

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## THE SITUATION OF THE AGRICULTURAL MARKETS

### REPORT 1985

(report from the Commission to the Council)

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THE SITUATION ON THE AGRICULTURAL MARKETS

1985 REPORT

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This report was drafted in autumn 1985 and a summary appeared in "The Agricultural Situation in the Community - 1985 Report" published in conjunction with the nineteenth 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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A. MARKETS FOR AGRICULTURAL PRODUCTSIntroduction

1. This chapter reviews the main developments in market policy over the last year. This review confirms the necessity to complete the adaptation of the Common Agricultural Policy set in train by the Commission and which the Council has begun. Since this review is essentially retrospective, statistics and commentary refer to the Community of "10" unless otherwise stated.
2. The major development in market policy has been the wider recognition that market management has increasingly become an exercise in the management of stocks of agricultural commodities. The book value of goods held by Intervention Agencies now exceeds 9 billion ECU and the quantities involved not only depress market prices within the Community and contribute to lower prices on the international markets, but also incur very substantial costs for storage and interest payments.

## EC stock situation for the main commodities

	Stock held on		Book Value (Public) 30.9.85 Mio ECU	Cost p.a. for quantity held on 30.9.1985 Mio Ecu:		
	30.9.84 Mio t	30.9.85 Mio t		Storage	Interest	Total (1)
: Butter (Interv.):	1.038	0.994	3.281	120	262	382
: Butter (Private):	0.216	0.222	-	27	-	27
: S.M.P.	0.873	0.487	726	11	60	71
: Beef (2)	0.503	0.790	2.072	173	169	342
: Sub-total						
: Animal products	-	-	6.079	331	491	822
: Common wheat	3.730	11.155	2.087	161	169	330
: Durum wheat	0.782	0.786	147	12	20	32
: Barley	1.160	3.992	747	58	65	123
: Rye	0.310	0.918	171	14	14	27
: Sub-tot. cereals:	5.982	16.851	3.152	245	268	513
: TOTAL	-	-	9.231	575	759	1.335

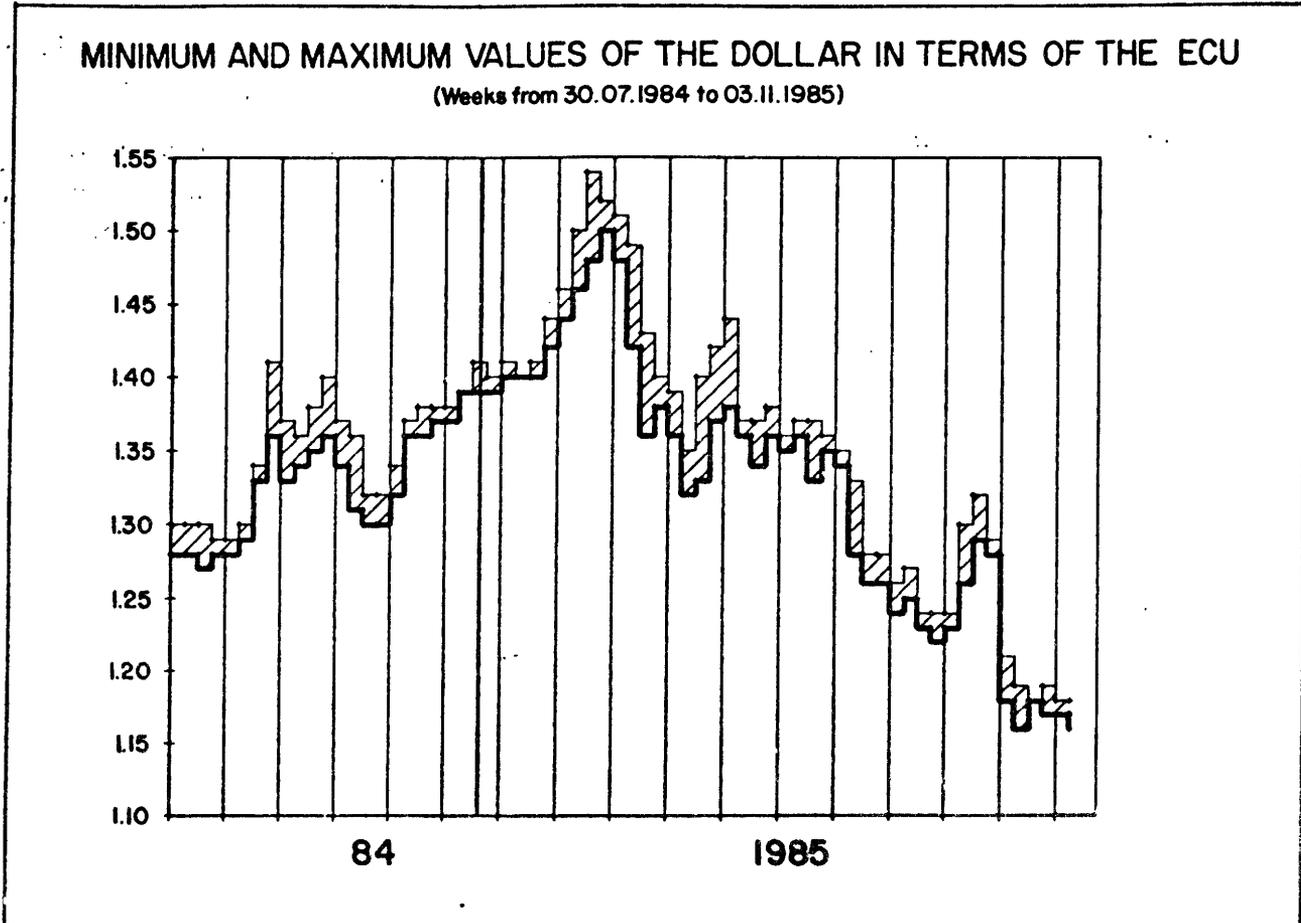
(1) N.B. This does not allow for the "loss" when stocks are sold from Intervention

(2) Based on bone-in values.

These figures demonstrate why a major preoccupation for the Commission, when managing the agricultural markets, has been to limit the increase in intervention stores and to dispose of the continually aging products held in store.

3. The stock situation shown above reflects the stagnation of domestic demand coupled with persistent over-production of the main commodities. Traditional outlets on the world market have been squeezed by the shortage of solvent demand, although the unit cost (to FEOGA) when export sales have been made has been less than might have been expected due to the high value of the US \$ for most of the period under review.
  
