and finished the year at 71% of the new guide price.

Italian prices, on the other hand, improved markedly until April but then lost ground. Average prices for the year were about 18% up on the previous year; they are now around 72% of the guide price.

No Greek quotation were taken into account.

- White wine of type AI

French prices were very irregular throughout the year, with a strong downward trend. They started the year well above the guide price but were around 80% of the new guide price at the year's end. Prices were 19% to 23% down on the previous year.

Italian prices remained stable but at a low level. They fluctuated around 78% of the guide price. Average prices were 15% to 25% up on the previous year.

The gap between French and Italian quotations, which was considerable in the middle of the previous year, narrowed steadily thereafter (because of the fall in French quotations) and was only fractional at the end of 1982/83.

Some Greek quotations were taken into account. They remained low (about 70% of the guide price) and stayed down (4% to 11%) on the previous year.

- German wine

Quotations for white wine tumbled when a very abundant harvest was announced. They had been well above the guide but by November quotations for type AII were around 50% of the guide price and quotations for type AIII around 80%. They finished the year on a very weak note, at 45% and 60% of the guide price respectively.

Prices for red wine were also down, but not by so much. They finished the year still above the guide price.

(c) Prices on the Spanish market

Prices of white wines on the Spanish market were fairly stable throughout the year. There was a slight increase compared with the previous year, but because of the devaluation of the peseta the average Spanish price fell from 66% of the average Community price in 1981 to 55% in 1982.

III. Outlook

(a) Short term : forecasts for the 1983/84 wine-growing year

The latest information available suggests that the 1983/84 harvest will yield slightly less than the previous year.

Production should be around 165 million hl.

(b) Medium-term

Although the 1981/82 harvest was comparatively small, the trend in recent years increases the likelihood of bigger average surpluses. It is therefore more necessary than ever to apply the instruments set up by the 1980-86 action programme effectively, especially as regards the conversion of vineyards to other uses. This requires the parallel implementation of a market policy which is consistent with the structural action programme, and therefore full implementation of the latest amendments to the basic Regulation, which aim to rebalance the market from the beginning of the year by means of distillation.

IV. Economic aspects

(a) Levies and refunds

1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 19 non-Community countries which have undertaken to observe the reference price and are the Community's principal suppliers. The level of the countervailing charges has remained unchanged since 1981/82.

2) Export refunds

The level of export refunds for wine rose at the beginning of 1982/83 from 1,15 ECU to 1,45 ECU per % vol per hl, except on exports to Africa, for which the refund was kept at 1,15 ECU. Refunds for liqueur wines other than quality wines p.s.r. were retained.

The quantities qualifying for refunds fell slightly in 1982, amounting to 2,05 million hl against about 2,33 million hl in 1981.

They should drop appreciably in 1983.

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

In 1982/83 the following intervention measures were applied :

- at the start of the marketing year :
 - . authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must,
 - . distillation carried out under the "price guarantee" (reserved for holders of long-term storage contracts),
 - . preventive distillation.
- distillation of wine produced from table grapes and dual-purpose grapes.
- so-called support distillation, which started in March 1983.
(So-called exceptional distillation had been necessary in 1980, 1981 and 1982 under the previous rules).

The quantities of wine distilled with Community aid were of the order of 20 million hl, against 14 million hl in 1981/82.

The average of the monthly quantities covered by storage contracts amounted to 25,2 million hl (22,3 million hl in 1981/82), the maximum figure being 37,9 million hl (34,3 million hl in 1981/82).

(c) Stock situation

At the beginning of 1982/83 stocks held by producers and the trade in the Community of Ten amounted to 76,4 million hl (against 91,4 million hl at the beginning of 1981/82). A far larger quantity (around 85 million hl) can be expected at the end of the year; part of this increase is due to expanded stocks of quality wines p.s.r., caused by an exceptionally abundant harvest of wines of that type.

(d) Price unity

During the 1982/83 wine-growing year monetary compensatory amounts were retained or reintroduced for Germany, France, Greece and Italy. They were discontinued for Italy from 16 May 1983.

In the wine sector the representative rates for the various currencies were altered as follows: twice (on 31 January and 11 July 1983) for the drachma, twice (on 23 May and 20 June 1983) for the Belgian and Luxembourg francs and the Irish pound, once (on 23 May 1983) for the lira and once (on 11 July 1983) for the French franc.

V. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 570,5 million EUA in 1982; the provisional figure for 1983 is 638,0 million EUA and the estimate for 1984 is 588,0 million EUA. This is 4,6%, 3,9% and 3,6% respectively of total expenditure by the Guarantee Section.

The figure of 638,0 million EUA can be broken down into 32,0 million EUA on refunds and 606,0 million EUA on intervention.

10. RAW TOBACCO

1. Introduction

In 1982 world leaf tobacco production reached a record 6,77 million t, a 14,1% increase over the figure for 1981, which was 5,93 million t. The 1982 figure was the result of bumper crops which raised the production of flue-cured varieties in the main producer countries (China, India, Brazil, Zimbabwe and Argentina) by 18,7% and that of Burley by 16,5%, in particular in the United States, Brazil, Korea, Argentina and Malawi. The only exception was dark air-cured cigar tobacco: its production fell slightly, by 1,6%. Flue-cured varieties accounted for 52% of total world tobacco production. It is estimated that in 1983 world production will be 5,98 million t, a fall of 11,5% compared with 1982, and this as a direct result of the drop in production in certain countries, viz. the United States, China, India and Brazil.

2. Production and structure

In 1982, Community production was 329.345 t, an increase of 6,5% over 1981. During that period the area under cultivation rose from 171.555 ha in 1981 to 175.552 ha in 1982, i.e. an increase of 2,3%, which can be attributed to the two main producer countries: Italy and Greece.

EEC

TYPE	AREA (ha)			PRODUCTION (t)		
	1980	1981	1982	1980	1981	1982
Dark air cured	28.173	27.422	27.340	62.966	65.579	73.280
Sun cured	104.597	103.059	105.204	123.995	132.163	132.608
Light air cured	22.483	23.891	25.278	76.085	76.055	82.923
Flue cured	11.152	12.013	12.660	21.787	26.081	30.240
Fire cured	5.863	5.019	5.018	9.779	9.113	10.196
Other	209	151	52	334	257	98
Total, EUR-10	172.477	171.555	175.552	294.946	309.248	329.345

TYPE	AREA (%)		PRODUCTION (%)	
	1981/1980	1982/1981	1981/1980	1982/1981
Dark air cured	- 2,7	- 0,3	+ 4,1	+ 11,7
Sun cured	- 1,5	+ 2,1	+ 6,6	+ 0,3
Light air cured	+ 6,2	+ 5,8	0	+ 9,0
Flue cured	+ 7,7	+ 5,4	+ 19,7	+ 15,9
Fire cured	- 14,4	0	- 6,8	+ 11,9
Other	- 27,8	- 65,6	- 23,1	- 61,9
Total, EUR-10	- 0,5	+ 2,3	+ 4,9	+ 6,5

COUNTRY	AREA (ha)			PRODUCTION (t)		
	1980	1981	1982	1980	1981	1982
Germany	3.363	3.161	3.035	6.889	7.839	8.112
Belgium	423	496	493	1.187	1.450	1.480
France	18.701	17.075	15.541	44.669	41.587	43.818
Greece	89.306	90.162	93.820	116.659	127.403	132.382
Italy	60.684	60.661	62.663	125.542	130.969	143.553
EUR-10	172.477	171.555	175.552	294.946	309.248	329.345

3. Consumption

In 1982 world consumption of tobacco in the form of cigarettes and other manufactured products increased by 0,8%, reaching 5,27 million t (5,23 million t in 1981). This slight increase was achieved despite the build-up of anti-smoking campaigns, the health hazard warnings printed on cigarette packets and in advertisements, and higher taxes and retail prices. In Europe, the effect was particularly marked in the Federal Republic of Germany, where tobacco consumption was 9% down on 1981, with cigarette production more than 13% down. Cigarette consumption also fell in the United Kingdom, but by a smaller amount: 7,5 %.

Cigarette consumption did, however, increase in certain countries, viz. India, the Philippines and Turkey. The Community's degree of self-sufficiency is about 49%.

4. Trade

World exports in 1982 reached 1,43 million t, i.e. 3,4% less than in the previous year.

Community exports in 1982 were 118.300 t (109.800 t in 1981). This tobacco was exported in 1982 but came from several previous harvests.

Virginia flue-cured tobacco accounted for about 60% of total imports. Furthermore two thirds of imports enter the Community at a zero or preferential rate of duty under the terms of the EEC policy towards the developing countries (Generalized Preferences, ACP). Consequently, imports from the ACP countries and those which took place under the Generalized Preferences Scheme are estimated to have amounted to 80.285 t and 186.000 t respectively in 1982. The total figure for imports in 1982 was 413.900 t.

5. Prices

The trend towards higher prices recorded on the American market in 1981 continued in 1982 both for export prices and for prices charged on the domestic market. The average export price of Virginia flue-cured and Burley was USD 6.67 and USD 6,90 per kg respectively, an increase of about 8% in both cases.

The increase in average prices of leaf tobacco on the American domestic market was smaller than the previous year's: in the case of Burley and Virginia flue-cured tobacco, the figures were USD 3.98 (+ 4,0%) and USD 3,95 (+ 7,6%) per kg respectively. The substantial gap between domestic market prices and export prices is accounted for by differences in quality.

The prices of oriental tobaccos in the two main producing countries (Yugoslavia and Turkey) were slightly up.

The prices of certain varieties which are equivalent to and in direct competition with Community varieties have followed a downward trend.

6. Outlook

At 5,27 million t, world consumption of tobacco in 1982 was more or less the same as in 1981 (5,23 million t). Together with the sluggish demand, the sharp increase in leaf tobacco production in 1982 is expected to lead to record high stocks of about 7,3 million t.

The forecasts at present available concerning world production of baled tobacco from the 1983 harvest suggest that production will be of the order of 5,32 million t, i.e. a decrease of 12%. This foreseeable drop - most producer countries will, it is expected, return lower production figures - is mainly attributable to the high level of stocks of leaf tobacco which built up following the bumper crop in 1982. It is expected that demand will remain sluggish in 1983 as a result of the adverse effect of price increases, taxation and anti-smoking campaigns on cigarette sales. Since in 1983 demand is expected to do no more than keep face with production, stocks will remain high.

As far as the Community is concerned, the structural difficulties affecting oriental tobacco in particular will continue, but special measures for reducing prices and imposing quantitative restrictions are now being applied to certain varieties taken into intervention. Moreover, conversion programmes are currently being implemented in most of the countries where the varieties which are difficult to market are grown. In 1982 the production of oriental tobaccos was unchanged (132.500 t) but that of dark air-cured varieties rose by 12%. Despite this substantial increase, dark air-cured tobacco can be marketed without activating the intervention measures. The increase in Burley and flue-cured tobacco production (9% and 16% respectively) is a positive development, since it is in response to market demand.

7. Economic aspects of the measures taken

Regulation (EEC) No 727/70 on the common organization of the market in raw tobacco was amended in 1982 by reducing the ratio between the intervention price and the corresponding norm price from 90% to 85% for all varieties with the exception of some for which it has been 80% since 1979. The period of validity of this measure was extended so that it applies in respect of the 1983 harvest.

The aim of these measures is to achieve a better balance between production and market requirements by limiting the price guarantee applying to unsold tobacco.

Other measures were taken to discourage intervention buying. As in previous years, the "processing costs" component used to calculate the premium granted for tobacco sold commercially, but also taken into consideration when calculating the derived intervention price, was applied differentially and reduced in relation to the actual cost in the latter case.

An investigation of the effectiveness of premiums and their levels was carried out in 1982. It showed the premiums's role as a driving force not only as regards production and marketing but also as regards producer incomes and the maintenance of employment. The investigation was followed up in 1983 by a report on the updating of the list of competing varieties. Greek and Italian tobacco from the 1981 harvest taken into intervention accounted for 6,3% and 1,1% of production respectively.

During the first six months of 1983, following an invitation to tender, the Community exported 15.543.409 kg of tobacco held in intervention stores. A second invitation to tender, in respect of 8.477.856 kg of tobacco, is scheduled for the second half of 1983. If contracts are awarded in respect of all the tobacco concerned, the total quantity left in intervention stores - not including the tobacco harvested in 1982, for which figures are not yet available - will be 8.077 kg, i.e. the quantity of Greek tobacco taken into intervention following the 1981 harvest.

The granting of export refunds serves to consolidate the Community's position as an exporter on the world market. Export refunds were granted in respect of an estimated 47.310 tonnes of tobacco from the 1981 harvest. Prior to Greece's accession, export refunds were granted almost entirely in respect of Italian tobacco.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure in the tobacco sector was 622,6 million u.a. in 1982 (1981 harvest) and 668 million u.a. in 1983 (1982 harvest), an increase of 7,3%. This represents 4,23% of total expenditure.

11. FRUIT AND VEGETABLES

A. Fresh fruit and vegetables

1. Introduction

Production of fresh fruit and vegetables in 1982, including crops for processing, was up on the 1981 figure by 8.6%.

Within the Community of Ten, Italy is by far the largest producer, accounting for 45% of Community fruit production and nearly 39% of vegetable production. France comes second with 16% of fruit output and 18% of vegetable output, while the third most important producers are Germany for fruit (19%) and Greece for vegetables (13%), the latter closely followed by the United Kingdom (12%).

2. Production

Fruit production in the Community (1) in 1982 was 22.5 million t, a rise of 20.6% over 1981 but still close to the average figure for previous harvests. The rise in production affected all Member States except Greece, where production was down by 0.9%.

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

- in apple production, which accounted for 38% of fruit production, the 1982 harvest was 70% higher than in the previous marketing year, with a rise in all Member States except Greece where there was drop about 13%;
- in pears (11% of fruit production) the harvest was also up especially in Germany, Belgium and Greece, and to a lesser extent in the Netherlands. Production was up on 1981 but down on 1980. Denmark and the United Kingdom saw a drop in production in 1982. The increase for the Community as a whole over 1981 was 7.9%;
- the peach harvest in 1982 was slightly up in Italy (+ 1.7%) as well as in the Community as a whole compared with 1981 (+ 0.7%) and 1980 (+ 9.5%);
- in table grapes, which represented 9% of fruit production, the 1982 harvest was down 3.8% on 1981 and 5.3% on 1980. Italy is by far the largest producer, accounting for 67% of Community production.

Commercial vegetable production in the Community reached 28.7 million t, much the same as in 1980 and 1981. Production fell in Greece, Ireland, the United Kingdom and Italy and remained about the same in Belgium; France, Germany and the Netherlands saw a slight increase.

(1) Harvest figures for the Community of Ten.

3. Consumption

Internal consumption of fruit (1) in the Community of Ten in 1981/82 came to 16.6 million t, a drop of 12.9% over 1980/81 and 12.5% over 1979/80. For citrus fruit this consumption was 8.8 million t.

Internal consumption of vegetables, at 31.7 million t, showed a drop of 3.3% compared with the previous marketing year.

a) Human consumption

Human consumption was the principal use made of fresh and processed fruit, and accounted for 90% of all internal consumption.

Per capita annual consumption in the Community of Ten amounted to 85 kg for all fruit (30 kg of citrus fruit and 55 kg of other fruit).

Human consumption of vegetables was 90% of all internal consumption. Per capita annual consumption was 105 kg for the Community of Ten.

b) Animal consumption and industrial uses

These products are seldom fed to animals systematically and industrial uses (for non-food purposes) are also only sporadic, so that the quantities of fruit and vegetables involved are appreciably less significant even than wastage during marketing.

c) Degree of self-sufficiency

The self-sufficiency rate of the present Community is particularly high for vegetables, reaching 101% in 1981/82; the figure for non-citrus fruit is 82% and for citrus fruit 45%. The figures for the 1980/81 marketing year were 99%, 84% and 45%.

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

4. Community's trade

In 1982 the Community's total imports of fresh fruit from non-member countries amounted to 4.3 million t, a rise of 1.3% compared with 1981. Citrus fruits were by far the predominant import at 3.1 million t (oranges 1.7; grapefruit 0.41; small citrus fruits 0.74) since apples, which occupied second place, accounted for only 0.48 million t.

Fruit exports to non-member countries were just over 0.9 million t, including 0.22 million t of apples, 0.15 million t of lemons and 0.09 million t of peaches.

Imports of fresh vegetables from non-member countries totalled 1.18 million t and exports 0.39 million t.

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

Although the quantity of fruit traded within the Community did not equal imports from non-member countries, it nevertheless totalled 2.8 million t. Apples (1.0 million t) were the main product, followed by table grapes (0.40 million t) and pears (0.22 million t).

Intra-Community trade in vegetables, on the other hand, totalled 2.8 million t, approximately twice the quantity imported from non-member countries. Tomatoes were the main product at 0.46 million t.

5. Prices

a) Common prices

Basic prices and buying-in prices were increased for the 1982/83 marketing year in such a way that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 12% higher than in the 1981/82 marketing year for all products except dessert apples (+ 11%), tomatoes (+ 8%) and mandarins (+ 11%).

In the case of Greece, basic prices and buying-in prices for 1982/83 were fixed by the Council to continue the gradual adjustment required by the Act of Accession. Common prices were introduced in Greece for lemons and table grapes.

The average increase for 1983/84 was 6.5% for all products except dessert apples and dessert pears (+ 3.5%), mandarins (+ 5.5%) and tomatoes (+ 3.5%).

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased on average by 10% between 1981/82 and 1982/83 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries, plums, aubergines, courgettes, lemons and clementines.

In the case of oranges and mandarins, reference prices remained at the level of the previous marketing year because of the link between movements in the basic and buying-in prices, penetration premiums and reference prices for these products (see 7(c)).

Between 1982/83 and 1983/84, reference prices were increased by a maximum of 9% except in the case of oranges and mandarins, where the increase in the basic and buying-in prices was reflected entirely in the penetration premiums; in the case of lemons the increase in agricultural prices adopted by the Council was reflected in their reference price, while in the case of clementines the reference price went up by about 15% in line with the reduction in marketing premiums.