4. The year has been marked by three factors which have exacerbated market uncertainty:
  - the volatility (see graphic) of the US \$ has increased uncertainty for traders, and the Commission has also had to adjust refunds frequently in order to avoid undercutting the world market price;
  
  - the response of milk producers to milk quotas obliged to limit production was initially to change to a less intensive feed regime, but recently more intensive culling of cows coupled with the maintenance of intensive feed régimes (which have been relatively cheap during the last year) has taken place;
  
  - the failure of the Council to conclude the 1985/86 price review for Cereals and Rapeseed made traders nervous, and little forward business was completed which has led to a congested market this autumn.

The development (1) of the value of the US \$ against the ECU since the beginning of the 1984/85 cereals marketing year.



## CEREALS

### General

5. The bulk of cereals produced and consumed in the Community are wheat and barley for which the Community has a nett export balance. Significant quantities of maize are produced although substantial imports are made in order to meet domestic demand. Since 1973 the total area devoted to cereals has increased moderately. There has been a substantial switch from barley to common wheat notably winter wheat, which reflects the greater profitability of this grain.

(1) The graphic shows the weekly maximum and minimum values of 1 US \$ against the ECU.

6. The major use for grains is for feeding animals. However the limited increase in demand from the livestock sector has been largely met by both indigenous and imported cereals substitutes. Most of these substitutes are by-products and are priced according to what the market will bear. Therefore despite a depressed market for cereals, sales of cereals to the livestock sector would appear to have reached saturation point at current price levels.

The 1984/85 marketing year

7. The 1984 year saw ideal growing conditions for high-yielding varieties of wheat (and barley). The record harvest of 151 million tons significantly outstripped demand. The world market was sustained by substantial demand from the USSR. The competitive situation of Community exporters was improved by abundant supplies, low domestic prices and a very strong dollar. This fortuitous conjunction of factors enabled the Community to export a record 27 million tons of cereals including 17 million tons of wheat. Nevertheless this was insufficient to absorb the build up of record public stocks.

The 1985/86 marketing year

8. 1985 saw poor growing conditions, in particular the exceptionally wet weather in northern Europe destroyed some of the crop and produced a poor quality harvest. Nevertheless the robust characteristics of modern varieties have contributed to a harvest of 141 million tons. In consequence supplies at the beginning of the 1985/86 marketing year, taking account of carry-over stocks, are at the same level as at the beginning of the 1984/85 marketing year.

Supply and demand for cereals CEE

							(Mio t)
	Wheat (1)		Barley		Total Cereals		
	1984/85	1985/86	1984/85	1985/86	1984/85	1985/86	
: Opening stocks	: 8.3(2)	: 16.8(2)	: 1.8(2)	: 2.7(2)	: 13.1(2)	: 23.7(2)	
: Production	: 76.2	: 68.0	: 44.0	: 40.8	: 151	: 141	
: Imports	: 2.7	: 2.5	: 0.0	: 0.1	: 7.1	: 6.7	
:	:	:	:	:	:	:	
: Supplies	: 87.2	: 87.3	: 46.0	: 43.6	: 171.2	: 171.4	
:	:	:	:	:	:	:	
: Human Consumpt.	: 26.5	: 26.5	: 0.2	: 0.1	: 30.4	: 30.2	
: Animal Feed	: 21.5	: 22.0	: 26.3	: 25.5	: 71.5	: 72.0	
: Seeds etc.	: 2.1	: 4.3	: 7.1	: 7.0	: 14.9	: 15.0	
:	:	:	:	:	:	:	
: Demand	: 53.0	: 52.8	: 33.5	: 32.6	: 116.8	: 117.2	
:	:	:	:	:	:	:	
: Balance	: 34.0	: 34.5	: 12.5	: 11.0	: 54.4	: 54.2	
:	:	:	:	:	:	:	
: of which	:	:	:	:	:	:	
: Exports	: 17.2	: x	: 9.8	: x	: 30.7	: x	
: Closing stocks	: 16.8(2)	: x	: 2.7(2)	: x	: 23.7(2)	: x	
:	:	:	:	:	:	:	
: Source: EC Commission							
: (1) Includes durum wheat							
: (2) Includes Intervention Stocks which have risen from 4.4 Mio tons							
: (31.7.84) to 14.0 Mio tons (31.7.85) and to 18 Mio tons at (30.9.85).							

9. The absence (1) of institutional prices for the 1985/86 marketing year initially made traders nervous and little forward business was concluded. Since export sales have been sluggish, uncommitted supplies are now greater than a year ago providing a poor short-term outlook for the cereals market.

(1) The interim decisions taken by the Commission are described in Chapter 3 - Reform of the CAP and the 1985/86 price review.

ANIMAL FEED

General

10. The global demand for animal feed was remarkably stable for a decade, with the trend being for a modest increase over the years of about 0.5% per annum. The beef and dairy sector had a stable requirement while the pigmeat and poultry sectors were the growth areas. According to the latest figures available (regrettably rather old) most feed is produced on the farm and the proportion of cereals in bought-in feed represents a quite modest share.

The importance of various sources of animal feed in 1982/83 (%)

	Domestic		Imported		Total	
	A	B	A	B	A	B
:Common wheat	: 4.9	: 2.8	: 0.1	: 0.0	: 5.0	: 2.8
:Barley	: 8.8	: 4.6	: 0.1	: 0.0	: 8.9	: 4.6
:Maize	: 5.9	: 2.6	: 0.8	: 0.4	: 6.7	: 3.0
:Other Cereals	: 2.4	: 1.4	: 0.0	: 0.2	: 2.4	: 1.6
:Sub-total cereals (2)	:22.0	:11.5	: 1.0	: 0.5	: 23.0	: 12.0
:	:	:	:	:	:	:
:Soya	: 0.0	: 0.0	: 5.4	:13.3	: 5.4	: 13.3
:Other oilseeds	: 0.8	: 1.6	: 1.9	: 3.2	: 2.6	: 4.8
:Sub-total - Oil-cake	: 0.8	: 1.6	: 7.3	:16.4	: 8.0	: 18.0
:	:	:	:	:	:	:
:Manioc	: 0.0	: 0.0	: 2.1	: 0.2	: 2.1	: 0.2
:Molasses	: 0.4	: 0.2	: 0.5	: 0.4	: 0.9	: 0.5
:Industrial by-prod. (vegetable)	: 3.8	: 3.7	: 1.4	: 1.6	: 5.2	: 5.3
: " " (animal)	: 0.1	: 0.3	: 0.1	: 0.4	: 0.2	: 0.7
: " " (marine)	: 0.4	: 1.4	: 0.0	: 0.0	: 0.4	: 1.4
:Vegetable oils and fats	: 0.0	: 0.0	: 0.3	: 0.0	: 0.3	: 0.0
:Animal " " "	: 0.6	: 0.0	: 0.2	: 0.0	: 0.8	: 0.0
:Dairy products	: 2.3	: 2.3	: 0.0	: 0.0	: 2.3	: 2.3
:Other	: 1.0	: 1.2	: 0.5	: 0.7	: 1.5	: 1.9
:Sub-total	: 8.6	: 9.2	: 5.2	: 3.2	: 13.8	: 12.4
:	:	:	:	:	:	:
:Sub-total "Saleable" (3)	:31.4	:22.3	:13.4	:20.1	: 44.8	: 42.4
:	:	:	:	:	:	:
:On-farm supplies (4)	:55.2	:57.6	: 0.0	: 0.0	: 55.2	: 57.6
:	:	:	:	:	:	:
:TOTAL	:86.6	:79.9	:13.4	:20.1	:100.0	:100.0
:	:	:	:	:	:	:

A = based on energy content

B = based on protein value (1)

Source: EUROSTAT

(1) Protein measured in "Crude Protein Units"

(2) Of which 45% consumed on the farm, 15% sold between farms, 40% consumed via compound feed industry.

(3) Includes cereals consumed on the farm.

(4) Grass, hay and silage.



12. In spite of the stagnation of demand for animal feed provoked by the sharp decline in the dairy herd following the implementation of milk quotas, the improved competitive position of cereals notably wheat has improved the volume of sales of grain for feed.

Cereals used for animal feed

	Mio tons													
	73/74:	74/75:	75/76:	76/77:	77/78:	78/79:	79/80:	80/81:	81/82:	82/83:	83/84:	84/85:		
:Wheat	12	12	10	10	11	12	12	13	14	15	20	21	:	:
:Barley	27	26	25	25	27	28	28	29	27	27	26	26	:	:
:Maize	24	22	23	24	23	23	23	20	20	18	18	17	:	:
:Other	13	13	13	10	10	10	10	9	8	9	7	7	:	:
:													:	:
:Total	75	73	70	69	70	73	73	71	69	69	70	71	:	:
:													:	:

Source: EUROSTAT and Commission of the EC

MILK

General

13. The runaway growth in milk output has been arrested by the imposition of quotas both on "Deliveries to dairies" and "Direct sales".

Milk quotas

	(2.4.1984 - 31.3.1985)			(1.4.1985 - 31.3.1986)		
	: Deliveries:	Direct	:	: Deliveries:	Direct	:
	: to dairies:	sales	: Total	: to dairies:	sales	: Total
:Germany	: 23.487	: 305	: 23.792	: 23.423	: 130	: 23.553
:France	: 25.585	: 1.183	: 26.768	: 25.494	: 1.014	: 26.508
:Italy	: 8.798	: 1.116	: 9.914	: 8.798	: 1.116	: 9.914
:Netherlands	: 12.052	: 145	: 12.197	: 11.929	: 145	: 12.074
:Belgium	: 3.163	: 480	: 3.643	: 3.131	: 480	: 3.611
:Luxembourg(1):	293	: 1	: 294	: 290	: 1	: 291
:UK (1)	: 15.552	: 398	: 15.950	: 15.395	: 395	: 15.790
:Ireland (1)	: 5.583	: 16	: 5.599	: 5.583	: 16	: 5.599
:Denmark	: 4.932	: 1	: 4.933	: 4.882	: 1	: 4.883
:Greece	: 472	: 116	: 588	: 467	: 116	: 583
:EUR - 10	: 99.917	: 3.761	: 103.678	: 99.392	: 3.414	: 102.806

- (1) including the allocation from the Community reserve.

Production of milk which had soared to 112 million tons in 1983 (of which 104 million tons was delivered to dairies) was cut back to 110.5 million tons in 1984 and is expected to fall to 107 million tons in 1985 and 106 million tons thereafter (1). Initial experience with the quota system confirms this view with "Deliveries to dairies" for the first twelve month period being under-used at 99 million tons.

14. This reduction in production is being achieved by a more extensive culling of cows particularly those not suited to intensive production. The specialised dairy herd has fallen from 25.765 million head at the end of 1983 to 24.844 million head at the end of 1984 and to 23.950 at the end of 1985; thereafter it is expected to continue to fall by 300.000 to 400.000 head per year. After 1986, production levels will be maintained by the steady improvement in yields.

(1) These figures are higher than those generally quoted because they include milk produced and used on the farm.

15. The apparent stagnation of domestic demand for dairy products masks a fall in demand for butter compensated by increasing demand for other dairy products. The scale of the dairy surplus is still of substantial proportions. Depending upon the basis for estimation the excess (at current levels of aid) is of the order of 15 million tons of milk (fat equivalent) or 2 to 4 million tons if exports (and imports) are taken into account; these figures do not take account of existing stock levels.

The 1984/85 and 1985/86 marketing years

16. The initial transition to a quota system was cushioned by:

- a more generous allocation of quotas for the first twelve month period;
- a greater flexibility in the rules governing the transfer of quotas;
- national outgoers schemes where (national) governments purchased production rights and re-allocated these quotas to other milk producers.

In general, quotas were slightly under-utilized with a total of 99 million tons being delivered to dairies during the first twelve month reference period, so that few producers were obliged to pay the "super-levy".

17. The production of butter has slowed under the impact of the quota system which reduced deliveries of milk to dairies and the expansion of other outlets, notably cheeses and whole milk powder. Nevertheless, the surge in butter production in 1982, 1983 and early 1984 has left a legacy of stocks - many of which are now very old. The adjustments during the 1984/85 and 1985/86 price reviews of the relative values of the fat and protein components of milk has had a positive effect. The reduction in the inflated price of butter has stimulated demand (notably in Germany) and the decline in normal butter sales has been arrested.

18. The stock situation has encouraged the Commission to intensify its efforts to dispose of accumulated stocks of butter and SMP on the Community market. Over the last eighteen months these have included subsidised sales to

- various social groups including the armed forces
- the ice-cream industry
- the cakes and pastry industry
- industry for processing into concentrated butter and butteroil (which represent markets where there is potential for growth).

Cattle farmers were again able to purchase skimmed-milk powder, as in the past, at reduced prices.

In addition a substantial special sale of old butter was made to the USSR while the same quantity of fresh or relatively new butter was made available to domestic consumers via the "Christmas Butter" scheme.

19. On World level the cut-back in Community production was outweighed by expansion in the other countries. This coupled with the shortage of solvent demand has restricted the opportunities for commercial sales to well below the volumes enjoyed at the beginning of the decade, except for the cheese market which continues to expand.