Under the Act of Accession of Greece, the Community fixed Community offer prices for 1983/84 to apply to imports into other Member States from Greece of all products subject to reference prices except aubergines and courgettes.

b) Market prices

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

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

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

As the average prices for the 1982/83 harvest were influenced by an above-average crop, they settled throughout the marketing year below the average level recorded in 1981/82.

For 1981/82 the average price level remained higher than in the previous year, but varied from Member State to Member State. The increases were 66% in the Netherlands, 63% in Germany, 142% in Belgium, 86% in France, 34% in Italy and 47% in Greece. The United Kingdom and Denmark do not have meaningful quotations for this product.

The monthly analysis made throughout 1982/83 the marketing year showed that in all Community countries except Greece apple prices were nearly always above the basic price.

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

Prices in 1982/83 were down in nearly all Community countries. This marked drop, ranging from 21.3% in Belgium to 13% in Germany, did not affect Italy (+ 12.1%) or Greece (+ 8.3%). Ireland and Denmark do not have meaningful quotations for this product.

The monthly analysis showed that there was a measure of price stability.

Prices on all Community markets remained above the basic price and sometimes reached the exceptional levels encountered in previous marketing years. At the start of the marketing year in August, however, prices for the early varieties Guyot and Williams lay between the basic and the buying-in price on some markets in France and the United Kingdom.

- Peaches (various, quality class I, 51/61 mm or 61/67 mm according to the time of year).

In 1982, prices were 29.5% higher than in 1981 in Italy, 22.1% higher in France and 10.4% higher in Greece (prices in 1979 and 1980 had sometimes reached nearly twice the basic price). The seasonal pattern was normal, however, and the monthly average was above the basic price with the exception of some early varieties, which reached levels sometimes below the basic price on some producer markets at the beginning of the season.

- Table grapes (various, quality class I).

Grape prices on producer markets were up on the previous year in Italy and Greece, but down in France.

However, French prices moved at a level above the basic price, whereas in Italy only the "Regina dei Vigneti" variety reached prices higher than the basic price in August.

Prices for the "Regina" variety, on the other hand, remained more or less at the basic-price level until early September, falling during that month to the level of the buying-in price on the Chieti and Ascoli Piceno markets.

- Oranges (various, quality class I, 67/80 mm).

Prices in Italy in 1982 were 32.0% up on the previous year while Greece saw a smaller rise over 1981.

- Mandarins (quality class I, 54/64 mm).

The average annual price for mandarins in Italy was up on 1981/82 by 20.0%, while in Greece there was a drop of about 10%.

The monthly quotations did not show major fluctuations, normally being more than 8-10 ECU above the basic price in Greece and Italy.

- Lemons (quality class I, 53/62 mm)

The average annual price for lemons in 1982/83 was slightly higher in Italy than in the previous year, when prices had already been high as a result of stationary production levels.

Prices are still high and throughout the year the monthly averages were above the basic price, especially in Greece; in Italy, quotations in March, April and May at Catania were sometimes below the buying-in price.

- Cauliflowers (with leaves or trimmed according to time of year, quality class I).

Average annual prices decreased throughout most of the Community compared with 1981/82, the drop varying from 12.2% in the Netherlands to 2.1% in Belgium. Only in the United Kingdom, Denmark and Greece were prices up on the previous marketing year.

- Tomatoes (round type, quality class I, 57/67 mm).

In 1982 prices fell in all the Community countries except Italy (+ 42%), Ireland (+ 6%) and Germany (+ 17%). The most marked drops were in the Netherlands (- 20%), France (- 7%) and the United Kingdom (-9.8 %).

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

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

c) World prices

The prices of fruit and vegetables - highly perishable products - are established more or less independently on the main markets. There are no real world markets for such products and consequently no world prices.

d) Consumer prices

In view of the large number of varieties, quality classes and sizes of fruit and vegetables, and in view of the wide differences in prices for an apparently identical product from one retailer to another, it is not possible to determine consumer prices for the various products.

6. Outlook

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

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

In the case of fruit, too, analysis of production trends over a relatively long period shows a certain stability, albeit with considerable fluctuations from one season to another, as was observed for example with the 1977/78, 1981/82 and 1982/83 harvests. The Community apple crop, for example, went from 5 million t in 1981 (deficit) to 8.5 million t in 1982 (surplus).

7. Economic aspects of the measures taken

a) Import and export measures

i) Countervailing charges on imports

During the 1982/83 marketing year, countervailing charges were imposed on imports of the following products:

- cucumbers from Spain, Romania, Poland, Bulgaria and Albania
- tomatoes from Romania, Spain, Albania, Poland, Morocco and Bulgaria
- apples from Chile, Spain and New Zealand
- pears from Spain
- aubergines from Spain
- courgettes from Spain
- peaches from Spain and Yugoslavia
- some varieties of plums from Yugoslavia, Bulgaria, Albania, Romania and Poland
- cherries from Turkey
- lemons from Israel, Spain and Uruguay.

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

Corrective amounts were applied in 1982/83 to peaches and cucumbers exported by Greece to the other nine Member States.

ii) Export refunds

Export refunds were fixed during the 1982/83 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled and unshelled hazelnuts, peaches, dessert apples and tomatoes.

These refunds, which vary according to product and are generally low, were fixed only for destinations which afforded real export outlets and only if there were export difficulties to be overcome. Greece was eligible for the same level of refunds as the Community of Nine except in peaches; here the refund was corrected by the price difference recorded when Greece joined.

iii) Protective measures

No measures to restrict imports into the Community were taken during the 1982/83 marketing year.

iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries and the price trend for Community apples were such that it was necessary to ask suppliers in the southern hemisphere to adjust their planned exports to the Community between March and August 1983.

b) Withdrawals from the market

Intervention during 1982/83 was on a smaller scale than in 1981/82 in the case of pears, peaches, tomatoes and lemons; there was increased intervention in all other products except table grapes, where there have been no withdrawals in two of the last three marketing years.

The quantity of apples withdrawn was 954 107 tonnes, equivalent to 11.1% of Community production. The largest withdrawals were in Italy (400 000 t), but as a proportion of the harvest France saw a higher percentage (16.9% or 333 000 t).

Provisional figures indicate that withdrawals of citrus fruit in Italy accounted for 5 940 t of oranges, 5 046 t of mandarins and 65 572 t of lemons representing 0.39%, 2.47% and 10.4% respectively of Italian output. In Greece about 116 000 t of oranges and 6 500 t of mandarins were withdrawn.

Withdrawals of peaches amounted to 225 500 t (82 000 t in Greece) but this represented only 9.92% of Community production. Withdrawals in Greece accounted for 17% of the harvest. Withdrawals of other products in relation to output were even lower: 1.55% in the case of cauliflowers, 0.70% in the case of tomatoes and 3.16% in the case of pears. Apricot withdrawals in 1982/83 were marginal.

c) Measures to promote the marketing of Community citrus fruit

Measures to promote the processing of oranges

Measures to assist the marketing of products processed from lemons

The "penetration premiums" (financial compensation to promote the marketing of Community citrus fruits) were fixed at the levels below for 1982/83.

<u>Greece</u>	<u>Other Member States</u>
5.52	14.37 ECU per 100 kg net for oranges of the Moro, Ovale calabrese, Belladonna, Navel and Valencia late varieties;
4.73	12.33 ECU per 100 kg net for oranges of the Sanguinello variety;
3.12	8.12 ECU per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;
4.71	12.22 ECU per 100 kg net for mandarins;
2.58	6.43 ECU per 100 kg net for clementines;
3.14	7.85 ECU per 100 kg net for lemons.

Compared with 1981/82, the financial compensation was increased by the total percentage fixed for the increase in basic and buying-in prices of the same products, i.e. 12%. In accordance with the Act of Accession, Greece received only about 40% of the premium granted in other Member States.

Pursuant to Council Regulation (EEC) No 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum price to be paid by processors to producers of oranges and the financial compensation payable to processors were fixed for 1982/83 at the levels shown in the table below.

Type of product	Minimum price (ECU per 100 kg net)		Financial compensation (ECU per 100 kg net)	
	Greece	Other Member States	Greece	Other Member States
Oranges of the following variety				
Biondo comune				
Class I	12.11	13.55	7.66	9.10
Class II	9.95	11.12	5.50	6.67
Class III or mixed	7.84	8.77	3.39	4.32
Oranges of Class III or mixed of the following varieties				
Moro and Tarocco	15.44	17.29	10.99	12.84
Sanguinello	14.32	16.05	9.87	11.60
Sanguigno	12.12	13.56	7.67	9.11

Finally, under the measures adopted to assist the marketing of products processed from lemons which were applied for the first time in 1977/78, the minimum price to be paid to growers by processors in 1982/83 in both the Community of Nine and in Greece was fixed at 16.57 ECU per 100 kg net and the financial compensation payable to processors at 9.83 ECU per 100 kg net.

d) Price unity

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

e) Budgetary expenditure

EAGGF Guarantee Section expenditure on fresh fruit and vegetables amounted to 358.4 million EUA in 1982, is provisionally put at 417.5 million EUA in 1983 and estimated at 350 million EUA for 1984, i.e. 2.9%, 2.5% and 2.2% respectively of total EAGGF Guarantee Section expenditure. The figure of 358.4 million EUA can be broken down into 53 million EUA for refunds, 192 million EUA for intervention, 15 million EUA for penetration premiums in the citrus fruit sector and 99 million EUA for financial compensation to assist the processing of citrus fruit.

B. PROCESSED FRUIT AND VEGETABLES

1. Introduction

Production of processed fruit and vegetables in the Community of Ten is shown for 1981 and 1982 in the table below.

in 1'000 t

	1981	1982
Processed products (Community of Ten)		
VEGETABLES	4 937 (*)	5 185 (*)
FRUIT	2 900	3 027

(*) Including preserved tomatoes.

Production of processed vegetables rose again in 1982 compared with 1981. This was mainly due to an increase in output of preserved products other than tomatoes, particularly deep-frozen products.

Production of certain sensitive products in the Community of Ten was as follows:

- a) Tomato concentrates: production fell further from 602 000 t (1) (Greece 220 000 t) in 1981 to 565 000 t (Greece 180 000 t) in 1982, a decrease of 6.2%;
- b) Whole peeled tomatoes: production again fell slightly from 1 009 000 t (Greece 11 000 t) to 1 004 000 t (Greece 9 500 t), a decrease of 0.5%;
- c) Tomato juice (CCT heading No 20.07): production declined from 46 000 t (1) (Greece 9 500 t) in 1981 to 44 000 t (Greece 9 000 t) in 1982, a decrease of 4.3%;
- d) Preserved mushrooms: production rose slightly between 1981 and 1982 from 225 000 t (1) to 235 000 t, Greek production being negligible;
- e) Preserved peaches: production fell slightly again from 283 600 t (Greece 130 000 t) in 1981 to 280 000 t (Greece 155 000 t) in 1982, a decrease of 1.2%;

(1) Updated from previous report.

f) Production of orange juice in Italy was 175 000 t (1) in 1981 and 125 000 t in 1982, a decrease of more or less 29%; the production of lemon juice was also reduced from 112 000 t (1) in 1981 to 86 000 t in 1982, a reduction of 23,2%.

2. Consumption and trade

The trade of the Community of Ten in processed fruit and vegetables is summarized in the aggregate figures in the table below (excluding dried grapes and dried figs).

1981

	IMPORTS		EXPORTS	
	tonnes	m ECU	tonnes	m ECU
TOTAL	4 100 000	3 050 000	2 710 000	1 950 000
: Intra-Com. exc. Greece	2 500 000	2 150 000	2 100 000	1 550 000
: Non-member countries	1 600 000	900 000	610 000	400 000
: of which Greece				

1982

	IMPORTS		EXPORTS	
	tonnes	m ECU	tonnes	m ECU
TOTAL	4 250 000	3 550 000	3 350 000	2 520 000
: Intra-Com. (EUR 10)	2 600 000	2 000 000	2 700 000	1 960 000
: Non-member countries	1 650 000	1 550 000	650 000	560 000

The available quantities of tomato concentrate and peeled tomatoes in the Community of Ten have seen a turnaround in trend with a pronounced drop between 1981 and 1982.

The quantity of tomato concentrates available for consumption was 385 000 t (1) in 1981 and 354 000 t in 1982.

(1) Changed from last year's figure.

Intra-Community trade in concentrates rose from 120 000 t in 1981 to 170 000 t in 1982.

Imports of peeled stayed fairly low in 1982 at around 20 000 t. Exports rose from 91 000 t in 1981 to 103 000 t in 1982. The quantity available for consumption went down slightly from 940 000 t in 1981 to 919 000 t in 1982. Intra-Community trade fell slightly from 310 000 t in 1981 to 301 000 t in 1982.

In the case of tomato juice, imports dropped again from 10 500 t in 1981 to 7 400 t in 1982 while exports remained fairly low at around 2 000 t.

Imports of preserved peaches, which were 75 000 t in 1981, were only 62 000 t in 1982. Exports remain very low, declining slightly from 10 000 t in 1981 to 8 300 t in 1982.

The quantity of preserved mushrooms available for consumption remained stationary at about 200 000 t in 1981 and 1982. Imports fell from 35 000 t in 1981 to 28 000 t in 1982. Exports went up, however, from 4 500 t to 7 000 t.

It should be noted that for two products, Williams pears in syrup and cherries in syrup the Council has put ceilings on the quantities eligible for aid.

The accession of Greece has also brought Community dried grapes and dried figs into the market.

A production aid system for these products was introduced to cover two marketing years from 1981/82, accompanied by a storage aid scheme and a price guarantee system for the basic product. Production of dried grapes in 1981 was 158 000 t and 141 000 t in 1982; production of dried figs was 25 000 t in 1981 and 30 000 t in 1982.

3. Prices

World prices for peeled tomatoes and concentrate increased slightly but less than the average rate of inflation in the Community. At certain times, however, (end of the year) world prices have gone higher.

In the case of preserved mushrooms, the rules introduced from 1 July 1981 tended to restore balance on the market.

Generally speaking, price levels in the Community for other products did not give rise to any difficulties, except in the case of dried grapes. Here it was necessary to introduce a minimum price at the frontier as a protective measure.

4. Outlook

Production of tomato-based products in 1983 should remain at the same level as in 1982 in view of present policy on fixing aid for products in this sector.

5. Budgetary expenditure

EAGGF Guarantee Section expenditure on processed fruit and vegetables amounted to 420.3 million ECU in 1981 and 555.9 million ECU in 1982 and is estimated at 683.8 million ECU for 1983, or 3.9%, 4.5% and 4.2% respectively of total expenditure by the Guarantee Section.

11. C. LIVE PLANTS

One of the features of this sector is the great variety of products: cut flowers and greenery, pot plants, bulbs and nursery products. Each of these branches has its own characteristics with regard to both production and marketing.

In view of this diversity, the production statistics are too complicated for carrying out the necessary analysis every year. An idea of the statistical difficulties can be gained by considering, for example, that one hectare used to grow flowers and plants may produce either just one or several crops during a year and that the production system (under cover, either heated or not, or open-air) has a decisive influence on production itself.

As regards the value of production, the Commission's staff does not yet have sufficiently detailed figures to allow an analysis of the past year, but an estimate can be made based on the fact that the overall production of this sector represents 3 - 4% of the value of final production in agriculture in the Community.

PRICES

It should be noted that the prices recorded on the main Community markets show major fluctuations during the season and may also vary considerably from one market to another at any given period.

TRADE

Intra-Community trade in 1982 rose by 17.6% (1981: 7.5%); imports from non-member countries over the same period increased by 4.6% (1981: 4.2%) and exports to non-member countries by 18.1% (1981: 10.6%).

Trade by value (EUR 10)

Intra-Community trade	1 452 million ECU (+ 17.5% over 1981)
Imports from non-member countries	260 million ECU (+ 4.6% over 1981)
Exports to non-member countries	443 million ECU (+ 18.1% over 1981)

Exports, at 443 million ECU, exceeded imports at 260 million ECU by 182 million ECU (1981: 126 million ECU).

CONSUMPTION

The level of consumption varies considerably from one Member State to another, depending on the living standards and habits of consumers.

12. HOPS

Community production in 1982 was 56.646 tonnes or 39 % of world production, from an area of 27.565 ha or 29 % of total estimated world area under hops. This was an increase of nearly 23 % in quantity (3 % in area) as compared with 1981. Yields were high, the average yield being 2,05 T/ha compared with 1,73 T/ha in 1981 and a ten year average of 1,65 T/ha. The shortfall of the 1980 harvest and the broad balance of supply and demand for the 1981 harvest combined to provide some limited incentive to further expansion of area, which rose in the Community by 861 ha. In the United States, area was reduced by 549 ha following its rapid expansion of 2.439 ha between 1980 and 1981.

As in 1981, world beer production increased by just under 2 % compared with annual rates of growth in the late 1970s of 3 % to 4 %. Community production continued to decline overall at the same rate as in 1981 (fall of 0,4 %). Particularly marked was the fall in beer production by a further 2,9 % in the United Kingdom where the total decline since 1979 is now nearly 12 %. The rate of increase of world demand for hops in 1982 remained the same as, if not higher than, the 1,4 % in 1981. However, the general trend is one of stagnation in the rate of increase of the world demand for hops, after the relatively rapid expansion of demand in the 1970s. In the Community demand is definitely decreasing, as it has done markedly in the U.S.A. over the past three years, as a result of continued technological improvement in brewery hops utilization and also a gradual reduction in many countries in the bitterness of beer. Together the U.S.A. and the Community accounted for 48 % of world beer production in 1981. In 1982, despite world recession, it was beer production in the developing and State-trading countries which provided the growth areas in the market.

The Community continues to be heavily dependent on export markets. Net exports were 13.200 tonnes in 1981/82 compared with 10.600 tonnes in 1980/81 and 14.200 tonnes in 1979/80.

The year 1982 can be regarded as one of serious over-production of hops due to both exceptional yields and an underlying structural imbalance in the market caused by an excess of world area over that required to meet annual brewery demands given average yields levels. Stock levels on the eve of the 1983 harvest were estimated to be equivalent to approximately 9 months supply for breweries (both within the Community and for the world). Whilst average prices levels were to some extent cushioned by contracts struck at favourable prices in previous years of relative shortage, producer incomes were severely hit by low spot market prices. The average spot market price was 65 ECU/50 kg for the 1982 harvest compared with 226 ECU/50 kg for 1981. As the proportion of the Community crop covered by contracts at good price levels declines over the next few years so pressure upon grower returns is likely to increase unless there is substantial adjustment in the world area of hop production.

The level of producer income aid for the 1982 harvest has been fixed at :

	Ecu/ha
Aroma	300
Bitter	250
Others	300

13. MILK AND MILK PRODUCTS

1. Production and utilization of milk

- (a) At the end of 1982, the Community (1) dairy cow number was 25,4 million, which is an increase of 1,6% (or more than 400.000 head) over the level at end 1981. Increases in 1982 were mainly noticed in Ireland, Germany, France and the United Kingdom (by 3,7%, 1,7%, 1,6% and 1,8% respectively), representing 80% of the total dairy cow number. The remaining Member States, except for Denmark, showed a smaller increase.

The overall development replaces the decrease and stagnation tendencies experienced between end 1978 and 1981. These tendencies partly reflected the limited impact of the non-marketing of milk and conversion schemes and partly the impact of several general economic elements, of which cautious price policy and costs development (particularly interest rates) have been most important. In 1982 the price/cost ratio improved and the structural development continued involving a reduction of the number of smaller dairy herds and an increase in the number of bigger and more efficient ones. In addition, the favourable weather during autumn 1982 influenced both the level of slaughterings and the milk production.

In 1982 the average annual yield per dairy cow in the Community increased to 4.332, or by 3,8%, which was considerably above the longer term trend and the increases of 2,5% and 1,8% in 1980 and 1981. The average increases were: Denmark 8,1%, Luxembourg 5,7%, France 5,1%, United Kingdom 4,7%, Ireland 3,7% and Germany 3%. The high percentage clearly reflect the further improvement of herd structure, the quality of the milking cows and better feed economy obtained through relatively low prices of feed concentrates compared to the milk prices. In addition, the favourable weather conditions, especially during off-peak seasons, resulted in high milk production and yield.

- (b) The increased cow numbers and the above-mentioned factors resulted in an increase in dairy cow milk production of 3,5% in 1982 over the 1981 level (which was unchanged compared to 1980), while the proportion of the dairy cow milk production delivered to dairies remained stable at 92,2% compared to 1981. The total cow milk deliveries increased, mainly due to very high increases during the last four months of 1982, by 3,5% compared to 1981 and the additional deliveries of 3,4 million tons were mainly used for the production of the two intervention products, butter and skimmed milk powder. The rate of increase of production of liquid milk products and cheeses tended to slow down due to the development of internal and external demand, and the push-over of production to butter and skimmed milk powder resulted in very high 1982 end-year stocks compared to the two previous years.

(1) In this text, Community = EEC 10 if no other indication.

2. Production and consumption of milk products

(a) Drinking milk

The overall use of milk in the Community for liquid milk and fresh milk products increased only marginally in 1982, and the consumption of drinking milk remained practically unchanged compared to 1980 and 1981. However, the picture showed a certain degree of differentiation as to individual products and Member States. Thus, the general tendency of the last nine years to consume more semi-skimmed milk and less whole milk continued in 1982. The total share of UHT-milk (ultra heat treated) continued to increase. In the United Kingdom, the decreasing trend in the consumption of whole milk continued in 1982. In the Netherlands, consumption of semi-skimmed milk increased but that of whole milk decreased. In Germany and France, total consumption of these two products increased in 1982. In Germany, the consumption of both products have been increasing continuously over the last six years, while the previous years' development in France showed rapid increase in the consumption of semi-skimmed milk and decline in whole milk consumption.

The total share of UHT milk of the Community consumption of whole and semi-skimmed milk stood at 23% in 1982, compared with 22% in 1981, with highest levels found in France (55%) and Germany (46%).

Consumption of cream and other fresh milk products (yoghurt, etc.) continued to increase in 1982, but at a significantly lower rate, reflecting the impact of unemployment and other economic/social difficulties.

(b) Butter

Total butter production in the Community increased by 7,8% in 1982, compared with 1981. This development is mainly due to the high increase in milk deliveries and the relatively low increase of milk utilization for other dairy products in response to the commercial off-take possibilities on both the internal and external markets. The internal consumption of butter at market price continued to decrease in 1982 and total consumption increase of 1% is only due to increased sales at reduced prices to the food industry (bakeries, ice cream) and no-profit-making institutions and, finally, to the end-year sale (Christmas butter). However, the increase due to the latter in 1982 should only be considered as technical as the high substitution effect will occur mainly at the beginning of 1983, resulting in a decline in the normal consumption in 1983. Commercial exports continued to decline and were, in 1982, 26% lower than in 1981, and the export figure of 400.000 tons is the lowest since 1978. The main reasons for this are the general economic situation in the consumer countries and the absence of refunds for export of butter to the USSR.

Because of the high increase in production, the relatively low consumption and the decrease in total exports of butter, the end-stocks for 1982 were more than double the stocks at end 1981. Public stocks increased from 10.000 t to 112.000 t in this period and the imbalance between supply and demand and the continuous drop in exports will result in public stocks of about 650.000 t at end 1983.

(c) Skimmed milk powder

The Community skimmed milk powder production increased by 6,6%, or 135.000 t, in 1982 compared with 1981, which showed a decrease of 2% compared to 1980. This increase is partly due to the high increase in milk deliveries and butter production and the comparable relatively smaller use of skimmed milk in the production of cheese and liquid milk products and/or fresh milk products with a relatively low fat content. The other main uses of liquid skimmed milk for animal feed declined by 35.000 t but the introduction of special aid for powder to feed for pigs and poultry in July 1982 resulted in additional sales of 74.000 t. This latter scheme is expected to result in sales of more than 500.000 t in 1983. Also, the skimmed milk used for casein production increased (by + 13%) and the increase is expected to continue in 1983 but at a lower rate.

The manufacture of skimmed milk powder in the Community far exceeds demand at market prices, which amounts to less than 15% of total production. This is the background for the aid given to skimmed milk powder incorporated in animal feed compounds. In 1982, 1,27 million tons or 58% of the production was sold with a price reduction of 40% for calf-milk replacers.

Both the commercial and food aid exports continued to decline in 1982, when 351.000 t were exported against 501.000 t in 1981. The export in 1982 is the lowest since 1976 and the decline is expected to continue in 1983.

The high increase in production, relatively stable consumption and decline in export has resulted in increased public stocks. The stocks of 279.000 t increased to 574.000 t in 1982 and the end-stock for 1983 is expected to exceed 900.000 t despite more than 500.000 t of additional sales under the pigs and poultry scheme.

(d) Cheese

Community (EUR 9) cheese production increased in 1982 by 1,7% against 3,6% in 1981 and the internal cheese consumption increased by 2% against 2,5% in 1981. Thus, the upward trend in consumption continued, but at a slower rate. No doubt, one of the main reasons for this continued increase is the availability to the Community

consumers of a wide range of cheese types and qualities, including imports of about 100.000 tons of cheese from third countries. On the other hand, the Community is the world's biggest cheese exporter, exporting 380.000 t in 1982. The increase of these exports in recent years - in 1982 exports increased by 38.000 tons - has decisively influenced the total level of Community production.

(e) Whole milk powder

Traditionally, the production of whole milk powder in the Community is linked to the development on the international market. Having increased by more than 60% from 1978 to 1980, the international market came to stagnation in 1981 and exports decreased by 15% in 1982 to 458.888 t. The Community production decreased by 18% in 1982 compared to 1981 and the decline is expected to continue in 1983, although not so significantly.

(f) Condensed milk

The EEC production increased by 1% (or 15.000 t) in 1982 compared to 1981, mainly in response to international demand for EEC products which, for the first time, reached 600.000 t (19.000 t over the 1981 level). Although the EEC share of the international market has been falling from 1977 to 1980, a recovery, both in quantities exported and market share, was recorded in 1981 and 1982. However, a slowdown of production and exports are expected in 1983.

(g) Casein

EEC production of casein is based on a system of aids paid for skimmed milk used in the production of casein and caseinates. This is to compensate for the very low import duties bound under GATT. Reflecting a decrease in the level of aids in 1980, the EEC production fell in 1981, by 18.000 t. However, due to higher aid levels, the production increased again in 1982 by 20.000 t to 105.000 t and the increase is expected to continue in 1983 although at a slower rate.

3. World Market Situation

International Developments in Production and Trade

(a) Milk production and policies

International milk supplies increased only moderately in 1980 and 1981 at rates of around 0,5% per annum. However, in 1982, the speed of increase rose to more than 2% and is likely to attain more than 3% in 1983. This acceleration of international milk supplies has taken place against a background of economic recession which has hampered economic growth and boosted unemployment, thus creating budgetary problems, currency instability and balance of payment deficits. These, in turn, discouraged consumption levels and international trade. At the end of 1982 "Western World" international stocks of butter and skimmed milk powder, the two most representative surplus products in the milk sector, had increased by more than the increase of the corresponding production levels for these two products through the whole of 1982, reflecting a general decline of consumption and exports.

Dairy cow numbers tended to increase in 1982, in particular in the EEC, the USA, New Zealand, Japan and the USSR. However, the most important contributory factor as to the increased international milk deliveries in 1982 and the first half of 1983 has been the significant expansion of the milk yield per dairy cow as a result of favourable animal feed conditions. In this respect, the climatic conditions and high support price levels relative to prices of concentrate feed have been the most decisive elements.

Thus, USSR milk production in 1982 increased by 1,3%, mainly because of climatic reasons and indicating a reversal of the downward trend which had occurred since 1977. Supported by improved farm organization and coordinated advisory services, USSR milk deliveries seem set for a significant increase in 1983 (plus 13% during the months January-June 1983 compared with the same period in 1982).

In the USA, both cow numbers and yields have continued to increase, resulting in an increase of 2,1% of milk production in 1982 compared with 1981, and 1983 production is estimated to be up by 2-3% from the 1982 record level. Some moderation to this development is expected from policy changes (see below). Canadian milk deliveries increased by 3,2% in 1982 but were stabilizing by mid 1983 and probably in consequence of market and policy changes. New Zealand produced 4,9% more milk in 1982 than in 1981, whereas milk production over the first seven months of 1983 was down by 3,3% compared with the same period of 1982, mainly because of dry weather. Milk deliveries in Australia increased by no less than 5,6% in 1982 compared with 1981 and preliminary figures suggest an increase of 4,6% over the first six months of 1983, compared with the same period of 1982. Milk production also expanded significantly in Japan by 4,2% in 1982 over 1981, and for 1983 is estimated to be up by nearly 3% from the 1982 level.

This production in the most important dairy product producing and trading countries explains the increasing concern about current milk policies and the amendments and alternatives under discussion and consideration in several countries and international organizations. Thus, the International Dairy Council under GATT is undertaking a study of measures applied in certain countries to increase internal disposal of dairy products and avoid surplus disposal at low prices on the world market. The OECD organization has recently reported that there are not sufficient market possibilities to offset the impact of the increasing international milk supplies. Therefore, according to the OECD, to avoid a complete breakdown of the international market for dairy products, one must face the necessity of important price reductions or quota arrangements in the milk sector.

Certain comments are given below on recent changes in milk policies in some non-EEC countries of special importance.

In the USA the planned implementation of a producer levy on milk production (50 cents per 100 lbs) from 1 October 1982 only came into operation as from 16 April 1983. From 1 September 1983 this levy has been increased to 1 US\$ per 100 lbs, but 50 cents per 100 lbs will be refunded to milk producers who reduce their milk deliveries by 8,4% during September 1983-September 1984, compared with the "base period" (1 October 1980-30 September 1982). Furthermore, the support price will continue unchanged up until 1 October 1984 at the present level of \$13,10 per 100 lbs (or \$ 28,88/100 kg). The US Administration believes that this price levy decision will reduce 1983/84 milk production by 1,2% compared with a situation of unchanged prices and no levies. Total intervention purchases would decrease by 12,1% and net outlays of the intervention agency CCC would decrease from 2.323 million dollars to 722 million dollars, after the deduction of 1.354 million dollars paid by producers as levies on milk production.

At the end of August 1983 US uncommitted stocks of butter, skimmed milk powder and cheese amounted to 210.000 tonnes, 608.000 tonnes and 423.000 tonnes respectively. At the same date in 1982, these stocks were at 188.000 tonnes, 528.000 tonnes and 369.000 tonnes respectively. Stocks have increased in spite of expanded internal donations and exports. Internal production levels continued to rise in 1982 for all dairy products except canned milk and cottage cheese.

Statistics show that Canadian milk deliveries increased in 1982 in spite of the quota arrangements in force. However, while the Market Share Quota for industrial milk has been maintained at the same quantitative level since August 1982, the over-quota levy has been increased in two steps, from 67,5% of target returns at 1 January 1983 to 74,3% at 1 August 1983. Canadian production levels in 1982 increased slightly for butter and evaporated whole milk and by 10% for skimmed milk powder, whereas cheese production, especially for Cheddar cheese, fell in comparison with 1981 levels. Exports of skimmed milk powder increased by 48%.

New Zealand milk producer prices have been on a constant increase over recent years. Thus, the year-over-year increase in 1981/82 was 24,5% compared with 27,4% a year earlier. However, the final settlement price for the 1982/83 milk year of 360 NZ cents per kg milkfat, represented an increase of 9% compared with 1981/82 and, hence, a slower price development. The preliminary payment price for 1983/84 of 340 NZ cents/kg milkfat would represent a direct price decrease if there is no "end of season distribution" to be added. The New Zealand price authorities have announced that this could well be the case in the current 1983/84 milk year.

New Zealand milk production in 1982 (calendar year) was up by 4,9% on 1981 figures, but 1983 is likely to be slightly below 1982 levels, because of dry weather during the first part of 1983. The most significant change in New Zealand production pattern over recent years has been a marked increase of the manufacture of whole milk powder, increasing in the 1981/82 milk year to 114.520 tonnes up by 64% on the level three years earlier, and this high level was maintained in 1982/83. Also cheese production increased in 1982/83, but only by 3% compared with 1981/82. However, cheese production in that latter year was 23% higher than the level three years earlier. These developments are reflected in a decrease of the production levels of butter/butteroil. On the other hand, total skimmed milk utilization for skimmed milk powder and casein has remained relatively stable over recent years, whereas the individual production levels for these two products have varied considerably from year to year. Thus, skimmed milk powder production in 1982/83 decreased by 41.000 tonnes or 19% compared with 1981/82, and casein production increased by 18.000 tonnes or 38% during the same period. At mid-year 1983 New Zealand stocks of butter and skimmed milk powder remained at levels close to those one year earlier.

The aim of the Australian dairy policy is to differentiate individual product prices according to obtainable market prices. Under the scheme introduced on 1 July 1981 for a period of two years, the following underwriting values (A\$/ton) were established for the 1982/83 milk year: butter 1.850, skimmed milk powder 875, casein 2.155, certain cheeses 1.575 and whole milk powder 1.150. These prices have been extended to 1983/84. In the meantime, the "Industries Assistance Commission" is undertaking a comprehensive review of the Australian dairy industry as basis for eventual amendments of dairy policies, market mechanisms and administration. The prolonging of the 1982/83 guarantee prices will probably result in lower milk producer prices in 1983/84 because of the pooling of export and domestic prices and the combined effect of increased Australian milk production and lower export returns on dairy products.

Australian milk production obviously bottomed out in 1981 and has since then been increasing. Milk deliveries in the milk year 1982/83 amounted to 5.525 million litres or 6,2% above 1981/82 deliveries.

A further increase is expected in 1983/84. Apart from liquid milk, fresh milk products and special (non-leviable) cheeses, Australian consumption has declined in 1982/83 compared with 1983/84. This general trend plus the increased production will result in more dairy products being available for exports in 1983/84.

Milk deliveries in Japan increased in 1982 by 4% compared with 1981. Thus, the important gains in Japanese milk production have recommenced, and in particular due to substantial increases in the average yield per cow. Through the first quarter of 1983 the rate of increase of milk deliveries was exceeding 6%, resulting in production increases for butter and skimmed milk powder of 20% and 24% respectively. However, the consumption trend for milk and dairy products seems rather favourable and contributes to the maintenance of the market balance; but imports in 1982 of cheese (74.000 tonnes) and skimmed milk powder (76.000 tonnes) remained at lower levels than in 1980.

(b) International Trade

(i) World market exports

In terms of total exports, including food aid and exports on concessional terms, the 1982 market continued to decline for butter (including butteroil), skimmed milk powder and whole milk powder, whereas world exports of cheese increased slightly and condensed milk export tended to stagnate. In fact, butter/butteroil exports and skimmed milk powder export fell by 7%, whole milk powder exports by 3% and cheese exports increased by 5%, compared with the 1981 levels. From their peak level in 1980, world butter exports have decreased by more than 180.000 tonnes or 19% over two years. Compared with the 1980 level, the USA increased butter exports by 67.000 tonnes in 1982 and New Zealand by 23.000 tonnes, whereby the US and New Zealand market shares increased to 9% and 32% respectively. At the same time, the EEC exported 193.000 tonnes less butter in 1982 than in 1980 and experienced a reduction of its market share for butter from 62% in 1980 to 51% in 1982. More than 60% of the reduction of EEC butter exports in this period were caused by lower sales to Eastern Block countries and in particular the absence of EEC butter exports to USSR in 1981 and 1982. The USSR and Eastern European countries imported globally 100.000 tons less butter in 1982 than in 1980, and this explains the biggest part of the butter market contraction in this period. Other important reductions in 1982 have been registered in Algeria, Egypt and Mexico.

Drastic changes in quantities and market shares have also taken place in the international SMP market, falling from more than one million tonnes at the peak in 1979 to approximately 840 thousand tonnes in 1982. Through this period, the EEC market share fell from 61% to 42%, whereas increased market shares in this period were registered in particular in favour of the USA and Canada, whilst New Zealand reduced export quantities but remained at a fairly stable market share. It has been characteristic for the recent development of the international SMP market that food-aid deliveries and concessional sales have increased in importance and may, by 1982, cover more than one-third of the total market. Another characteristic of this market has been reduced imports of SMP for animal feed (Japan, Spain). Important reductions of SMP imports have also been registered in Mexico, Venezuela and Chile, whereas India, Indonesia, the Philippines, Egypt and Algeria represented higher imports in 1982 than in 1979-1980.