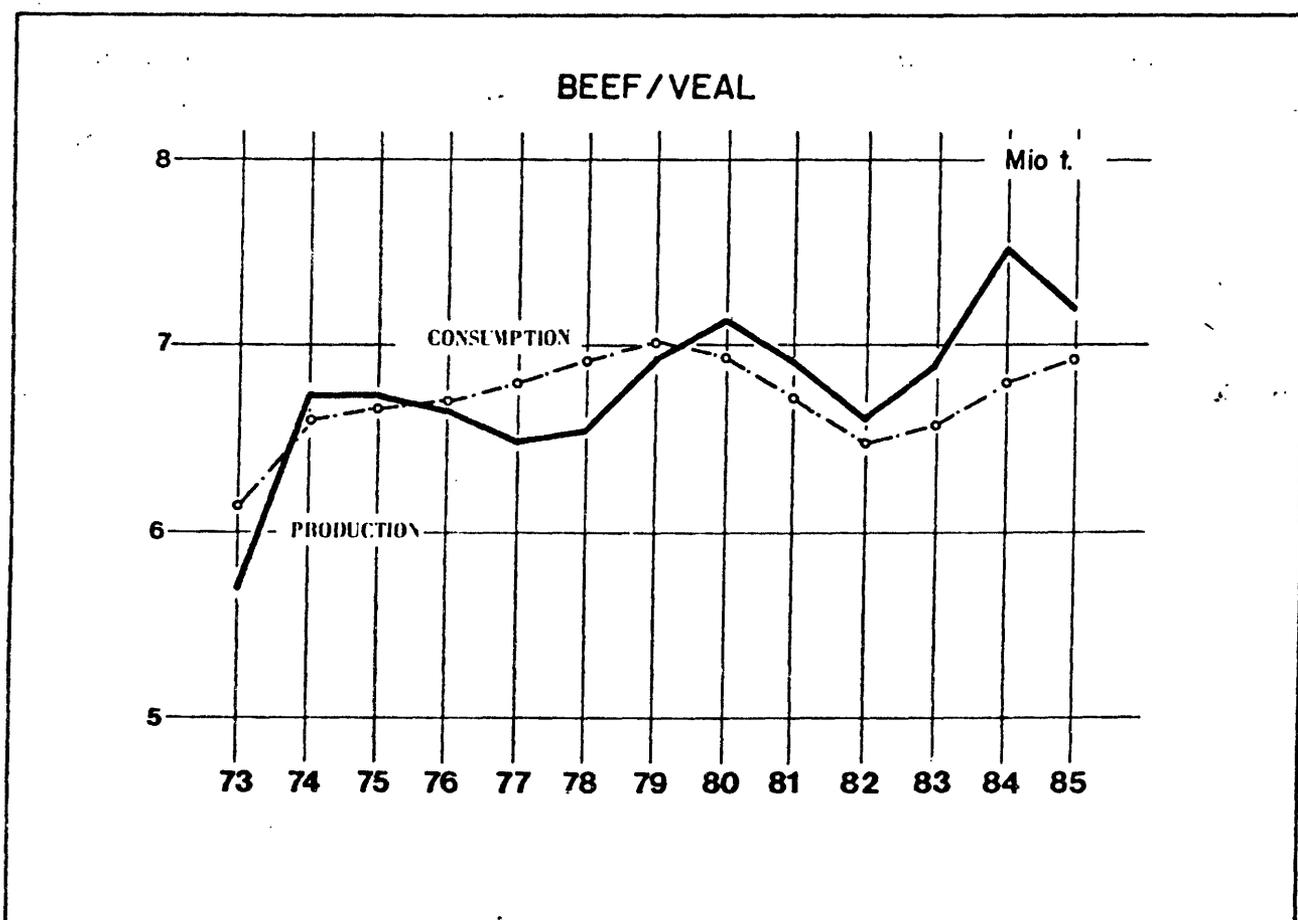
20. While Community stocks of SMP are declining steadily due to a substantial decrease in production and to the various domestic disposal schemes in operation, butter stocks remain at very high levels. The age of some of these stocks gives rise for concern. At present 1.2 million tons of butter are in store (0.2 million in subsidised private store) and nearly half of this stock has been stored for more than eighteen months. The Commission is actively evaluating possible new outlets for these stocks.

BEEF

General

21. The general pattern of supply and demand for beef has been disrupted by a number of factors of which the dominant one has been the imposition of a quota system in the dairy sector. This has had the double effect of saturating the market with additional cow beef as culling of the dairy herd intensified and of fundamentally altering the structure of Community production since the majority of beef is derived from the dairy herd. the graphic illustrates the expected change in the pattern of production.

The effect on the beef market of the transition to quotas in the dairy sector.



The 1984/85 marketing year

22. The surge in the slaughtering of cows depressed prices for all bovine animals at a time when production was in any case reaching a cyclical peak. Fortunately the worlds other main suppliers had limited supplies for exports and this enabled Community traders to export a record quantity of beef during 1984. Lower prices stimulated domestic demand. Nevertheless there was a steady build-up in stocks held in intervention during the autumn of 1984.

The 1985/86 marketing year

23. Cow culling continues to depress the beef market as the dairy herd contracts under the impact of the quota system. Export business has slackened as other traditional exporters return to the market. The heavy rainfall in the summer of 1985 has damaged extensive pasture areas and there has been a surge in slaughtering as producers anticipate the prospect of feeding costs rising through the winter. This has provoked a resurgence of sales to intervention as cattle come off the summer grass. Public stocks (at end October) now exceed 700.000 tons.