Reflecting the above-mentioned market developments, international market prices reported to GATT weakened through 1982 for all main dairy products, and this tendency continued in 1983. Thus, in the second quarter of 1983, average prices had fallen, in comparison to the same quarter in 1982, by 20% for skimmed milk powder, by 17% for whole milk powder, by 15% for butter and by 23% for certain cheeses.

(ii) EEC Exports and Imports in 1982

Commercial butter exports including the butter equivalent of commercial exports of butteroil but excluding food-aid, decreased by 20% in 1982 compared with 1981. This reduction, although at a slower speed, continued in the first half of 1983. Commercial SMP exports from the EEC decreased by 39% in 1982 and have also continued to be low in 1983. EEC whole milk powder exports peaked in 1981 at 537.000 tonnes but fell by 15% in 1982 and showed a further decline in the first half of 1983. Exports of condensed milk and cheese continued to increase in 1982 by 3% and 5% respectively. However, in the first half of 1983, only cheese seemed able to continue this expansion.

Total butter imports in 1982 amounted to 108.000 tonnes, of which 92.000 tonnes to the United Kingdom from New Zealand in accordance with the special arrangement following the Protocol 18 of the Treaty of Accession. The Community imported 14% of the total international butter trade in 1982 and remained the second biggest butter importer, next to the USSR (at 151.000 tonnes in 1982). As to cheese, the Community imports in 1982 of 104.000 tonnes represent 13% of world cheese trade and are only second to US cheese imports (at 115.000 tonnes in 1982).

4. Milk prices

The target price for milk for the 1983/84 milk year was fixed with effect from 23 May 1983 at 27,43 ECU/100 kg, corresponding to an increase of 2,3% on the previous year. At the time of fixing this price, it was estimated that average producer prices, in national currencies, would increase by 4,5% and, thus, well below the average rate of inflation. This limited price increase reflected the application of the "guarantee threshold" of + 0,5% introduced in 1982 as the limit for increased milk deliveries in comparison with 1981 and the fact that 1982 milk deliveries exceeded this threshold by 3%.

Consequently, intervention prices for 1983/84 were also increased by 2,3% only, and the guarantee threshold was prolonged for the calendar year 1983, i.e. the 1981 level of milk deliveries plus 1,0%.

Threshold prices were adapted to the price changes, whereas the level of the coresponsibility levy was maintained unchanged at 2% of the target price. The general upper limit for the Community financed aid to direct butter consumption was fixed at 51 ECU/100 kg against 45 ECU/100 kg in 1982/83. The validity of the school milk scheme was prolonged for a five-year period and the level of Community-financed aid was increased to 125% of the target price for milk. Furthermore, an (unchanged) amount of 120,0 million ECU was reserved for distribution to small-scale milk producers during the 1983/84 milk year.

5. Market Prospects

The extraordinary high rate of increase of the EEC milk deliveries in the latter half of 1982 and at the start of 1983 was mainly due to a combination of certain factors as higher cow numbers, favourable climatic conditions and exceptionally good price relationship milk:concentrate feed. Consequently, it is not likely that milk deliveries will continue to increase at the same high rate of speed because (a) foreseeable changes in cow numbers are limited, (b) preliminary harvest results for 1983 could indicate reduced quantities - and qualities - of roughage feed, (c) while remaining favourable, the price relationship milk:concentrate feed is remarkably less attractive due to a fall in real milk producer prices, increasing soya prices and increasing dollar value. Finally, the Community is committed to the introduction of a policy which reduces the rapid growth of surplus production, for which there is no longer any reasonable market possibility. To this end, the Commission has presented further concrete proposals to the Council of Ministers, in communications of July and September 1983.

Against this background, a certain slow-down in the increase of milk deliveries is expected in early 1984 and should be replaced by stabilization and, hence, decrease when the Council has decided for 1984/85 on the most recent quota and super-levy proposals.

Unfortunately, the short-term prospects for internal Community consumption of dairy products do not indicate any further increase, in particular because of stagnating cheese consumption and reduced butter consumption.

Together with the deteriorating international market aspects, this situation leads to increasing stocks and will require more internal disposal measures. In this context, it is likely that the pigs and poultry sector will continue in 1984 to absorb annual quantities of about 500.000 tonnes of SMP.

The lack of balance between supply and demand is also characteristic for the international situation towards the end of 1983. Globally, the measures so far suggested and implemented do not seem, according to the OECD, to give a sufficient contribution to a better and lasting market balance.

6. Economic effects of common measures

(a) Imports

The import levies as foreseen under Article 14 of Regulation (EEC) No 804/68 continue to represent the difference between the threshold price and the lowest free-at-frontier Community offer price. When fixing new prices for the 1983/84 milk year, the threshold prices were increased. The fixing of import levies has not resulted in imports of milk and dairy products liable to disturb the Community price levels.

(b) Exports

As mentioned above (under point 3) international prices weakened in the course of 1982. However, through a long period, the Community has pursued a price stabilization policy taking into account in particular fluctuations in the US dollar and especially the strong upturn in this value since June 1982. Only since end-April 1983 has the weakening of world market prices forced the Community to adapt to existing price levels.

(c) Aid for skimmed milk, skimmed milk powder and casein

At the beginning of the milk year 1983/84 (1 June 1983), aids for the use of skimmed milk had been fixed as follows:

- skimmed milk powder for animal feed	64,5 ECU/100 kg
- liquid skimmed milk for calf-feed	6,45 ECU/100 kg
- liquid skimmed milk for feeding other young animals	9,60 ECU/100 kg
- liquid skimmed milk for the manufacture of casein	6,50 ECU/100 kg.

Compared with 1981, the use of liquid skimmed milk in animal feed in 1982 showed a decrease of 6%; the use of skimmed milk powder decreased by 3%, while the quantities of skimmed milk transformed into casein increased by 24%.

(d) Storage - Butter

In 1982, 150.400 tonnes of butter was bought in by the Intervention Agencies. In the same year, only 28.300 tonnes of intervention butter was sold within the Community in connection with special measures, while 20.400 tonnes was allocated for food aid. At the end of 1982, public stocks of butter were 112.000 tonnes. During 1982, private storage aid was granted for 362.700 tonnes of butter. At the end of 1982, 194.000 tonnes were still in private storage. Certain programmes for internal, special sales measures of intervention butter were modified in 1981 to grant an equivalent aid for market butter; with 181.100 tonnes sold in 1982, these programmes were far more important than the intervention butter schemes in this year. The end-year butter action in 1982 included 120.000 tonnes of which the main part was market butter.

Storage - Skimmed milk powder

In 1982, 465.653 tonnes of skimmed milk powder were bought in by the Intervention Agencies, while 164.500 tonnes were removed from storage, of which 108.500 tonnes for internal EEC measures and 56.000 tonnes for food aid.

Storage - Italian cheeses, long-keeping cheeses

Private storage aids for certain long-storage cheeses have been applied regularly in 1982.

(e) Food aid

In 1982, the Community supplied a certain part of its food aid in the form of butteroil and skimmed milk powder. The quantities annually set aside for this purpose have been 45.000 tons of butteroil and 150.000 tons of skimmed milk powder. For 1983, the butteroil quantity is reduced to 36.500 tonnes. For 1984, further reductions are foreseen for both butteroil and skimmed milk powder.

7. Financial Expenditure

The expenditure of the Guarantee Section of the EAGGF in respect of milk products amounted to 4.752 million ECU in 1980 and decreased to 3.343 million ECU in 1981 and 3.328 million ECU in 1982. Thus, the part of the Guarantee Section expenditure utilised in the milk sector fell from 42% in 1980 to 26,8% in 1982. Estimated expenditures for the milk sector in 1983 amounted to about 4.708 million ECU (1).

Receipts from the coresponsibility levy represented 223 million ECU in 1980, 478 million ECU in 1981, 537 million ECU in 1982 and are estimated at 519 million ECU in 1983 (1).

(1) Foreseen in BRS 2/1982

14. BEEF/VEAL

1. Introduction

Beef/veal production accounted for about 14,6% of the value of final agricultural production in 1982.

About 2,58 million farms, or more than half the total in the Community, raise cattle. Since 1975, however, the number of cattle farmers has declined at an average annual rate of 3,7% and the average number of head per farm in the Community is now about 30. Land used for fodder production accounts for about 60% of the Community's UAA, and since cattle-rearing is essentially extensive it is not surprising that most beef/veal is produced in the countries with large areas of pasture.

The Community, accounting for about 14% of world production, is second among world producers ahead of the USSR but lags well behind the United States.

2. Production

(a) Cattle numbers

Because of the relatively low rate of slaughterings, and especially the fall in cow slaughterings, the Community's cattle herd held steady in 1982.

The survey of cattle numbers carried out in December 1982 gave a result of 78,8 million head, including 31,4 million cows, up 1,0% and 1,1% respectively on the previous year.

The number of calves (cattle less than one year old), however, was down by about 1,2% on the December 1981 figure, and the number of beef cows had fallen to below 6 million head.

The average rate of increase in cattle numbers has been falling sharply in recent years.

(b) Production of beef/veal

After three years of heavy slaughterings, 1982 saw a sharp drop in the number of animals - both cows and heifers and adult males - sent for slaughter; calf slaughterings, meanwhile, stayed at the relatively low level they reached in 1981.

Slaughterings

In 1982 about 20,4 million head of adult cattle were slaughtered, a drop of about 5% compared with 1981; in the first half of 1983 there was an upturn of about 3% in the number of slaughterings of adult cattle.

Given the trend in the Community cattle population, the number of adult cattle marketed in 1983 will probably show an increase of about 2%.

The number of females (cows and heifers) slaughtered should pick up again in the second half of 1983.

The trends in slaughterings of adult cattle on the one hand and of calves on the other have differed in previous years: up for adult cattle but down for calves.

In 1982 the figure for calf slaughterings (6,7 million head) was the same as in 1981; during the first half of 1983 the number of calf slaughterings rose by about 2-3% compared with 1982.

Slaughtering coefficient (i.e. the ratio of slaughterings to cattle numbers)

After reaching a peak in 1980 the slaughtering coefficient for adult cattle fell sharply in 1981 and 1982. The slaughtering coefficient for calves continues to decline.

Average slaughter weight

The average slaughter weight of adult cattle in 1982 (289,0 kg), rose by nearly 1% compared with 1981; in keeping with the trend recorded in recent years, the average slaughter weight of calves in 1982 (114,0 kg) showed a further rise of about 0,5%. This very positive trend as regards the average slaughter weight of adult cattle is probably due mainly to the fairly low prices for cattle feed in 1982.

Production of beef/veal

Production has declined for two consecutive years following the cyclical peak in production in 1980. The net beef/veal production of 6.928 million t in 1981 and 6.654 million t in 1982 represented a drop of 3,5% and 4,0% respectively compared with the previous year.

In 1982 beef production dropped by 4,5% in the Community; in the first half of 1983 it rose by about 4,5-5%.

Veal production was 0,7% up in 1982 with the average slaughter weight steady at 114 kg. In the first half of 1983 veal production rose by about 4% compared with the figure for the first half of 1982.

The production of beef/veal is now increasing at a lower average annual rate than previously in response to the less favourable market conditions.

In recent years, the structure of cattle-raising has undergone far-reaching change:

- a decline in the number of cattle farmers at the rate of almost 4% per year, mainly through the elimination of small farms, and
- a slight increase in the number of animals held per farm.

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

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

As a result of the sharp expansion in the organized production of young bulls, young male animals now account for about one third of all the beef/veal produced in the Community.

3. Consumption

(a) Consumption of beef/veal

Because the economic situation, and with it employment, deteriorated in the Community, with a decline in the rate of growth and a sharp increase in the number of jobless, consumption of beef/veal fell again in 1982.

Although supplies were still plentiful, consumption, at about 6,6 million t, was about 2% down on the 1981 figure.

Consumption of beef/veal is a function of the following factors:

- population growth, which in recent years has slowed down considerably;

- economic growth, and changes in the pattern of private expenditure in particular;
 - the availability of meat on the market and the short-term fluctuations in its price;
 - lastly, the size of the trading margin between producer and consumer prices.
- a. Annual per capita consumption of beef/veal rose from about 25 kg in the early seventies to about 26 kg towards the end of the seventies. In 1982, per capita consumption was about 24,4 kg, of which 21,6 kg for beef and 2,8 kg for veal.

Per capita consumption had increased until 1973 at an average rate of more than 1% per year. Because of the economic difficulties in recent years, the 1982 figure is no more than 1 kg down on that for 1980.

- b. Because population growth slowed down, the overall consumption of beef/veal expanded more slowly from 1975 to 1980 than beforehand, by about 0,8% per year.

Such has been the down turn in the rate of growth of beef/veal consumption since the early eighties that overall consumption has fallen as a result.

(b) Rate of self-sufficiency

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

Exceeding 100% in 1974 and 1975, the self-sufficiency rate fell short of that figure in the following three years. From 1979 onwards, it was well above 100%. Counting public stocks of intervention meat, the Community has consumed less beef/veal than has been available in recent years.

However, because of the fairly marked fall in production in 1981 and 1982 the rate of self-sufficiency in 1982 has moved back down, to about 101%.

4. Trade

Intra-Community trade in beef/veal has been marking time in recent years at about 1,4 million t. Exports to Greece from other Member States have increased.

Since 1974, imports of beef/veal from non-member countries have averaged about 0,4 million t:

415.000 in 1978
 412.000 in 1979
 356.000 in 1980
 364.000 in 1981
 440.000 in 1982

Many of these imports enter the Community on special terms.

The Community's external trade

('000 t)

Period	1978	1979	1980	1981	1982
Trade					
<u>Imports</u> from non-member countries:					
Beef/veal	415	412	356	364	440
of which: live animals ('000 head)	67	73	59	50	66
fresh or chilled meat	(385)	(451)	(361)	(310)	(488)
frozen meat	62	63	61	55	72
preserves	122	141	114	121	164
Exports	164	135	122	138	138
of which: preserves	168	338	642	662	480
	38	70	30	38	38
Net trade balance	247	74	- 286	- 298	- 40

In 1982, exports of beef/veal to non-member countries fell to 480.000 t (carcase weight). The Community's external trade surplus in beef/veal thus fell to 40.000 t in 1982.

The main suppliers of beef/veal to the Community in 1982 were:

- Latin American countries, especially Brazil, Argentina and Uruguay, supplying upwards of 50% of total imports and more than 70% of imports of frozen meat;
- East European countries, supplying more than 10% of total imports and more than half the imports of live animals, mainly from Poland;
- Australia and New Zealand, supplying about 5% of total imports;
- Yugoslavia, supplying upwards of one fifth of the imports of live animals and more than one quarter of the fresh and chilled meat;
- Austria, supplying about 20% of imports of live animals and about one third of the imports of fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya and Madagascar), supplying about 5% of total imports.

The Community's main customers in 1982 were:

- Mediterranean European countries, in particular Yugoslavia, taking about 8% of total exports;
- East European countries, taking upwards of one quarter of total Community exports, the USSR taking more than 14%;
- North African countries, particularly Libya and the Maghreb countries, taking about 16% of total exports, especially of live animals;
- Middle East countries, taking about 30% of total exports, with Egypt accounting for about 10%.

5. Prices

(a) Common prices

For the 1983/84 marketing year the guide price for adult cattle was fixed for the whole Community, from 23 May 1983 onwards, at 207,09 ECU/100 kg liveweight.

The guide price is the price, valid for all categories of adult cattle marketed on Community representative markets, which the Community seeks to achieve, by means of Community regulations, during a normal marketing year.

The Council has also fixed the intervention price at 186,38 ECU/100 kg liveweight, or 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for this marketing year.

(b) Market prices

In 1981 and 1982 the average Community market price for adult cattle showed an appreciable increase of the order of 10% per year, a figure comparable to the rate of inflation (1). Average prices for adult cattle remained, however, below the Community intervention price.

In September 1983 the Community market prices for all qualities of adult cattle were running at about 162,00 ECU/100 kg liveweight, i.e. 78,0% of the guide price.

After falling for two consecutive years, the Community price for calves firmed in 1981 and 1982.

Prices for adult cattle

(ECU/100 kg liveweight)

Period	1979/80	1980/81	1981/82	1982/83	1983/84	% change: ((83/84)/ (82/83)):
Guide price	154,58	160,76	172,82	191,87	207,09	+ 5,5%
Intervention price	139,12	144,68	155,54	172,68	186,38	+ 5,5%
Market price						
- in money terms	130,65	132,58	149,93	161,00	162,62*	+ 0,4%**
- as % of the guide price	84,8	83,0	86,1	84,2	79,7	
Import price	82,55	84,75	90,67	92,00	92,00*	+ 0,0%**

* From April to September 1983

** Percentage change compared with the corresponding period of the previous year.

(c) Import prices

In 1982, as a result of the world-wide economic recession, the prices of beef/veal expressed in USD fell on the world market; this fall in prices was, however, often more than offset by lower (and in some cases much lower) exchange rates for the currencies of exporting countries in the southern hemisphere. As a result, Community free-at-frontier offer prices expressed in ECU remained fairly steady, in particular in the case of frozen meat.

(1) In national currencies, the increase averaged about 12%

(d) Consumer prices

Consumer prices for beef/veal expressed in national currencies have shown an average annual increase of more than 10% over recent years; in 1982 the rate of increase was still about 12% on average.

The rate of increase for 1982 is at least comparable to the rate of inflation in most of the Member States.

(e) Cost of animal feed

In 1982, as in the previous year, feed grain prices were fairly low and the prices of protein-rich products used in animal feed followed a downward trend; accordingly, the prices of commercial cattle feed remained relatively stable in the Community until the middle of 1983.

6. Outlook

- (a) The running down of the breeding herd ended in 1982; towards the end of that year there was an appreciable increase in the number of breeding females. Accordingly, it is expected that in 1983 the production of beef/veal will be about 3% up on the previous year (estimated production: about 6,85 million t, as against 6,65 million t in 1982).

It may be expected that in 1984 production of beef/veal will again increase, by about 1-2%.

The consumption of beef/veal, like that of all meats, declined again in 1982 and annual per capita consumption is now only about 24.5 kg.

If the economic situation shows continuing signs of recovery, consumption may be expected to pick up again in the Community in the coming months.

Given the outlook for production and consumption and the present stock of intervention meat to be disposed of in coming months, the supply of beef/veal on the Community market is likely to exceed demand again next year.

As a result of fairly low demand, the rate of self-sufficiency will probably be above 100% in coming years.

Market prices are fairly low, in particular compared with the guide price, and the market prices of adult cattle are expected to recover slightly in the medium term.

- (b) There has in recent years been a sharp drop (of 10-15 kg) in per capita demand for beef/veal in most of the major countries involved in world trade in meat, with the exception of Japan and the Member States of the Community.

In other countries the shortage of foreign exchange has also adversely affected meat purchases in recent months, in particular in the case of new import markets for beef/veal.

In the major exporting countries in the southern hemisphere the production of beef/veal is sharply down as a result of adverse weather conditions in the stockfarming areas (drought in Australasia and floods in Latin America) which have meant that the cattle herd and, by the same token, the production potential in those countries has to a certain extent been run down.

In North America, after the sharp falls in cattle numbers in recent years, production has steadied, albeit at a fairly low level, given the adverse effect of the sharp increase in cattle feed prices on the profitability of stockfarming.

Accordingly, the quantity of beef/veal available for export, mainly in the major exporting countries in the southern hemisphere with the exception of Brazil, will in the months to come show an appreciable decrease, of about 500-600.000 t over the year as a whole.

In the light of the above and given the dollar's strength on exchange markets, beef/veal prices on the world market may be expected to rise over the medium term and this despite the adverse effect of the economic situation on the demand for beef/veal in certain regions.

7. Economic aspects of the measures taken under the common organization of the market

(a) Market support measures

In order to support the market, the Community has continued to apply a number of measures:

- Market clearance measures:

- . granting of export refunds with the possibility of advance fixing of the amounts; it was decided to differentiate some refunds by reference to the category of animal;
- . direct buying-in by public intervention agencies:
 - 227.000 t in 1978
 - 330.000 t in 1979
 - 410.000 t in 1980
 - 280.000 t in 1981
 - 268.000 t in 1982 (representing 4,5% of Community beef production).

- up to 1 September 1983, 245.000 t had been bought in, a marked increase of more than 130.000 t over the corresponding period of 1982;
 - granting of private storage aid in the autumn of 1982, covering an overall quantity of about 25.000 t of hindquarters (with provision for boning and/or export after a minimum period of storage) and similar aid for private storage in the course of autumn 1983 (from 31 October to 16 December 1983).
- Measures to encourage consumption (sale of intervention meat by intervention agencies for direct consumption, allocation of a certain amount of frozen meat from intervention stocks to industry for processing in the Community, and sales of intervention meat at special prices to welfare organizations).
- Aid measures
- possibility of granting variable premiums for the slaughter of certain beef cattle (clean cattle) in the United Kingdom;
 - granting of a calf premium in Italy, Greece, Ireland and Northern Ireland;
 - lastly, as an income supplement for producers specializing in quality meat, granting of a premium for keeping suckler cows, with effect from the 1980/81 marketing years;
- Adjustments to the intervention system

As in previous marketing years, the Commission restricted intervention buying to certain categories (male animals) and forms of presentation (carcasses, quarters) by reference to developments, mainly seasonal, in the market situation. In connection with the adjustment of the rules in this sector, the Council fixed the Community scale for the classification of beef carcasses and the Commission laid down the provisions for applying the scale and defined the arrangements for recording the market prices of beef carcasses on entry to the slaughterhouse. It was also proposed that from 1 January 1984 intervention buying should be on a common basis, using the Community scale for the classification of beef carcasses. In preparation for this new system, the Commission laid down the rules for recording market prices on the basis of the Community classification scale.

(b) International agreements

In addition to the normal arrangements for importing beef/veal, the Community has entered into undertakings to import large quantities annually on the basis of bilateral and multilateral agreements.

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

- 38.000 head (18.000 on an autonomous basis) of heifers and cows of certain mountain breeds at the rate of 6%, and 5.000 head of certain alpine breeds, other than animals intended for slaughter, at the rate of 4%.
- 50.000 t (in terms of boned meat) of frozen beef/veal at the rate of 20%.

Under the arrangement for "high-quality" cuts, the Community undertook to raise, as from 1983, the annual tariff quota for fresh, chilled and frozen beef/veal imported at the rate of 20% from 21.000 t to 29.800 t, as follows:

10.000 t from the United States and Canada

5.000 t from Australia

12.500 t from Argentina

2.300 t from Uruguay,

plus a tariff quota for imports of 2.250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the ACP/EEC Lomé Convention, special arrangements were introduced for the import of 30.000 t (in terms of boned meat) of beef/veal from Botswana, Swaziland, Kenya and Madagascar. The agreement provides for exemption from customs duties and the reduction of other import charges.

Under the forward estimated for 1983, the Community provided for the possibility of importing:

60.000 t (in terms of unboned meat) of frozen beef/veal for processing;
237.000 head of young male cattle for fattening (205.000 for Italy,
30.000 for Greece and 2.000 for other Member States).

Under a trade agreement with Yugoslavia, 50.400 t of fresh or chilled baby beef may be imported annually from that country with a reduced levy.

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

Given the distance by sea, the Community has agreed to the advance fixing of the levy for fresh and chilled meat imported from Argentina and Uruguay.

The levies on frozen meat imported from Romania, Argentina, Uruguay, Australia and New Zealand may also be fixed in advance.

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

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on beef/veal was 1.150,6 million ECU in 1982; it is provisionally put at 1.283 million ECU in 1983 and estimated at 1.412 million ECU in 1984, i.e. 9,3%, 9,1% and 8,5% respectively of total EAGGF Guarantee Section expenditure. The figure of 1.283 million ECU breaks down into 753 million ECU in refunds, 289 million ECU in intervention expenditure for public and private storage and 241 million ECU in premiums, mainly the calf premium and the suckler cow premium.

15. PIGMEAT

1. Introduction

In December 1982 there were in the Community altogether 79.2 million pigs, including 8.8 million sows, on about 2 million farms.

Production structures followed the same general trends as in previous years : on the one hand, there has been a decrease in the number of farms, particularly those with fewer than 200 pigs or 10 sows; on the other hand, there has been an increase in the average pig herd per farm. The average size of herd continues to vary greatly from one Member State to another : 270 pigs per farm in the United Kingdom, 250 in the Netherlands, about 160 in Denmark, 140 in Belgium and Ireland, about 50 in Luxembourg, Germany and France, 17 in Greece and 9 in Italy. The Community average is 37.5 pigs per farm (1981).

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

In 1982 pigmeat accounted for close to (11,9) % by value of gross final agricultural production and (45,3) % of the total tonnage of meat produced in the Community.

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

2. Production

Compared with December 1981, the total number of pigs had risen by 0.3 %. On 1 April 1983 as compared with April 1982, the total number of pigs was 2.7 % higher and that of sows 2.4 % higher.

In 1982 the Community produced 10.2 million t of pigmeat, 0.2 % less than in 1981. For the first six months of 1983 production was 3 % up, and it will increase by about 2 % in the second half of the year.

3. Consumption

In 1982, pigmeat consumption in the Community was slightly up on 1981 (10.10 million t in 1981 and 10.16 million t in 1982). Per capita consumption increased from 37.0 kg to 37.4 kg.

				1982
:	:	Internal	kg/	Degree of
:	:	consumption	inhabitant	self-sufficiency
:	:	('000 tonnes)	:	%
:	:	:	:	:
:	:	10 162	:	37.4
:	:	436	:	42.7
:	:	251	:	49.0
:	:	3 556	:	57.7
:	:	2 126	:	39.2
:	:	198	:	20.2
:	:	113	:	32.4
:	:	1 441	:	25.4
:	:	608	:	42.5
:	:	1 433	:	25.5
:	:	:	:	100.7
:	:	:	:	147.0
:	:	:	:	395.2
:	:	:	:	86.4
:	:	:	:	82.6
:	:	:	:	77.8
:	:	:	:	125.7
:	:	:	:	73.7
:	:	:	:	235.0
:	:	:	:	69.4

Germany, with a per capita consumption of 57.7 kg, remains the largest consumer of pigmeat in the Community; domestic consumption in Germany accounts for 35.0 % on the Community total.

Per capita consumption is still lowest in Greece, Italy and the United Kingdom, so that there is room for expansion.

In 1982 the balance between gross home production and consumption corresponded to a degree of self-sufficiency of 100.7 %, slightly lower than in the preceding years.

Denmark still has the highest degree of self-sufficiency in the Community : 395 % (compared with 386 % in 1981). The figure has also risen slightly in Germany, Ireland and the United Kingdom; it has fallen slightly in the BLEU, France, Greece, Italy and the Netherlands.

4. Trade

The import-export balance in the various Member States is as follows for 1982 (all intra-Community and extra-Community trade) :

1982

	Net		Percentage change 1982/81	
	imports(t)	exports(t)	Net imports	Net exports
BLEU		218 300		- 16.9
Denmark		738 200		+ 0.3
Germany	419 600		+ 8.1	
France	362 000		+ 5.4	
Greece	40 400		+ 18.1	
Ireland		1 700
Italy	325 100		+ 18.2	
Netherlands		840 000		- 2.4
United Kingdom	562 400		- 11.4	

In 1982, the quantity of pigmeat products traded between the Member States amounted to 2.32 million t, 3.1 % more than in 1981 (2.22 million t).

In trade with non-member countries in 1982, imports were 191 700 t and exports 274 100 t.

The Community's trade balance with non-member countries again shows a surplus, with net exports of 82 400 t. In 1982 the Community's imports from non-member countries were 12.0 % down on 1981, whilst its exports to these countries decreased by 22.6 %.

The breakdown by type of product imported or exported in 1982 is given in the following table :

	<u>Imports from</u> <u>non-member countries</u>	<u>Exports to</u> <u>non-member countries</u>
- live pigs	11.3 %	0.1 %
- fresh and salted meat	42.2 %	21.3 %
- lard	14.0 %	13.6 %
- offal	25.3 %	8.4 %
- prepared and preserved meats	7.2 %	56.6 %

In 1982 prepared and preserved meats accounted for a much larger percentage of Community exports than in 1981. Processed products represented more than half of all exports. Thus, the Community is strengthening its position as a net exporter of such products. On the other hand, exports of fresh and salted meat fell sharply in 1982. This was mainly due to the closure of the American and Japanese markets to fresh meat from Denmark because of the outbreak of foot-and-mouth disease in that country.

As regards imports, the percentages accounted for by fresh and salted meat and by lard have increased whilst that accounted for by live pigs has decreased markedly.

As in the past, certain East European countries (Hungary and Romania) were the main suppliers of fresh meat.

The other main supplier countries were :

- the United States of America (mainly offal);
- China (boned meat);
- Sweden (mainly cuts and offal);
- Canada (cuts, offal and back-fat).

The EEC continued to export, inter alia :

- preserves to the United States;
- cuts and preserves to Japan;
- a broad range of processed products to numerous other countries.

Incomplete returns for 1983 show a sharp drop in imports as compared with 1982, mainly because products from certain East European countries did not appear on the Community market. Community exports, on the other hand, remained at the same level as in 1982; over 1983 as a whole they may even increase slightly, the Japanese market having been reopened to fresh meat from Denmark on 1 September 1983.

5. Prices

(a) Common prices

- Basic price

Management of the Community pigmeat market depends on the basic price, which is fixed annually for the period 1 November - 31 October and applies to Class II pig carcasses on the Community scale.

The basic price represents an equilibrium at which producers can obtain a fair return while the balance between supply and demand is maintained.

The level of the basic price for 1981/82 (1 November 1981 - 31 October 1982) was 176.18 ECU/100 kg; the basic price for 1982/83 was 194.68 ECU/100 kg.

Given the trend in production costs as a whole and the economic situation, the new basic price applicable from 1 November 1983 to 31 October 1984 has been fixed at 205.39 ECU/100 kg (+ 5.5 %).

- Sluice-gate prices

The sluice-gate prices, which are fixed every quarter, are considered to be normal world market offer prices at the Community frontier, at which products from non-member countries may enter without undercutting the price levels aimed at by Community market regulations. The sluice-gate prices depend on the world market prices for feed grain. In 1982/83 (August 1982 - July 1983) the sluice-gate prices were reduced accordingly, averaging 6.3 % less than in 1981/82. Thus, the sluice-gate price for pig carcasses stood at 132.30 ECU/100 kg at the beginning of 1982/83 and at 122.17 ECU/100 kg by the end.

(b) Market prices

The price for pig carcasses on representative markets, which had stood at 167.5 ECU/100 kg at the beginning of 1982, fell during the first four months of the year, reaching a low of 150 ECU/100 kg in April.

From May onwards, the Community market price began to rise, with the help of aid for private storage between 31 March and 23 July 1982. The price climbed to about 167 ECU/100 kg, where it remained for the last three months on the year.

In 1983 prices fell sharply between January and April, necessitating the resumption of intervention measures in the form of private storage aid between 1 February and 9 September 1983. Having dropped to 145 ECU/100 kg in April, prices remained unchanged until July, before picking up once more in August.

Pig carcase prices

		ECU/100 kg of pig carcase				
		1.11.79	1.11.80	1.11.81	1.11.82	1.11.83
:	:	31.10.80	31.10.81	31.10.82	31.10.83	31.10.84

:	<u>Basic price</u>	:	:	:	:	:
:	absolute value	150.44	158.72	176.18	194.68	205.39
:	percentage change	100.00	105.50	117.11	129.41	136.53
:	<u>Market price</u>	:	:	:	:	:
:	absolute value	133.67	140.21	161.38	153.11	:
:	percentage change	100.00	104.89	120.73	114.54	:
:	as % of basic price:	88.84	88.34	91.60	78.7	:
:	<u>Sluice-gate price</u>	:	:	:	:	:
:	absolute value	110.11	131.54	132.33	124.99	:
:	percentage change	100.00	119.46	120.18	113.51	:
:	:	:	:	:	:	:

(c) Prices in non-member countries

Of the "market economy" non-member countries, the USA is the biggest pigmeat producer.

US prices remained relatively high throughout 1982, averaging about 25 % more than in 1981 because of a substantial drop in pig numbers. In 1983 production rose sharply again, leading to a fall in prices which could continue throughout the year.

The other countries producing pigmeat on a large scale include the East European countries with State-run economies. Pigmeat production in these countries declined in 1981 and 1982, but pig numbers now seem to be on the increase again.

(d) Consumer prices

For nine months of 1982, relatively high producer prices for pig carcasses on the representative markets caused consumer prices for pigmeat to rise also, although to a lesser extent, since marketing margins were greatly narrowed in order to maintain the same level of consumption. This development did not, however, have a negative effect on per capita consumption of pigmeat, which increased by about 1 %.

6. Production costs

In 1982 and at the beginning of 1983, feed prices on the Community market were advantageous to producers and remained relatively stable, apart from some fluctuations at national level due to the monetary situation in the Member States. This could change shortly, however, since the prices for the raw materials used in feedingstuffs began to rise in July 1983 and could influence pigmeat production costs.

Production costs other than feed represent between 25 % and 35 % of the total production costs of pig carcasses. As in previous years, these costs have been influenced by the general level of inflation and the high interest rates charged by banks in the Member States.

7. Outlook

In 1983 the volume of production will probably be 1.5 % to 2 % greater than in 1982. Since the level of external trade is relatively stable, any extra quantities produced in 1983 will probably have to be sold within the Community. This would mean an increase in the consumption of pigmeat, perhaps in preference to more expensive red meats.

The results of the August 1983 survey of pig numbers indicate that the increase in production recorded in 1983 will probably continue in 1984.

8. Economic aspects of the measures taken under the common organization of the market in pigmeat

(a) Levies and refunds

Under the system of trade with non-member countries, levies and

(where appropriate) additional amounts may be charged on imports and refunds may be granted on exports.

Levies followed the trend in world and Community prices for feed grain, resulting in an increase in 1982. The levies have remained unchanged since 1 Februari 1983, when they were fixed at 55 ECU/100 kg for pig carcasses.

For ten months of 1982, additional amounts were charged on certain products and countries of origin. They were discontinued in November 1982 and reintroduced with effect from April 1983.

The export refunds for fresh pigmeat were increased slightly with effect from February 1983 because of the situation on the market and then increased again in April 1983, this time by a more substantial margin. The refunds on processed products have remained the same as in 1982.

(b) Intervention

From 1 February to 9 September 1983 market support measures were applied in the form of private storage aid. The quantities involved were about 120 000 t. The effect was a stabilization of market prices.

9. Budgetary expenditure

EAGGF Guarantee Section expenditure on pigmeat in 1982 was of the order of 112 million ECU, including 96 million ECU for export refunds and 16 million ECU for private storage aid.

Total expenditure in 1982 was 27.7 % down on 1981.

For 1983, provision has been made for 180 million ECU, i.e. 150 million ECU for export refunds and 30 million ECU for private storage aid.

16. EGGS

1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1981</u>	<u>1982</u>
Eggs/livestock products	6,2%	
Eggs/total agricultural production	3,5%	3,0%

National figures indicate that undertakings with more than 10.000 layers at present account for more than 50% of production in most Member States and up to 75% in the United Kingdom and the Netherlands. Greece and Luxembourg, which account for about 3% of Community production, are the only countries where production is still relatively unconcentrated.

According to FAO and USDA statistics, the Community in 1982 was the second largest egg producer in the world, after China and before the United States, and had become the largest exporter before the United States. This corresponds to 14% of world production and 33% of world exports (eggs in shell and egg products), not including intra-Community trade.