WINE

General

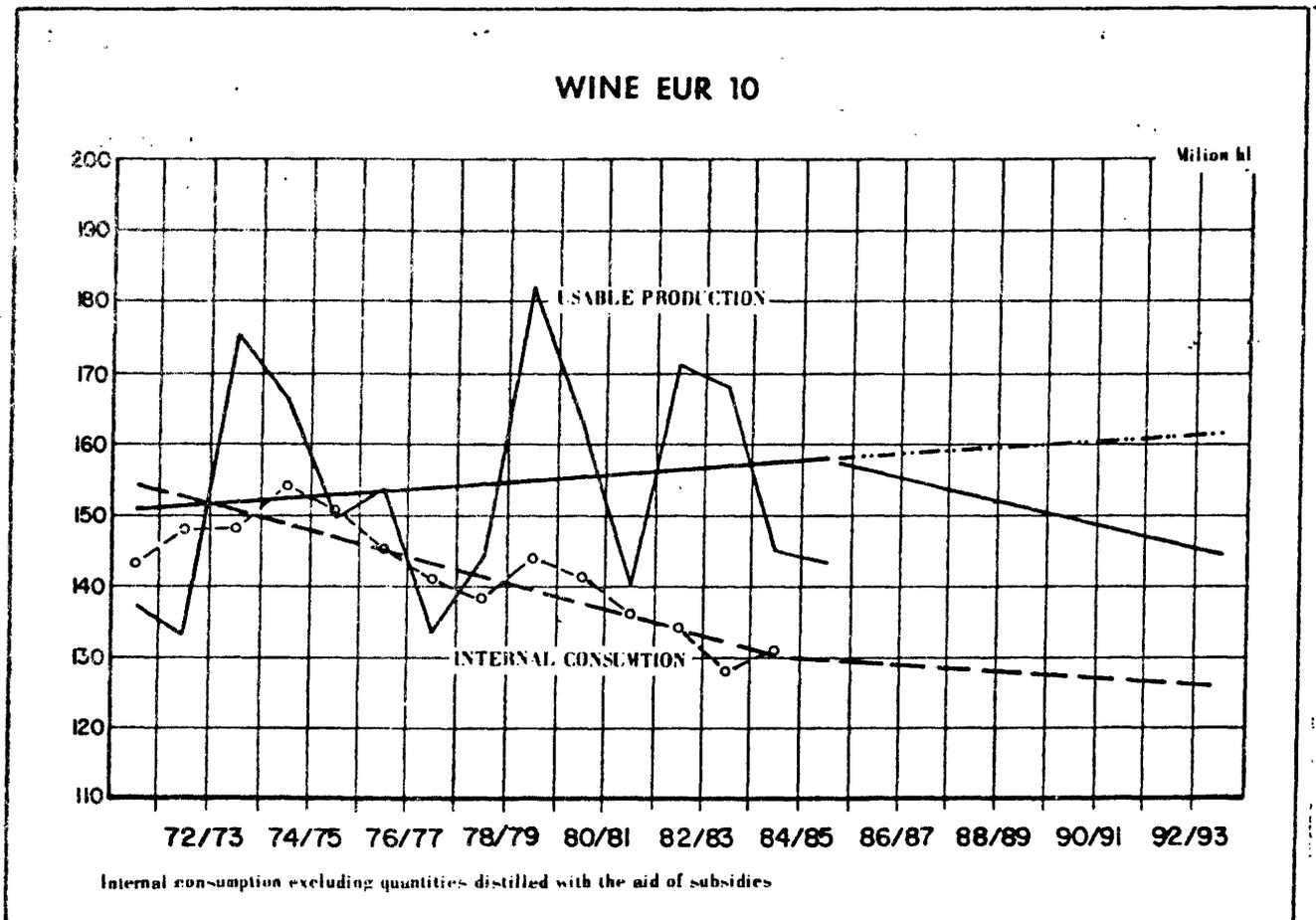
24. The wine market has two distinct segments: the 'table wine' market and the 'quality' wine market. The 'quality' wine market is essentially self-supporting, while the 'table wine' market has been under stress for some time with a substantial imbalance between production and consumption. Although the area under vines in the Community has reduced, the regular renewal of old stock with higher yielding new varieties has led to an increase in production. In parallel, consumer tastes have changed and demand for table wine is in steady decline in the major producing countries. The expansion of wine consumption in the non-producer countries, stimulated by the approximation of excise duties on drinks with an alcoholic content, has not narrowed the gap between supply and demand. As the producer of half of the worlds wine the Community is a major exporter.

25. The persistent structural surplus in the market for table wine convinced the Council that a reform of this market régime was imperative. The changes may be summarised as :

- a structural programme aimed at encouraging the grubbing up of vines and limiting replanting rights particularly in areas where alternative cultivation is possible, in order to reduce the productive potential;
- a freeze of the Guide Prices while a surplus persists;
- reinforcing the distillation rules in order that "Obligatory Distillation" would be operational and applied more equitably in years when a substantial surplus occurred
- reducing the price paid for wines submitted for "Obligatory Distillation" in order to discourage future surplus production.

It is expected that the combination of these measures will bring a better balance to market for "Table wines" by the end of the 1980's (see graphic).

The supply and demand for wine



The 1984/85 marketing year

26. For the second year in succession it was necessary to distill more than 20% of production. Nevertheless the market was depressed by the substantial stocks which existed.

The 1985/86 marketing year

27. This is the first marketing year under the improved market organisation and as such it should be regarded as a year of transition. The structural measures have yet to have an effect, while the more demanding rules on distillation will ensure that distillation removes around 20% of 1985 production from the market. Prices are firmer as stock levels reduce to more reasonable levels.

Of particular concern is the problem of the build-up of stocks of alcohol derived from wine. The Commission has made proposals to the Council (1) on the general rules governing the disposal of such alcohol which should be adopted by the Council by the time this report is published.

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(1) COM(84) 227 final 12 June 1984

SUGAR

General

28. Since the revised sugar market organisation was adopted in 1981, a dominant feature of the World and Community markets has been over-supply.

Supply and Demand for Sugar

		(Million tons)				
		Production		Consumption	Excess (1)	Stock
		Total	EC A and B Quota			
: WORLD	1981/82	: 100.8	: -	: 92.2	: 8.6	: 33.0
:(1)	1982/83	: 100.6	: -	: 94.5	: 6.1	: 38.7
:	1983/84	: 98.1	: -	: 96.2	: 1.9	: 40.3
:	1984/85	: 100.9	: -	: 97.9	: 3.0	: 41.5
:	1985/86*	: 97.7	: -	:	:	:
:	:	:	:	:	:	:
: EEC	1981/82	: 15.0	: 11.5	: 9.6	: 1.9	: 2.6
:(1)	1982/83	: 13.9	: 11.4	: 9.5	: 1.9	: 3.0
:	1983/84	: 11.0	: 10.9	: 9.3	: 1.6	: 1.7
:	1984/85	: 12.5	: 11.1	: 9.5	: 1.6	: 2.0
:	1985/86	: 12.2	: 11.2	: 9.5	: 1.7	: 1.8

Although prices on the world market have recovered from the record low levels of June 1985, future prospects are bleak. Heavy over-capacity on the world market continues and a reduced demand resulting from the expansion of iso-glucose in the United States; this directly affects the incomes of Community producers who continue to export albeit at reduced levels. The Community market is over-supplied particularly when one remembers the commitment of the European Community to import 1.3 Million tons of sugar from India and the ACP countries at the level of prices guaranteed to Community production.

29. The current Community market organisation is based on a quota system with the disposal of the surplus being financed by producers. The Commission has proposed (2) that the present production arrangements be continued with an increase in the levies paid by producers in order to provide a more realistic financial basis for the storage and disposal of surplus sugar.

(1) World: Expressed in 'raw sugar'; Excess = Production - Consumption  
EEC: Expressed in 'white sugar'; Excess = A and B quota production - Consumption

(2) COM(85) 433 final - "Proposal for a Council Regulation amending Regulation (EEC) No. 1785/81 on the common organisation of the markets in the sugar sector.

30. The need for a more realistic financial basis is highlighted by the costs of disposal in recent years. The production costs of the world's most competitive producers are around 12 cents per pound (the EC's intervention price is around 14 - 15 cents per pound, the USA's Loan Price is 17.75 cents per pound while major importers such as Japan and the USSR have even higher producer prices).
  
31. Meanwhile world market prices for raw sugar on the New York market have slumped from 11.8 cents/pound in 1981/82 to an average of 3.7 cents/pound in 1984/85. The bottom of the trough occurred in May/June when the New York Spot Price sank to 2.5 cents/pound. Action by the Commission which publicly announced that it was not prepared to follow prices down, contributed to a recovery and prices are now above 5 cents/pound.
  
32. Positive factors are increased demand in the chemical industry, which may absorb another half million tons per annum by the beginning of the 1990's, and the prospect of enlargement to include the Iberian peninsula (which is a deficit area). The Commission has taken account of these factors in proposing unchanged quota levels for the next five years of the market organisation.

THE OUTLOOK

33. A major event will occur on 1 March 1986: the beginning of the progressive integration of Spain and Portugal into the Community market organisations. For many products this will significantly alter the pattern of supply and demand and have an impact on the trade flows between the Community and the rest of the world. The Community's position as the worlds largest importer of food and agricultural products will be reinforced, while her export potential will also increase. The Community of "12" is described in "  
", in this publication.
34. The Commission is engaged in consultations on "The Perspectives for European Agriculture". It has set out the case for adapting the Common Agricultural Policy to current realities. The most notable feature (and achievement) of European agriculture is that there is no longer any major commodity, suitable for production within the Community for which we are in structural deficit (Cereals, sugar, olive oil and wine, certain fruits and vegetables, dairy products, beef pigmeat, eggs and poultry meat).
35. With so many Community markets saturated, and with poor prospects for increased solvent demand or reduced competing supply on world markets, it is clear that existing market instruments are insufficient to bring about a healthier market balance or even prevent some surplus stocks becoming unmanageable and unfinancable. Even in those sectors in which substantial reform has already been achieved (e.g. milk products and wine) much remains to be done by way of stock reduction and supply management. The substantial reorientation required in other sectors (e.g. cereals and beef) will further exacerbate the problem of reconciling the objective of better market balance on the one hand and that of maintaining farm incomes on the other hand - a contradiction which can only be resolved through major change of approach within the Common Agricultural Policy and the redefinition of medium term perspectives for farming as envisaged in the Green Paper.

## B. Analysis by sector

### I. Products subject to common market organization

#### 1. CEREALS

##### 1. Introduction

###### (a) General situation

The 1984/85 harvest was some 22% bigger than the crop of 1983/84 and 15% above the previous record crop of 1982/83.

This exceptional result was due primarily to extremely favourable weather during the crucial growing period throughout the Community. Quality was generally fairly good.

Although opening stocks, at 13 million tonnes (7,5 million tonnes of common wheat), were 27% lower than at the beginning of the 1983/84 marketing year and a very active export policy was pursued, cereal prices came under strong pressure and for the first time the market price of wheat dropped below the intervention price, a situation that persisted for almost the whole of the first half of the year. Barley prices were in turn brought down by the fall in the wheat price. It was only in the second half of the year that prices improved to reach approximately the intervention price.

Intervention stocks rose from 4,3 million tonnes at the beginning of the 1984/85 marketing year to 13,9 million tonnes at the end. The increase was distributed as follows :

breadmaking wheat :	+ 1,0 mill. t.
feed wheat :	+ 5,9 mill. t.
durum wheat :	+ 0,2 mill. t.
barley :	+ 1,8 mill. t.
rye :	+ 0,6 mill. t.

Stocks were concentrated in Germany (34,3%), the United Kingdom (30,37%) and France (22,7%).

The outlook for 1985/86 is again for excellent yields, with production for the Community as a whole expected to work out at between 137 and 140 million tonnes. Poor harvesting weather in the north of the Community has, however, affected quality.

World market prospects for 1985/86 are unfavourable. A better harvest in the USSR, larger stocks and good harvest prospects in the main exporting countries all indicate strong competition. The dollar's fall against the European currencies will boost export costs.

(b) Cereals in Community agriculture

The total area of cereals in 1984 was 27,8 million ha. Their importance in the land use of individual Member States varied considerably, being least in Ireland and the Netherlands (7% and 10% of UAA respectively), where fodder crops and permanent grassland are more important. Cereals are of great importance in Germany and Denmark (41% and 59% of UAA respectively), where they account for 65-70% of the arable land. In the other Member States they occupy 20-30% of the UAA and 50-59% of the arable land.

The proportion of final production that cereals account for is a less useful measure of their economic importance since in many cases a large proportion of production is used for feeding livestock on the farm itself. These cereals have no final production level since they have been converted into livestock products. Thus in Germany, where cereals account for 41% of the UAA, they represented only 11,2% of the value of final production in 1984 because over 46% of the total quantity produced was used as animal feed on the farms where it was grown. In the United Kingdom, on the other hand, cereals accounted for only 22% of UAA and for 21% of the value of final agricultural production. About 23% of the crop is fed to livestock on the farms where it is grown. In the Community as a whole about 25% of the crop was fed to livestock on the farm and the contribution of cereals to final agricultural production was 13,9% in 1984.

(c) World cereal production

World production of cereals in 1984/85 amounted to 1.320 million t, of which the Community produced 11,4%, a 1% increase on previous years. The shares of the other major cereal exporters were :

United States :	23,3%
Canada :	3,3%
Australia :	2,1%
Argentina :	2,5%

2. Production

Community cereal production in 1984/85 amounted to 150,83 million t (excluding rice), an increase of 21,9% on 1983/84. The big rise in yield (+ 21,4%) was accompanied by a small increase in area (+ 0,6%).

Production of durum wheat rose from 4,0 to 6 million t (+ 51,1%) and production of common wheat and barley, with increases of 25,8% and 5,8% respectively, beat the records set in 1982/83.

Growing conditions were excellent for all cereals and yields beat all records throughout the Community. Yields of common wheat increased by 22,2%, of durum wheat by 46,2% and of barley by 26,5%. Maize yields on the other hand were 0,6% lower.