2. Production, consumption and trade

In 1982 Community egg production (4,26 million t) again increased by 2,4% compared with the previous year. This excessive growth of supply compared with demand triggered off a further serious crisis on the egg market after Easter 1982. As a result of this difficult situation layer chick placings fell in 1982 by about 5%. This trend, which accelerated during the first six months of 1983, only began to have an appreciable impact on production from May 1983 onwards. Taking account of cull hens expected to be slaughtered in some Member States, it can be predicted that Community production in 1983 will be lower than in 1982, only reaching 1981 levels. The market situation has therefore improved distinctly since the summer of 1983.

Consumption increased slightly from 3,82 million t in 1981 to 3,87 million t in 1982.

In some Member States, however, there is a tendency for consumption to stagnate or even decline. Very favourable prices and advertising campaigns have been unable to halt this trend which again underlines the very limited elasticity of demand. Per capita consumption has remained unchanged since 1978.

The restrictions on free trade introduced by the United Kingdom on 1 September 1981 in connection with new national arrangements for combating Newcastle disease reduced deliveries to the United Kingdom in 1982. In accordance with the judgment of the Court of Justice on the subject in July 1982, the United Kingdom took steps to enable trade to be resumed with France, the Netherlands, Belgium and Germany while safeguarding the health status of the poultry flock.

Trade with non-member countries in 1982 totalled 194.000 t - 162.000 t of exports and 32.000 t of imports. Exports increased, in particular to North Africa and the Middle East. The growth of sales to non-member countries speeded up in 1982 (+ 48% for eggs for consumption, + 77% for hatching eggs) mainly on account of increased demand in some non-member countries and extremely low prices in the Community. In 1983 exports of eggs in shell maintained their high level of the previous year. Imports of eggs in shell and egg products have since 1982 involved only small quantities imported under inward processing arrangements (for re-export after processing), whole imports of hatching eggs (turkeys) have increased considerably (Italy).

3. Prices

After more than a year of crisis, market prices began to rise again, exceeding last year's level in some Member States, from May 1983. This improvement was in line with the contraction of supply recorded in most production regions. Prices did not reach a satisfactory level until August, however. The rise in the price of feed threatens to undermine the profitability of this sector again.

It should be noted that the producers' organizations played a major role in trade negotiations in 1983 and, especially in France successfully defended the producers' interests against their trading partners.

The prices of eggs for consumption did not follow in all Member States the 1982 fall in market prices.

4. Outlook

Until the summer of 1983 the reduction in layer chick placings continued in all Member States except the Netherlands and Belgium. Community supply can be expected, therefore, to remain until mid-1984 below the previous year's level.

In the medium term, a prudent policy of increasing production should be pursued, principally on account of stagnating per capita consumption in the Community and the limitations of the world market. The volume of world trade in eggs in shell is lower than that of intra-Community trade.

5. Measures taken under the common organization of the market

- (a) Sluice-gate prices were reduced after 1 August 1982, but have been rising since 1 February 1983, in line with the trend in feed grain prices on the world market. Levies, which are based essentially on the difference between feed grain prices in the Community and on the world market, have followed a contrary trend.
- (b) Refunds on eggs in shell, which were raised to 18 ECU/100 kg from 1 November 1982, were reduced to 16 ECU on 14 September 1983 in view of the Community market situation.

Refunds on hatching eggs and egg products were also reduced from the same date.

- (c) In 1983 the Council continued its examination of the Commission proposal for altering the marketing standards for eggs, but was unable to reach agreement. The changes proposed in March 1980 comprise in particular measures to improve consumer information.

6. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on eggs, all of which is for refunds, amounted to 24,2 million ECU in 1982 (0,2% expenditure by the Guarantee Section). The figure entered in the budget for 1983 is 37 million ECU and the estimate for 1984 is 36 million ECU.

17. POULTRYMEAT

1. Introduction

The relative value of poultrymeat production is still fairly similar to that of eggs, i.e. together about 14 % of livestock production and 8 % of total agricultural production. The figures relating to poultrymeat are :

	<u>1981</u>	<u>1982</u>
Poultrymeat/livestock products	7.8 %	
Poultrymeat/total agricultural production	4.5 %	4.4 %

Poultrymeat production is still characterized by concentration and by various forms of vertical and horizontal integration. The degree of concentration, particularly in the chicken sector, is greater than in the egg sector, since in the northern countries of the EEC more than 90 % of production is accounted for by holdings with more than 10 000 birds. However, concentration is less marked in France, Italy and Belgium, where traditional forms of production and marketing (roped chickens) are still fairly important. This is also true of Greece, which accounts for about 3 % of Community production.

In 1981, with 15 % of world production, the Community was, after the USA, the world's second largest producer not only of all poultrymeat but also of chickens and turkeys. It remains the largest exporter (34 % of world exports), ahead of Brazil and the USA.

2. Production, consumption and trade

In 1982, total Community poultrymeat production (4.43 million t) rose by 5.5 %, the largest increase for ten years. Production rose in all Member States, although the rate of increase varied considerably, ranging from 0.3 % in Germany to 8-11 % in France, the United Kingdom, Belgium and Ireland.

Chicken production rose from 2.8 to 3 million t (= 68 % of all poultrymeat production). Half of this increase remained unsold in 1982 because of falling demand frozen chicken in Germany and keen competition on the world market. As a result, production had to be scaled down in Germany and the Netherlands in the second half of 1982. In 1983 production has slowed down in almost all the Member States, particularly in Germany, the Netherlands and France.

In the turkey sector (700 000 t produced per year), production seems to have risen only by about 3 % in 1983, after the marked increase in 1982 (+ 6.4 %).

The rate of increase in consumption (+ 5 % on average in the Community) seems to have been somewhat over-estimated, the supply forecasts for the sector having failed to take full account of the build-up of stocks in 1982. Even so, consumption has increased in all Member States because of the favourable prices on the meat market and the widening range of derived products (cuts and processed turkey products).

Intra-Community trade in both slaughtered poultry and live birds increased in 1981.

Following the Court of Justice ruling of July 1982, the United Kingdom took steps to restore trade with its partners, subject to safeguards to ensure the health of livestock.

Exports to non-member countries in 1982 totalled 441 000 t, mainly chickens (408 000 t) for the Middle East and the USSR. This total was 5.6 % less than in 1981, because the growth in demand is less marked in some importing non-member countries and because competition, especially from Brazil, has increased.

World exports of hens and chickens (whole carcasses and parts thereof) fell by 100 000 t or 8 % in 1982. There has been little or no change in the world market situation in 1983 and the volume of Community exports during the first eight months was the same as in the previous year. Exports of chickens to non-member countries now represent about 14 % of Community production (36 % in the case of France, the Community's main exporter).

Imports represent less than 2 % of consumption. They comprise mainly geese and ducks from East European countries (30 000 t in 1982). Imports of turkeymeat and of poultrymeat preparations fell by 100 t and 3 000 t respectively in 1982 as a result of increased offer prices for the imported products.

In 1983 there was a further drop in such imports, particularly from the USA.

3. Prices

The trend in chicken prices in 1982 reflected the serious crisis on the market for frozen chickens, particularly in Germany and the Netherlands. Prices for fresh chickens, on the other hand, remained stable throughout the Community, except in Italy. In 1983 the market was less plentifully supplied, so that prices picked up slowly, but they are still not satisfactory in view of the recent rise in feed prices.

In 1982 consumer prices rose in all Member States. Poultrymeat prices remain, however, more attractive than those for other types of meat. In 1982 and 1983 frozen chickens could not be marketed in Germany without big price reductions.

4. Outlook

For the first time since the common organization of the market was established, Community poultrymeat production will probably slow down in 1983. This will be attributable to a drop in chicken production, which is expected to fall back to the 1981 level. On the other hand, stock variations being taken into account, consumption will remain at its 1982 level at least. The recent reduction in the numbers of parent birds would seem to indicate that a cautious production policy will be followed for the immediate future, pending any new trend in demand on the international and world markets.

The outlook for the turkey sector is more optimistic. Although production in 1983 will increase by only some 3 % (and may even decrease in the second half of the year), the outlook for cuts and prepared products is good, so that this sector should expand slowly but surely in the medium term.

5. Measures taken under the common organization of the market

- (a) Following the trend in feed grain prices on the world market, sluice-gate prices were increased as from February 1983, while the levies reflecting the difference between Community and world market prices for feed grain were reduced.
- (b) In view of the Community market situation and the conditions of competition on the world market, refunds for chickens were increased from 20.5 ECU/100 kg on 20 September 1982 to 22.5 ECU on 1 February 1983 and reduced again to 20 ECU on 14 September 1983, and to 18 ECU on 24 October 1983.

6. Budgetary expenditure

Being limited to refunds, expenditure by the EAGGF Guarantee Section on poultrymeat amounted to 79.7 million ECU in 1982 (equivalent to 0.6 % of total EAGGF Guarantee Section expenditure).

Expenditure provisionally stands at 88 million ECU in 1983 and is estimated at 92 million ECU in 1984.

18. SILKWORMS

Silkworms, reared in Greece and Italy and on a small scale for research purposes in France, account for only a tiny part of Community agriculture and of world sericulture.

According to the FAO, world production of raw silk (including waste) in 1982 was 63.000 t compared with 65.000 t in 1981 and 64.000 t in 1980. Silkworm rearing is virtually an Asian monopoly (58.000 t): China (38.000 t) and Japan (13.000 t) together account for 81% of world production.

Community production is declining steadily in the two producer Member States since the rise in rearing costs is not adequately offset.

In 1982 only 6.294 boxes were used compared with 8.640 in 1981 (- 27%) and 11.100 in 1980. Cocoon production was only 153 t compared with 224 t in 1981 and 308 t in 1980.

For 1983/84 the amount of aid was fixed at 106 ECU per box (84,02 ECU in Greece) compared with 100 ECU in 198 /8 , a rise of 6%.

EAGGF Guarantee spending was 0,7 Mio ECU in 1982.

19. SHEEPMEAT AND GOATMEAT

1. Introduction

Sheepmeat and goatmeat account for about 2% by value of the Community's final agricultural production. Sheep are raised on approximately 600.000 farms in the Community: 38% of all Community sheep are in the United Kingdom, 23% in France, 16% in Italy and 15% in Greece, these four Member States thus having 92% of the Community flock. Sheepmeat accounts for about 20% by value of the production of all types of meat in Greece, and about 13% in the United Kingdom, France and Italy (for the Community as a whole the figure is about 4%).

The regional distribution of sheep is such that there is a concentration in the areas covered by Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas. The regions with the highest density of sheep are Scotland and Wales, with more than 1,5 head/ha, and the remainder of the United Kingdom, Greece, West-central France and Sardinia, with between 0,5 and 1,5.

The Community, with its output of 700.000 t, is the world's second largest producer, accounting for about 12% of its sheepmeat and goatmeat. It comes after the USSR (with 800.000 t) and before Australia and New Zealand (600.000 t each), China (400.000 t), and Turkey (300.000 t).

The common organization of the market in sheepmeat and goatmeat came into effect on 20 October 1980 (Regulation (EEC) No 1837/80 of 27 June 1980).

The mechanisms of the common organization of the market were described in the 1982 report on the situation on the agricultural markets.

2. Production

a) Sheep numbers

- The number of sheep in the Community, which has risen almost (1) uninterruptedly since 1972, reached 58,8 million head by 31 December 1982, including 39,7 million ewes. The rate of increase, at 3,3%, was slightly higher in 1982 than the 2,9% in 1981, but it varied considerably among Member States: numbers fell sharply in France by 7,5%, and remained steady in the United Kingdom. In the other Member States numbers increased, by 12% in the Netherlands, 6% in the Federal Republic of Germany, 5% in Belgium and 1% in Ireland. These figures as a whole must be treated with some caution as the implementation in 1982 of Directive 82/177/EEC (2) may have modified the terms of the comparison, between 1981 and 1982.
- The number of goats in the Community also increased, but to a lesser extent (1,9%).

b) Production of sheepmeat and goatmeat

In 1982 production of sheepmeat and goatmeat in the Community of Ten (gross indigenous production: 706.000 t) remained almost static (+0,7%). It fell in two countries only: Italy (5,5%) and the Netherlands (9,5%) (3).

In the other Member States production was either static or slightly up (France: 5,1%) (4).

Community production of sheepmeat and goatmeat tends to run in cycles, but the underlying trend has been upwards since 1970. Thus, from 1973 to 1981 there was an annual rate of increase of 2,7%.

3. Consumtion

In 1982 consumption of sheepmeat and goatmeat, at 975.000 t, increased sharply (4,5%) due to a steep rise in the United Kingdom (7,6%) and an appreciable one in Greece (5,5%) and France (4,0%).

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- (1) The only exception was 1975. It should be noted that the annual rate of increase from 1973 to 1981 was 1,5%.
 - (2) Council Directive of 22 March 1982 on the statistical surveys to be carried out by Member States on sheep and goat stocks.
 - (3) The fall in the Netherlands was also due to implementation of the above Directive.
 - (4) Due to slaughterings of ewes being higher than usual.

Average annual consumption per head in the Community in 1982 was 3,6 kg. Greece accounts for the heaviest consumption with 13,8 kg per head per year, followed by Ireland with 7,5 kg, the United Kingdom with 7,5 kg, France with 4,3 kg, the BLEU with 1,8 kg and Italy with 1,5 kg. In the other Member States consumption is less than 1 kg per head per year.

The long-term trend in consumption per head is upward in all Member States, except Ireland and the United Kingdom, where it is falling (although there has been a tendency for this to level out in the United Kingdom since the establishment of the common organization of the market). Over the Community as a whole consumption is fairly steady: since 1968 it has hovered between 3,3 and 3,8 kg per head.

4. Trade

a) Non-Community countries

In 1982 imports into the Community of Ten amounted to 281.000 t carcass weight, an increase of 24% over 1981 (226.000 t). This was accounted for mainly by the suppliers of frozen meat (Australia, +104%; Argentina, +64%; New Zealand, +23%) and two other countries (Romania, +72%; Yugoslavia, +37%). The increase went mostly to the United Kingdom (1) (+27%), Greece (+39%) and the Federal Republic of Germany (+30%).

b) Intra-Community trade

In 1982 intra-Community trade was 81.000 t. The United Kingdom, with 37.600 t, supplied 46,4% and France, with 47.900 t, received 59,1% of intra-Community trade. There was little change in total trade as against 1981. However, there was a fall in the amounts supplied by the Federal Republic of Germany (from 4.700 to 3.400 t), Ireland (from 18.000 to 16.000 t) and the Netherlands (2) (from 15.000 to 11.000 t). On the other hand there was a rise in exports from the United Kingdom (from 35.600 to 37.600 t), France (from 4.480 to 6.250 t) and the BLEU (from 2.390 to 3.500 t).

5. Prices

a) Institutional prices

For the 1983/84 marketing year:

- the basic price was fixed, for the Community as a whole, at 432.36 ECU/100 kg (carcass weight) an increase of 5,5% on 1982/83;

(1) The United Kingdom accounted for 74% of Community imports.

(2) Nonetheless there was an increase in the number of live animals sent to Belgium (115.000 head in 1982 as against 36.000 in 1981).

- the intervention price was fixed at 367,51 ECU/100 kg (+5,5%) and the derived intervention price (Ireland) at 347,70 ECU/100 kg (+5,5%);

- the reference prices were fixed as follows:

<u>Region</u>	<u>ECU/100 kg</u>	<u>Percentage variation compared with 1982/83</u>
1. (Italy)	441,76	+ 3,3
2. (France)	432,36	+ 5,5
3. (Benelux)		
(Denmark)	422,96	+ 7,9
(Germany)		
4. (Ireland)	421,40	+ 8,3
5. (Great Britain)	416,07	+ 9,8
6. (Northern Ireland)	416,07	+ 9,8
7. (Greece)	441,76	+ 3,3

b) Market prices

In 1982 the average Community market price was 369,86 ECU/100 kg (carcase weight), an increase of 4,3% over 1981 (354,65 ECU/100 kg).

The trend was thus much less satisfactory than in 1981 (+14,7% up on 1980) (1). There were appreciable differences, however, between Member States: there were increases in Belgium (17,4% in national currency and 13,2% in ECU), Denmark (14,1% in national currency and 10,5% in ECU), Greece (13,3% in national currency and 5,4% in ECU), France (9,5% in national currency and 6,1% in ECU) and the United Kingdom (4,4% in national currency and in ECU), and decreases in the Netherlands (4,0% in national currency and 2,8% in ECU) and the Federal Republic of Germany (0,4% in national currency and 2,4% in ECU).

6. Outlook

On the basis of data provided by the Member States, the following can be expected for 1983.

a) A further rise in the total number of sheep in the Community

(by 1,7% on average for the Community as a whole: 59.8 million head). The rise is likely to occur in certain Member States only, and to differing extents: it is likely to be in Italy (1,0%), Ireland (2,7%) and above all the United Kingdom (3,3%). In the other Member States the number of sheep is expected to remain fairly steady.

(1) Since 1973 the average Community price has fallen only twice, in 1978 (2%) and in 1980 (10,8%).

b) An increase in Community production (3,4%)

(due to the foreseeable increase in all Member States except France and the Netherlands). Total expected: 730.000 t (up 24.000 t). Production is likely to rise by 7,9% in the United Kingdom and to fall by 3,3% in France, while remaining steady in the Netherlands.

c) A very slight increase in Community consumption (0,5%)

(a rise of 5.000 t, to 980.000 t). Consumption is not expected to increase appreciably in any Member State.

d) A decrease in the Community's deficit

The balance has been as follows in recent years (Community of Ten):

	<u>Deficit (consumption less production)</u> (t)	<u>Self-sufficiency</u> (%)
1977	280.000	68,9
1978	271.000	70,2
1979	286.000	69,4
1980	251.000	75,0
1981	232.000	75,1
1982	269.000	72,4
1983 (estimates)	250.000	74,5

e) A fall in imports from non-Community countries

Under their voluntary restraint agreements with the Community, these countries may export to it a maximum of 321.790 t (1) of live animals and sheepmeat, expressed as carcase weight equivalent. In 1983 the non-Community countries in Europe will be exporting amounts close to the agreed limits. On the other hand, Argentina, Uruguay and Chile will be below the limits (expected imports from New Zealand 205.000 t, the limit being 245.500 t). Total Community imports are thus expected to be of the order of 260.000 t in 1983, a decrease of 20.000 t as against 1982 (in carcase weight equivalent).

f) An increase of about 1% in the average Community market price

This is well below the increase in the basic price decided on for 1983/84 (5,5%). The increase in market prices will nonetheless be distinctly above the average in France (11%) and Ireland (4%).

(1) Including the 2.290 t granted under autonomous quotas for non-Community countries which have not concluded such agreements.

7. Supply balance for 1983

For 1983 the Community supply balance is estimated as follows:

Gross indigenous production	:	730.000 t
Total consumption	:	980.000 t
Consumption/production deficit	:	250.000 t
Import/export deficit	:	255.000 t
- imports from non-Community countries	:	255.000 t
- exports to non-Community countries	:	5.000 t
- change in stocks	:	+ 5.000 t

8. Economic aspects of measures taken under the common organization of the market

a) Variable premium (in Great Britain)

The total paid under the variable premium scheme in 1982/83 was 236 million ECU, as against 114 million in 1981/82. This amount represents an (arithmetic) mean premium of 91,17 ECU/100 kg for 1982/83, or 35,3% of the average market price in Great Britain for that year.

In the week beginning 2 August 1982, the premium reached a maximum of 148,14 ECU/100 kg, which is 76,4% of the Great Britain market price!

b) Ewe premiums

In 1982/83 ewe premiums were fixed for eight Member States, and amounted in all to 100 million ECU.

The amount of the premium per ewe was as follows:

France (1)	:	0,566 ECU
Denmark	:	7,041 ECU
Netherlands	:	13,376 ECU
Luxembourg	:	17,308 ECU
Belgium	:	18,844 ECU
Fed. Rep. of Germany	:	10,486 ECU
Ireland	:	10,646 ECU
Great Britain	:	4,418 ECU
Northern Ireland	:	15,481 ECU.

For comparison, the amount granted for 1981/82 was 12.7 million ECU, distributed as follows:

3,4 million ECU in Ireland	(1.9335 ECU per ewe)
9,3 million ECU in the United Kingdom	(0.6916 ECU per ewe).

(1) In actual fact an advance of FF 12 per ewe (3,874 ECU) had been paid at the beginning of the marketing year. The excess will therefore be set against the amounts to be paid for 1983/84.

For 1980/81, 1.3 million ECU were paid in Ireland (0,772 ECU per ewe) and 15 million ECU in the United Kingdom (1,098 ECU per ewe).

On these bases, the total cost of premiums (ewe premium and variable premium) can be summarized as follows:

1980/81 (first year, 51/2 months)	84,8 million ECU
1981/82	115,3 million ECU
1982/83	307,4 million ECU
1983/84 (estimate)	371 million ECU

The variable premium clawback (1) on exports from Great Britain (United Kingdom until the end of the 1981/82 marketing year) have been deducted from these totals.

c) Refunds

No refunds in 1982 or 1983. The Community has in any case not yet adopted implementing rules.

d) Management of voluntary restraint agreements

The mechanisms provided for in these agreements operated normally in 1983. So far no non-Community country has exceeded its limit.

e) Intervention

No intervention in 1982 or 1983 (market prices in France, the only Member State where the possibility of intervention buying was agreed upon for 1983/84, were above the intervention price).

(1) 1980/81: 9,3 million ECU; 1981/82: 10,9 million ECU; 1982/83: 28,7 million ECU. 1983/84 (estimate): 33 million ECU.

II. Products not subject to common market organization

20.a. ALCOHOL

1. Introduction

The alcohol sector has still not been organized.

2. Production

Production of agricultural alcohol in the Community fell back sharply (by 9,6%) in 1982 (or the 1981/82 marketing year). This is due to a fall off in the production of molasses alcohol (which for the first time fell below 2.900.000 hl), beet alcohol (which dropped to 1.260.000 hl) and vinous alcohol (which from about 2.000.000 hl fell back to less than 1.600.000 hl).

3. Consumption

As a result of the economic crisis prevailing in Europe and the relative decline in living standards, consumption of alcohol, particularly direct human consumption, has fallen in the Community.

4. Prices

Price movements remain abnormal. Whereas on the world market alcohol prices have been stable for years, they are unstable on the Community market. This is due to French so-called "liberalized alcohol" (alcool libéré) at prices well below those ruling on the alcohol markets of other Member States.

5. Trade

Sales of French liberalized alcohol are sufficiently substantial (about 400.000 hl) to disturb the markets of other Member States.

6. Outlook

In the absence of a common market organization, alcohol obtained from wine surpluses and beet surpluses will continue to represent a constant threat of market disturbance to other types of alcohol.

7. Expenditure

For the record.

It is to be borne in mind that in the wine sector the Community's financial liability has begun to replace national liability. So far, however, this process is by no means complete.

20b. POTATOES

1. Introduction

There is still no common organization of the market for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 covering the whole range of fresh and processed products.

It provides for:

- marketing standards;
- measures to encourage the formation of producer groups;
- the support measures required to keep the market stable;
- a system of trade with non-member countries incorporating a reference price system for new potatoes.

Products such as potato starch (1), dehydrated potatoes (2) and products processed from potatoes (3) are already subject to a common organization. The marketing of seed potatoes is subject to a Council Directive (4).

2. Production

According to FAO statistics, the world harvest in 1982 was 254.861.000 t. The Community, with 34.176.000 t, accounts for about 13% of the world total. The average yield per hectare in the EEC is almost double the world average.

The value of potato production represented 2,2% of the value of final agricultural production in the Community. According to 1982 EEC statistics about 1,8 million holdings (in the enlarged Community) grow potatoes. At national level the production structure is very variable, the average crop area per farm being 3,8 ha in the Netherlands, 0,4 ha in France and 0,3 ha in Italy.

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- (1) Regulation (EEC) No 2727/75, 29.10.1975, OJ L 281, 1.11.1975.
 - (2) Council Regulation (EEC) No 1117/78, 22. 5.1978, OJ L 142, 30. 5.1978.
 - (3) Council Regulation (EEC) No 516/77, 14. 3.1977, OJ L 73, 21. 3.1977.
 - (4) Consolidated version of the Council Directive of 14. 6.1966, OJ No 66, 8.06.1974, p. 35.

Since 1951-55 the total area under potatoes in the EEC has dropped by about 68%: from 3.512.000 ha in 1951-55 to 1.120.000 ha in 1982. Because of the increase in yields per hectare, however, production has fallen only by 45% (from 61.957.000 t) in 1951-55 to 34.176.000 t in 1982).

The Community is basically self-sufficient but there have been supply problems following very dry years.

The area under new potatoes grew in 1982 (120.000 ha as against 114.000 ha in 1981), and production remained over 2 million t. There continues to be a shortfall, about 450.000 t being imported into the Community every year.

The area under seed potatoes in the EEC remained at around 100.000 ha in 1982. About 2,7 million t were harvested, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips, etc.) are also important in the potato sector. About 4 million t of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and are grown mainly under contracts between farmers and the processing industry. Development has been very rapid and conditions are right for the further expansion of some products in the near future.

3. Consumption

Potatoes are used mainly unprocessed as foodstuffs and to a lesser extent for feeding animals. The quantities turned by the processing industry into products for human consumption represent about 20% of total human consumption.

(a) Human consumption

Per capita consumption of unprocessed potatoes is again falling off. After a sharp drop in 1976/77 as result of the shortage caused by the drought in 1976 (69,1 kg per head) it climbed to 76,4 kg in 1979/80 but fell back to 75,8 kg in 1980/81 and then fell still further to 74,6 kg in 1981/82.

(b) Animal consumption

The quantity fed to livestock ranges from about 3 million t to about 7 million t, depending on the volume of the harvest. In 1981/82 it was 3.463.000 t: 2.133.000 t in Germany; 132.000 t in France; 220.000 t in Italy; 120.000 t in the Netherlands; 355.000 t in the United Kingdom; 169.000 t in Ireland, etc.

(c) Products processed for human consumption

Consumption of products processed from potatoes (about 4 million t in 1979) continues to increase.

Consumption of certain products such as deep-frozen pre-cooked products should increase still further, particularly when the current economic situation starts to look up.

4. Trade

Intra-Community trade in potatoes absorbs only about 7% of total production, although for seed potatoes and new potatoes the figure is between 10% and 18%. The net exporters are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Italy exports new potatoes and imports seed potatoes and ware potatoes. Denmark and the BLEU also have a large-scale import-export trade.

The structure of Community trade in processed products is similar to that of trade in unprocessed products. The Netherlands and France are exporting countries and the others are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. Seed potatoes are exported to South America, Africa and Asia and new potatoes are imported from the countries round the Mediterranean.

5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of demand, plentiful harvests tend to force down prices. Prices may also be affected by other factors such as the weather or unexpected exports to countries with shortages.

In 1982 the harvest was good especially in the Netherlands, France and the United Kingdom; it was poor in Germany and Italy. In the 1982/83 marketing year, therefore, prices started at lower levels than in the previous year: at Rotterdam 7,32 ECU/100 kg on 6 September 1982 for Bintje + 50 mm (8,35 ECU in 1981); at Arras 8,01 ECU/100 kg for Bintje + 40 mm (8,17 ECU in 1981). Throughout the autumn and early winter prices remained the same and after Christmas, on 11 January 1983, they were as follows: at Rotterdam 7,12 ECU/100 kg for Bintje + 50 mm (10,98 ECU in 1982); at Arras 7,55 ECU/100 kg for Bintje + 40 mm (9,72 ECU in 1982). For the rest of the winter fluctuations were small and by 16 May 1983 prices had not changed much in relation to previous quotations; at Rotterdam 8,01 ECU/100 kg for Bintje + 50 mm (22,26 ECU in 1982); at Arras 6,18 ECU/100 kg for Bintje + 40 mm (20,66 ECU in 1982). In the 1982/83 marketing year exports went only to Germany and Italy and deliveries to non-member countries were rather small. However, the most recent quotations recorded on the Rotterdam market on 4 July 1983 showed an increase (10,49 ECU/100 kg) for Bintje + 50 mm as a result of the strong demand from the processing industry. On the New York futures market the price for round white-fleshed varieties varied from 15,04 ECU/100 kg on 6 September 1982 to 18,07 ECU on 18 April 1983.

6. Outlook

The 1982/83 marketing year was therefore a year in which production was satisfactory, exports to non-member countries small and producer and selling prices low. Provisional figures, however, indicate a slight increase in the area under potatoes in the Community: 1.130.000 ha in 1983 as compared with 1.120.000 ha in 1982.

The situation is different as regards the harvest. In July and August, certain regions had thundery weather whilst others suffered from drought. In September it rained almost everywhere in the Community. The harvest is therefore delayed but the situation in the Community may still prove to be difficult.

Prices on the Rotterdam market started at substantially higher levels than last year: on 19 September 1983, 20,59 ECU/100 kg for Bintje + 50 mm (6,69 ECU in 1982); at Arras 16,73 ECU/100 kg for Bintje + 40 mm (6,58 ECU in 1982).

7. Economic aspects

In the 1982/83 marketing year, support measures were taken in the United Kingdom by the Potato Marketing Board.

20c. HONEY

1. Introduction

There is no common organization of the market in honey. The only general charge on imports is a 27% customs duty, which is reduced to 25% for most developing countries and Malta, 10,8% for Turkey and nil for ACP countries. The 38 least advanced developing countries are exempted from customs duties.

2. Production, consumption and trade

In 1981/82 the Community produced 50.000 t of honey and imported 126.000 t. Germany, France and Greece were responsible for 80% of production. Consumption, which exceeds 1 kg per head per year in only three countries (Germany, Greece and Denmark), is steadily increasing.

The Community is only 30% self-sufficient, but the situation varies widely among the Member States. Greece is the only net exporter, and most of its exports go to other Member States. France increases its degree of self-sufficiency by applying a licensing system to imports from certain countries and, like Italy, by applying bilateral quotas in trade with state-trading countries.

Germany is the biggest importer (60% of the Ten's imports), followed by the United Kingdom (15%). Imports are mainly from Latin America (1982: Mexico 28.000 t, Argentina 13.500 t, China 27.000 t, East European countries 21.000 t and Australia 10.000 t).

3. "Common measures" to assist bee-keeping

The system of aid for bee-keeping introduced by Council Regulation (EEC) No 1196/81 consists of a specific contribution to associations of bee-keepers recognized by the Member States which has been fixed at 1 ECU per marketing year per hive in production. Associations can use the aid to purchase feeding sugar and for general programmes for improving honey production, technology and marketing. The aid system covers three marketing years: 1981/82, 1982/83 and 1983/84. For 1981/82, 3,7 million ECU were granted to associations, almost 75% of which was used for the purchase of sugar. It was only in France that over half of the aid received was used for the general programmes referred to above.

With the aim of combating a bee disease threatening the whole of Europe, the Council amended the above-mentioned Regulation in July 1983 by providing for the additional financing of a research programme on varroaosis to be carried out at European level. The Commission is responsible for implementing the programme, the costs of which are estimated at 250.000 ECU.

C. Survey of certain groups of sectors

21. FEEDINGSTUFFS

1. Supply and consumption of raw materials for feedingstuffs in 1982

In 1982 the supply of raw materials created no major problems. There was again a tendency to use more cereal substitutes, mainly manioc, on account of the favourable prices, especially the price of imported manioc, compared with those of feed grains grown in the Community.

2. Industrial production of compound feedingstuffs and animal feed requirements

In 1982 the growth in the industrial production of compound feedingstuffs remained sluggish: production was only 1,3% higher than in 1981, whereas the annual growth rate during the period from 1973 to 1981 had been over 4%. There are various reasons for this, in particular the trend of demand and a shift in what is meant by compound feedingstuffs. Total demand from the cattle sector began to rise again in 1982 (up by about 1,5 m FU on 1981) whereas demand in the other sectors marked time.

The rate of penetration of compound feedingstuffs in relation to overall demand in FU is one criterion to use in tracing the trend of compound feedingstuffs production. The table below sets out the trend since 1973 as regards demand in FU, production of compound feedingstuffs and the rate of penetration of compound feedingstuffs by livestock sector for the Community of Nine. Figures for Greece, both as regards demand and production of compound feedingstuffs, are not available.

Overall demand in FU and production of compound feedingstuffs

Year	Cattle			Pigs			Poultry		
	Overall demand (m FU)	Production of compound feedingstuffs (m t)	%	Overall demand (m FU)	Production of compound feedingstuffs (m t)	%	Overall demand (m FU)	Production of compound feedingstuffs (m t)	%
1973	172,9	16,9	9,8	42,5	21,4	50,4	27,1	18,3	67,3
1974	175,2	16,0	9,2	43,3	22,1	51,0	26,9	17,7	66,0
1975	171,8	17,5	10,2	42,1	21,3	50,4	26,8	17,2	64,1
1976	171,4	22,0	12,9	42,7	22,6	52,9	27,1	18,3	67,4
1977	170,8	23,0	13,4	44,1	23,7	53,7	27,3	18,3	67,0
1978	171,8	24,6	14,3	46,4	25,0	53,9	28,1	19,1	67,9
1979	172,1	28,0	16,3	48,3	26,6	55,1	28,5	20,0	70,2
1980	170,3	28,0	16,5	49,9	27,0	54,2	29,3	20,7	70,9
1981	169,1	28,6	16,9	50,3	27,0	53,2	30,1	21,3	70,6
1982	170,6	29,3	17,2	50,2	26,8	53,4	31,4	22,1	70,4

The rate of cover requirements by compound feedingstuffs in the cattle sector, which was only 9,8% in 1973, was 17,2% in 1982, still slightly up on the previous year. The rate of cover seemed to be stagnating, but at the high level of 70,5% in the poultry sector and at over 53% in the pig sector.

As regards what is meant by the term "compound feedingstuffs", statistics on industrial production make no distinction between compound (complete) feedingstuffs, protein and other concentrates, mineral compounds, etc. Over the years concentrated supplements seem gradually to have given way to complete feedingstuffs. This change in the nature of the feedingstuffs declared, which is now slowing down, partly explains the growth of production in the past and the slackening recorded now.

Lastly, the criteria for reporting statistics differ according to the Member States and over the last 10 years some establishments have lost the obligation to report.

These various factors are not quantifiable but they must be taken into account when interpreting the statistics.

3. Short-term outlook

World production of fodder grains will decline in 1983 from 795 million t to 689 million t, which represents a drop of 100-105 million t. This is attributable to the PIK scheme to prevent surplus production in the USA and to the dry summer; these factors have drastically reduced the maize and soya bean crops.

In the Community, production of fodder grains has also declined, by about 7 million t, with barley accounting for most of this figure (about 5 million t).

World trade in fodder grains in 1983/84 is estimated at some 90 million t, which is about 14 million t less than the record level of 1980/81.

Despite the small harvest, exports from the USA are estimated at some 58 million t (53 million t in 1981/82), disposing to a considerable extent of existing stocks (maize and soya beans).

Community exports are expected to fall from about 5 million t to 2,5 million t.

The main reasons for the decline in world trade are the impoverishment of the developing countries, balance-of-payments difficulties in various newly-industrializing countries (Mexico, Brazil), the shortage of foreign currency in the State-trading countries and a more abundant harvest in the USSR.

Fodder grain stocks in 1983/84 are estimated at 283 million t.

World cereal stocks at the end of countries' respective 1983/84 seasons point to a total of 283 million t, which would be almost 50 million t or 14% below their opening level.

Closing stocks for soya beans will drop by 12,4 million t in 1982/83 to 4,1 million t in 1983/84, and might even fall to zero level.

The reduction in cereal stocks would be mainly due to the fall in holdings of coarse grains. In the United States, coarse grains stocks are currently expected to fall by at least 50 million t to half their opening level as a result of the expected sharp decline in production.

Only wheat stocks are expected to increase somewhat, from 121 million t at the opening of the season to 129 million t at the end.

Export prices for all feedingstuffs have been rising sharply since August 1983 because of the shortage of supplies. The gap between world market prices and Community prices has narrowed; this has meant less expenditure on export refunds and has had a favourable effect on the agricultural budget.

In view of these developments, prices are expected to be high but demand should be covered without difficulty, whilst the producer countries will be relieved to dispose of their record stocks.

22. MEAT

1) Introduction.