The total cereal area in 1985 was slightly lower owing to increases in the areas under alternative crops, in particular rape and sunflower. Growing conditions were good on the whole but the area of winter cereals was reduced by frost damage.

First estimates are for total production of 137 to 140 million t. Poor weather held up the harvest and affected quality, particularly in the United Kingdom, Ireland, Denmark, the Netherlands and some parts of Germany.

(a) Common wheat

The 1984/85 production figure of 70 million t was 25,8% higher than the 1982/83 record figure. Yields, which averaged 6,16 t/ha, were sharply up (+ 22,2%) because of the very favourable weather. The area rose to 11,399 million ha, 3,7% up on 1983/84.

The production figure for 1985/86 should be about 62 million t (- 11%) due to a decrease both in area (- 2,4%) and in yield (- 9,4%). The crop will, however, be bigger than any harvested before 1984/85.

These figures confirm the trend of steadily increasing production observed for a number of years, due mainly to the introduction of new high-yielding varieties that make it economically attractive for producers to change from barley in particular to wheat. The area sown to common wheat has increased every year from 1977/78, the annual rate of increase being more than 2%. Yields have shown an equally clear upward trend but fluctuate in accordance with weather conditions, the annual rate of increase since 1977/78 having been around 3,5%.

(b) Durum wheat

Production in 1984/85 rose by 51,1% to 6,06 million t owing to an increase in both areas and yields in Greece and in Italy. Production is steadily recovering in France. The average Community yield rose to 2,69 t/ha (+ 46,2%) and the area rose 3,3% to 2,249 million ha.

Production in 1985/86 is expected to drop some 10% to around 5,5 million t as a result of stabilization of areas sown and a drop in yields.

Italy accounts for 80% of the Community area sown to durum wheat, which itself accounts for 55% of the total wheat area in Italy. The Italian durum wheat area remained stable for a number of years but has increased every year for the last four. The area sown to common wheat is on the other hand dropping sharply.

Greece accounts for 14% of the Community area sown to durum wheat, which itself accounts for 33% of the total wheat area there. Since 1979 the durum wheat area has increased from a relatively stable pre-accession figure of some 205.000 ha to 312.000 ha in 1984.

(c) Barley

The 1984/85 production figure of 43.905 million t was substantially higher than that of 1983/84 (+ 21,2%). Growing conditions were unfavourable, particularly at winter barley sowing time. Yield rose 26,5% to 5,15 t/ha and area fell 4,2% to 8,524 million ha.

The production figure for 1985/86 is expected to drop to 41,8 million t, as a result solely of a drop in yield to approximately 4,9 t/ha (- 5,5%). The area remains unchanged from the previous year at some 8,5 million ha compared with the 1979/80 figure of 10,04 million ha, which has reduced the annual rate of decrease to 2,5%. Production has remained stable at around 40 million t as a result of the increase in yield, which has been helped by a swine from spring to winter barley, still apparent particularly in Denmark and the United Kingdom. There was, however, an overall drop in winter barley area in 1985 because of the very cold winter.

In Denmark the winter barley area has increased very quickly since 1983 but disease problems are expected to prevent winter barley from becoming as important as in the other Member States.

Area of winter barley in total barley area

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Germany	46 %	49 %	53 %	55 %	59 %	63 %	48 %	62 %	67 %	61 %
France	31 %	42 %	51 %	38 %	55 %	57 %	54 %	64 %	68 %	63 %
United Kingdom	-	-	-	-	32 %	35 %	39 %	42 %	52 %	53 %
Denmark	-	-	-	-	0,4%	0,4 %	1,2%	7 %	17 %	15 %

(d) Rye

The 1984/85 production figure of 3.015 million t was 29,9% higher than the figure for 1983/84 owing to higher yield (+ 22,5%) and an increase in area of 6,1%.

The estimated production figure for 1985/86 is 2,78 million t, with area down 1,0% and yield down 7%.

(e) Oats

The area under oats continues to drop slowly and was 1,674 million ha in 1984/85. Average yield increased 31,7% to 4,11 t/ha and production rose 26% to 6,9 million t.

In 1985/86 production figures should be around 6,2 million t, with area showing a 3% increase to 1,6 million ha and yield dropping 7% to around 3,8 t/ha.

(f) Maize

The figures for 1984/85 were almost the same as for 1983/84. Production was 20,17 million t and average yield 6,55 ha. There was a slight increase in area to 3,08 million ha.

the production estimate for 1985/86 is 21,7 million t, with total area slightly up and yield at the same level.

The drop in the wheat price appears to be encouraging producers to replace wheat sowings with maize.

3. Consumption

In 1983/84 116,9 million t of cereals were used in the Community, 3,0 million t more than in 1982/83. About 43% of this was wheat, 28% barley and 21% maize. The breakdown of use was :

- animal feed :	70,1 mill t or 60,0% (60,0% in 1982/83)
- human consumption :	30,9 mill t or 26,4% (25,6% in 1982/83)
- industrial uses :	9,6 mill t or 8,0% ( 8,6% in 1982/83)
- seed and losses :	6,3 mill t or 5,4% ( 5,2% in 1982/83)

Total consumption in 1984/85 is expected to be the same as in 1983/84, the latest estimates indicating a slight increase in animal feed (61,2%), a slight fall in human consumption (25,9%) and an increase in industrial uses.

The percentages for the different uses vary considerably between cereals, between Member States and from year to year. The following table gives a breakdown for 1983/84:

Cereal consumption in 1982/83 - breakdown by type of cereal and use

	Human consumption	Animal feed	Industrial use	Seed and losses	Total
	%	%	%	%	%
Durum wheat	87,0	0,8	-	12,2	100,0
Common wheat	49,6	42,8	1,4	6,2	100,0
Rye and meslin	49,1	42,1	1,5	7,4	100,0
Barley	0,3	76,6	16,6	6,5	100,0
Oats and mixed cereals	6,0	88,2	-	5,8	100,0
Maize	11,2	73,6	13,9	1,3	100,0
Sorghum	2,3	97,2	0,3	1,2	100,0

(a) Human consumption:

In 1983/84 the use of cereals for human consumption increased by 2,2% from 1982/83, due primarily to a 2,3% upswing for common wheat. Common wheat accounts for some 76% of the total quantity of cereals used for human consumption and the quantity used has remained relatively stable for the last ten years. An apparent increase in maize consumption of 7,9% is the result mainly of a change in the statistical basis and does not indicate a real change of use. The sum of human consumption and industrial utilization of maize has remained fairly stable. More than 4 million t of maize a year is used to make starch for use in the production of foodstuffs or industrial goods. Maize is also used in distilling, in brewing and in the manufacture of breakfast cereals.