Production of all types of meat accounts for 34% of final agricultural output, thus representing the most important activity of EC agriculture. Its importance is underlined by the fact that 60% of the cereals used are fed to animals mainly for the production of meat compared to only 25% of cereals going to human consumption.

On the world scale, the European Community accounts for about one sixth of total meat production, occupying the third place of world's leading meat producers, just behind China and the USA.

2) Production.

In 1982, gross indigenous production of total meat (including offals) has shown - for the first time during the last 10 years since the first enlargement of the Community - a slight decline of 0.8%. Looking closer at the figures, it can even be concluded that production has been stagnating for the last three years oscillating only little around the three years average of 24.15 Mio t.

This drop is in the main due to a cyclically reduced output of beef (- 4.9%) with more or less stagnating pigmeat and sheepmeat production, while poultry meat being the only type of meat showing another marked rise of 5.5%. The two "cheaper" types of meat - pigmeat and poultry meat - have thus increased their share of total EEC meat output to more than 60%.

For 1983, it can be expected that gross indigenous production of total meat will be up again by little more than 1%. However, the pattern will have changed: rising production of pigmeat, beef and sheepmeat (around 2-3%), but reduced supply of poultry (- 4%). These changes may be interpreted as a result of the cyclical upward trend of supply in the case of beef, and as a reaction to the market situation in the case of pigmeat and poultry meat. In fact, high market prices of pigmeat in 1982 (+ 15% as compared to 1981) have stimulated production in 1983 (with subsequently very low market prices in this year), whereas extremely low prices for frozen chicken on both the internal and world market during 1982 have forced producers to cut back in 1983.

3) Consumption.

After a steady increase of meat consumption up to an EEC-average of almost 90 kg/capita, 1981 was the first year showing a drop of more than 1 kg. This reduction had been observed in nearly all Member States (with the exception of the Netherlands and Greece) as a consequence of the economic recession. In 1982, per capita consumption of meat was further reduced in four Member States (Germany, France, UK, Denmark), but went up in the other six: Italy, Netherlands, Belgium, Luxembourg, Ireland and Greece. It is in particular the 10 percent rise of per capita consumption in Greece which has helped to bring up the EEC-average by 100 g in 1982.

As to the different types of meat, it seems that the economic recession did negatively effect above all beef and, to a lesser degree, sheep consumption. Per capita consumption of beef and shepmeat was in 1981 and 1982 below the level of 10 years ago. On the other hand, pigmeat and poultry meat have increased their share on total meat consumption (including offals) furthermore to 58.5%.

Further evolution of consumption depends above all upon the recovery of the economy and thus the evolution of consumer incomes. According to estimates at present available, it may be concluded that overall consumption might slightly increase in 1983, and it is hoped that 1984 will bring about a more significant rise in demand.

4) Trade

Intra-Community trade for the various types of meat depends primarily on the differences in self-supply for the individual Member States and thus to different degrees of concentration of production and/or consumption. Intra-Community trade is more important in pigmeat and beef, corresponding to 20% of total EC consumption, than in sheepmeat (10%) and poultry (9%).

Whereas for beef and pigmeat this higher degree indicates more equal levels of consumption (beef: 23-33 kg in all the big contries) and/or some specialisation in production for specific types of meat (bacon; store cattle; high quality beef), for sheep as well as for poultry there is a high production level in the main consuming countries.

After some 20 years since the foundation of EEC, the level of intra EEC trade in general now tends to stabilize at around one sixth of total consumption, following some expansion after the enlargement in 1973.

Regarding trade with third countries, recent years have shown a steady tendency to a rather balanced situation with the EEC becoming a net meat exporter for the first time in 1981. This was due to rising exports for poultry meat, stable exports for pigmeat and the cyclical surplus situation in 1980/81 for beef, with at the same time lower imports of sheepmeat and horsemeat. 1982 shows a more or less balanced situation for total meat (excluding offals), following lower exports of all main types of meat, and in particular of beef, as well as rising imports of beef and sheepmeat. For 1983, a tendency to somewhat higher net export figures can be observed in the beef and pigmeat sector.

It has to be emphasized, however, that the EEC has not only become a major exporter in poultry, beef and pigmeat, opening up new markets in the Middle East (poultry, beef) and the Far East (pigmeat), but also supplying formerly traditional export regions (Eastern Europe - poultry, pork, beef) as a result of their recent agro-economic difficulties. It still holds true that the EEC is also amongst the biggest world importers for both beef and sheepmeat, having concluded for these products a number of preferential agreements not only with industrialized countries like Australia and New Zealand, but also with developing countries of Africa and South America.

13.6.83

01 M.22.1 Gross production of meat in the Community

	% of total			1 000 t					% TAV			
	1980	1981	1982	1980	1981	1982	1981	1982	1981	1982	1981	1982
04	EUR 10											
05												
06												
07												
08												
09	2	3	4	5	6	7	8	9				
10												
11	Meat (1)											
12												
13												
14	42,0	42,3	42,6	10 114	10 257	10 236			2,7		- 0,2	
15	29,7	28,9	27,7	7 167	7 009	6 663			3,1		- 4,9	
16	16,7	17,3	18,4	4 021	4 199	4 430			3,3		5,5	
17	3,0	2,9	2,9	720	701	706			2,7		0,7	
18	0,3	0,3	0,2	69	85	58			5,4		- 31,8	
19	2,2	2,2	2,2	583	523	520			0,8		- 0,6	
20												
21												
22												
23	93,9	93,9	94,0	22 674	22 774	22 613			2,9		- 0,7	
24												
25	Total											
26												
27	6,1	6,1	6,0	1 478	1 479	1 438**			3,1		- 2,8	
28												
29												
30												
31	100	100	100	24 152	24 253	24 051			2,9		- 0,8	
32												
33	Total											
34												
35	1980	1981	1982	1980	1981	1982			1981	1982	1981	1982
36									1973	1981	1973	1981
37	Meat (1)											
38												
39												
40	42,2	42,6	42,9	9 970	10 108	10 083			2,7		- 0,2	
41	29,9	29,2	28,1	7 070	6 916	6 584			3,1		- 4,8	
42	16,5	17,2	18,2	3 901	4 053	4 274			3,3		5,5	
43	2,5	2,5	2,5	600	582	588			2,9		1,0	
44	0,3	0,3	0,2	67	83	57			5,8		- 31,3	
45	2,4	2,2	2,2	579	517	515			0,9		- 0,4	
46												
47												
48												
49	93,9	94,0	94,1	22 187	22 259	22 101			2,9		- 0,7	
50												
51	Total											
52												
53	6,1	6,0	5,9	1 447	1 429	1 388**			3,0		- 2,9	
54												
55												
56												
57	100	100	100	23 634	23 688	23 489			2,9		- 0,8	
58												
59	Total											
60												

61 Source: EC Commission, Directorate-General for Agriculture
62 (1) Carcass weight

04.10.83

00 M.22.2 Meat consumption

	% of total			kg/head			% TAV			
	1980	1981	1982	1980	1981	1982	1981	1973	1982	1981
EUR 10										
1	2	3	4	5	6	7	8		9	
Meat (1)										
- Pigmeat	41,5	42,1	42,1	37,2	37,3	37,4	2,5		0,3	
- Beef and veal	28,7	28,2	27,4	25,9	25,0	24,3	0,4		- 2,8	
- Poultrymeat	15,4	15,7	16,4	13,8	13,9	14,6	2,1		5,0	
- Sheepmeat and goatmeat	4,0	3,8	4,0	3,6	3,4	3,6	0,4		5,9	
- Horsemeat	0,9	0,9	0,8	0,8	0,8	0,7	0,0		- 12,5	
- Other	2,8	2,5	2,5	2,5	2,2	2,2	0,6		0,0	
Total	93,2	93,2	93,2	83,8	82,6	82,8	1,5		0,2	
Edible offals	6,8	6,8	6,8	6,1	6,0	6,0**	2,1		0,0	
Total	100	100	100	89,9	88,7	88,8	1,6		0,1	
EUR 9										
Meat (1)										
- Pigmeat	41,9	42,5	42,7	37,9	38,0	38,1	2,4		0,3	
- Beef and veal	28,5	28,1	27,2	25,8	25,1	24,3	0,3		- 3,2	
- Poultrymeat	15,4	15,5	16,4	13,9	13,9	14,6	2,1		5,0	
- Sheepmeat and goatmeat	3,5	3,5	3,6	3,2	3,1	3,2	0,4		3,2	
- Horsemeat	1,0	0,9	0,8	0,9	0,8	0,7	- 1,5		- 12,5	
- Other	2,8	2,6	2,6	2,5	2,3	2,3	0,6		0,0	
Total	93,1	93,1	93,3	84,2	83,2	83,2	1,5		0,0	
Edible offals	6,9	6,9	6,7	6,2	6,2	6,0**	2,2		- 3,2	
Total	100	100	100	90,8	89,4	89,2	1,6		- 0,2	

61 Source: EC Commission, Directorate-General for Agriculture
62 (1) Carcass weight

01 M.22.3 Net balance of external trade (1) in meat (2) and degree of self-supply in the EC

00	01	02	03	04	Net balance				Degree of self-supply (%)					
					1 000 t	1980	1981	1982	1980	1981	1982	1973	1982	
05	EUR 10													
06														
07														
08														
09	1													
10														
11														
12	Meat													
13														
14														
15	- Pigmeat	36	169	83	- 16,4	64,4	- 36,9	101,4	100,7					
16	- Beef and veal	180	298	40	- 81,8	118,2	- 17,8	85,0	100,6					
17	- Poultrymeat	261	401	373	- 118,6	162,1	- 165,8	103,3	111,6					
18	- Sheepmeat and goatmeat	- 246	- 220	- 277	111,8	- 85,4	123,1	61,0	72,0					
19	- Horsemeat	- 158	- 126	- 133	71,8	- 48,6	59,1	25,0	30,4					
20	- Other	- 73	- 84	- 84	33,2	- 32,8	37,3	87,9	86,1					
21														
22														
23	Total	0	+ 438	+ 2	0	177,9	- 0,9	93,0	100,5					
24														
25														
26														
27	Edible offals	- 220	- 197	- 227**	100	- 77,9	100,9	85,2	86,8					
28														
29														
30														
31														
32	Total	- 220	241	- 225	100	100	100	92,4	99,6					
33														
34														
35	EUR 9													
36														
37	Meat													
38														
39														
40	- Pigmeat	48	177	93	- 47,1	46,3	- 104,5	101,0	100,8					
41	- Beef and veal	286	354	147	- 280,4	103,3	- 165,2	86,0	102,5					
42	- Poultrymeat	261	403	375	- 255,9	110,8	- 421,3	103,6	112,1					
43	- Sheepmeat and goatmeat	- 241	- 210	- 264	236,3	- 51,5	296,6	59,0	70,0					
44	- Horsemeat	- 155	- 126	- 134	152,0	- 33,9	150,6	23,7	29,8					
45	- Other	- 83	- 85	- 84	81,4	- 22,5	94,4	88,0	86,0					
46														
47														
48														
49	Total	116	+ 513	+ 133	- 113,7	152,6	- 149,4	93,4	101,1					
50														
51														
52	Edible offals	- 218	- 198	- 222**	213,7	- 52,6	249,4	85,1	86,6					
53														
54														
55														
56														
57	Total	- 102	+ 315	- 89	100	100	100	92,9	100,1					
58														
59														
60														
61	EC-Commission, Directorate General for Agriculture.													
62	(1) Exports - Imports.													
63	(2) Including live animals, in carcass weight equivalent.													

13.6.83

00 M.22.4 Consumer price indices - Meat
 01 (in money and real terms)

		EUR 10					
		1975 = 100			% TAV		
		1980(1)	1981(1)	1982(1)	1981	1982	1981
		1	2	3	4	5	6
Money terms							
15	Deutschland	114,1	119,0	127,2	2,9	7,0	
16	France	155,7	176,1	201,9	9,9	14,7	
17	Italia	198,5	235,9	275,3	15,4	16,7	
18	Nederland	123,2	130,3	141,2	4,5	8,4	
19	Belgique/België	128,3	132,1	144,5	4,7	9,4	
20	Luxembourg	130,2	138,6	162,1	5,6	17,0	
21	United Kingdom	183,8	198,2	217,0	12,1	9,4	
22	Ireland	197,8	229,3	261,8	14,8	14,2	
23	Danmark	151,3	175,4	191,2	9,7	9,0	
24	Ellas	211,9	297,7	362,2	19,9	21,7	
Real terms							
30	Deutschland	94,0	94,2	96,7	- 1,0	2,6	
31	France	95,7	96,6	97,9	- 0,6	1,3	
32	Italia	88,7	89,6	89,7	- 1,8	1,1	
33	Nederland	92,2	92,3	95,5	- 1,3	3,4	
34	Belgique/België	98,7	96,6	98,4	- 0,6	1,8	
35	Luxembourg	94,6	93,3	100,2	- 1,2	7,4	
36	United Kingdom	92,3	88,8	89,3	- 2,0	0,6	
37	Ireland	102,7	101,1	98,0	0,2	- 3,1	
38	Danmark	99,7	104,3	102,8	0,7	- 1,4	
39	Ellas	103,0	120,2	117,5	3,1	- 2,2	

43 Source: Eurostat.

44

23. OILS AND FATS

1. Introduction

The oils and fats sector includes:

- vegetable oils and fats which, in view of the structural differences of the market, must be subdivided into olive oil and other oils;
- oils and fats of land animals which must also be subdivided, into butter on the one hand and lard and fallow on the other;
- oils and fats of sea creatures.

The above oils and fats are the basic raw material but may be consumed in their unprocessed state or as prepared oils and fats, such as margarine; they may be used as animal feedingstuffs, for human consumption or for technical purposes. They may be incorporated in other products. The various basic products can also replace one another to a large extent, depending on their ultimate use. The form of ultimate use varies considerably in the Community. For example, oils and fats are consumed principally in the form of butter and margarine in the northern countries, whereas in France and Italy liquid vegetable oils account for the largest share in the consumption of oils and fats.

The proportions of the various categories in total human consumption vary only slightly from year to year. The table below shows the quantities of the different categories of oils and fats consumed in 1980 and the proportion of each category in relation to total consumption.

Table I

Apparent human consumption of each category of oils and fats in terms of quantity and as a percentage of total human consumption

<u>Community of Ten</u>	1982	
	<u>Quantity</u> (1000 t)	<u>(%)</u>
1. Vegetable oils and fats	5.849	58
2. Oils and fats of land animals	2.015	20
3. Oils and fats of sea creatures	686	7
4. Butter	1.620	15
Total	<u>10.170</u>	<u>100</u>

Different policies are applied for each category of product in the Community. In the vegetable oils sector, all oilseeds can enter the Community duty-free. Oils are subject to duties ranging from 10% to 15% but lower rates of duty or zero rating are applied to imports of oils from associate countries, which account for up to 70% of oils imported as such.

The prices of vegetable oils in the Community tend, therefore, to be at world market levels, except in the case of olive oil. Similarly, oils and fats of sea creatures and land animals are subject to relatively low import duties. In the case of butter and olive oil, however, support prices are fixed in the Community and imports are subject to a levy. This diversity of policies for the various products, which are naturally interchangeable, obviously affects consumption.

2. Production

The factors determining production of the different groups of oils and fats in the Community vary for each category.

Soya accounts for about 68% of the quantity of oilseeds crushed in the Community. It is processed mainly into oilcake, which accounts for 80% of its volume. Soya oil is a secondary product which, with 1 700 000 t consumed in 1980, accounts for not less than 34% of Community vegetable oil requirements. Of our consumption of vegetable oils, 42 % comes from other oilseeds crushed in the Community, the remainder being imported in the form of oil. Of the total quantity of seeds crushed (17 700 000 t) in 1982, about 22 % were of Community origin.

According to official statistics, the production of vegetable oils in the EEC, not including olive oil, was 3 854 000 t in 1982.

Production of olive oil is normally between 700 000 t and 900 000 t per year in the Community of Ten. Since olive trees are perennials, production does not depend on demand but principally on weather conditions.

Production of oils and fats of land animals - mainly lard and tallow - is almost 1 700 000 t per year. These fats are a by-product of slaughtering, and consequently in this category production is determined principally by animal numbers and the demand for meat.

Production of oils and fats of sea creatures is carried on principally in Denmark, although the United Kingdom and Germany also contribute to Community production, which is between 100 000 t and 120 000 t per year.

Production of butter in the Community is determined by cow numbers, milk yield and demand for milk products other than butter. The EEC is more than self-sufficient in butter, demand for which is stagnating or falling. Here again, therefore, demand is not the only factor determining production. The quantity of butter produced in 1982 was 2 078 000 t, as against 1 946 000 t in 1981.

3. Consumption

The level of consumption of oils and fats in the Community is determined, as elsewhere, by the following factors:

- absolute population level and rate of growth;
- absolute level of incomes and income trend;
- price and availability of the product;
- level of consumption reached.

In the Community the population is increasing slowly. The level of economic development, although high compared with a large part of the world, has been relatively stagnant in recent years.

Per capita consumption of oils and fats (with the exception of butter) increased from 28 kg/head in 1977 to 32 kg/head in 1982.

Apparent human consumption of oils and fats of land animals has remained fairly stable, at around 7.5 kg/head, since 1975. Consumption of oils and fats of sea creatures appears to have increased from 458 000 t in 1977 to 686 000 t in 1982.

The Community produces more butter than it consumes. Nevertheless, it imports around 100 000 t per year as a result of international commitments entered into by the Community in 1973 with New Zealand.

Butter is exported partly as food aid and partly at world market prices, with the exporter in the latter case receiving a refund.

5. Prices

As stated above, prices in the oils and fats sector show a tendency to remain at the world market level for all products except olive oil and butter, for which prices are fixed in the Community.

The table below gives the price of soya oil on the Rotterdam market; this is the pilot price for vegetable oils, lard, tallow and oils of sea creatures.

Table II

Selected oil prices on the Rotterdam market (USD/t).

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Soya oil (Netherlands)	607	662	598	507	447
Lard	626	716	647	610	574
Tallow (United States)	483	595	487	471	422
Fish oil (all origins)	451	450	450	413	347