Use of cereals for human consumption - breakdown by type of cereal

('000 tonnes)

	Quantity used for human consumption (grain equivalent)	
	1982/83	1983/84
Common wheat	22.828	23.351
Durum wheat	3.131	3.220
Maize	2.493	2.689
Rye	1.164	1.179
Oats	319	345
Barley	80	84

Estimates for 1984/85 indicate no real change in the volume of cereals used for human consumption (- 0,5%). Common wheat consumption is expected to remain at the average level of the last few years.

(b) Animal consumption:

This is the principal outlet for cereals grown in the Community, accounting for about 60% of total cereal utilization in 1983/84.

The total quantity used as animal feed fell from a record level of 74,7 million t in 1973/74 to 67 million t in 1976/77. After a jump to 73,2 million t in 1977/78 a decline ensued because of the increased use of substitute products. Stabilization of manioc imports and an increase in the price of soya encouraged the use of cereals during the 1983/84 marketing year.

Consumption in 1984/85 is thought to have remained fairly stable at around 70 to 71 million t. The introduction of the milk marketing quotas brought about, for the first time, a drop in compound feed production of some 2% and so affected cereal consumption.

There have been some changes in the positions of the different cereals. The provisional figures show a substantial increase in the use of wheat owing to more favourable price relativities which have brought about some displacement of the position of maize and a reduction in imports of subsidies.

Changes in the use of cereals as animal feed

	: 1983/84	: 1984/85 (1)	: % change
	: (mill.t):	: (mill.t)	: 83/84 - 84/85
: Cereals total	: 70,1	: 71,5	: + 2,0
: of which	:	:	:
:   barley	: 25,5	: 26,3	: + 3,1
:   common wheat	: 20,1	: 21,0	: + 4,5
:   maize	: 17,3	: 17,2	: - 3,4
:   oats	: 5,1	: 5,4	: + 5,9

(1) provisional figures.

Up to 1975/76 the use of cereals as animal feed on the farm on which they were grown accounted for about 50% of total feed used. Since then the proportion has fallen to 43% owing to a greater tendency for farmers to sell their cereals and purchase compound feeds and to increased specialization on the part of producers.

Use for animal feed of cereals either produced on the farm or bought in:  
breakdown by cereal for 1983/84

Cereals	Used on farms	Bought in	Total	
	('000 t)	('000 t)	('000 t)	%
Wheat	6.425	13.745	20.170	28,8
Rye	763	248	1.011	1,4
Barley	15.630	9.907	25.537	36,4
Oats etc.	4.024	1.076	5.100	7,3
Maize	3.357	14.395	17.752	25,3
Other	127	439	566	0,8
<b>Total</b>	<b>30.326</b>	<b>39.800</b>	<b>70.136</b>	<b>100,0</b>
	<b>43,2%</b>	<b>56,8%</b>	<b>100,0%</b>	

In 1972/73 cereals provided more than 62% of the energy value of concentrate feeds (i.e. excluding bulky fodder, root crops, grazing, etc.). This proportion had fallen to 51,3% by 1982/83. During the same period the share of manioc rose from 1,5% to 6% in 1981/82 only to fall back to 4,4% in 1982/83, and that of oilcake rose from 12% to almost 18%.

The fall in the use of cereals was due primarily to their replacement by manioc, oilcake and certain industrial by-products, all of which can be imported into the Community free or almost free of import duty.

Imports of cereal substitutes and soya 1974/84

(mill. tonnes)

	1974	1978	1982	1983	1984
Soya (1)		14,8	18,9	18,6	16,7
Cereal substitutes total	4,6	11,9	16,2	14,1	13,6
of which					
manioc	2,1	6,0	8,1	4,5	5,3
maize gluten feed	0,7	1,7	2,8	3,6	3,7
citrus pellets	0,3	1,0	1,3	1,4	1,4

(1) Soya in the form of grain and cake, expressed as soya cake equivalent.

- (c) The use of cereals for processing and other industrial purposes increased by 15,6% in 1983/84. The most substantial jump was for wheat (19,1%), and the increase for barley was 8,7% to a total of 5,5 million t.

The 1984/85 estimate indicates a further increase in wheat use and a substantial fall for maize as a result of the drop in wheat prices against those of maize.

(d) Self-sufficiency

In 1983/84 the degree of self-sufficiency dropped 10% from 115,3% to 105,4% as a result of a substantial fall in production (- 6,2%) coupled with an increase in consumption (+ 2,6%). This was accounted for principally by an increase in human consumption of 2% and in industrial utilization of 15,6%.

The estimates for 1984/85 show the degree of self-sufficiency rising to 129% as a result of the record harvest of 151 million t.

Summary of the supply balance for 1983/84

	Common wheat		Durum wheat		Barley		Maize	
	mill.t:	%	mill.t:	%	mill.t:	%	mill.t:	%
	1983/84	1982/83	1983/84	1982/83	1983/84	1982/83	1983/84	1982/83
Usable production	55,2	- 0,95%	3,9	+ 4,2%	36,1	-11,63%	19,8	+ 0,4%
Imports	2,4	- 0,57%	0,6	- 45,5%	1,2	+537,1%	4,4	- 13,0%
Used within EC	47,0	+ 15,0%	3,7	- 2,55%	33,3	- 3,66%	24,1	- 0,9%
Exports	15,6	+ 9,0%	1,1	- 24,44%	5,5	- 0,7%	1,1	+ 20,3%
Stock variation	- 4,4	-	-0,3	-	- 1,5	-	- 1,0	-

	Oats		Rye		Other cereals		Total cereals	
	mill.t:	1983/84	mill.t:	1983/84	mill.t:	1983/84	mill.t:	1983/84
		1982/83		1982/83		1982/83		1982/83
Usable production	5,4	-29,33%	2,4	-1,2%	0,4	+4,5%	123,3	-6,2%
Imports	0,3	+107,3%	0,1	+15,8%	0,2	+2,1%	8,7	-0,9%
Used within EEC	5,8	-24,5%	2,4	-5,7%	0,6	+1,9%	116,9	+2,63%
Exports	0,0	-50,0%	0,1	+200,0%	-	-	22,3	+4,6%
Stock variation	-0,1	-	-	-	-	-	-7,3	-

(e) Stocks:

According to the best available estimates, total cereal stocks in the Community at the beginning of the 1984/85 marketing year amounted to 13,1 million t, of which 0,7 million t were being held on farms. Common wheat accounted for 7,5 million t, durum wheat for 0,8 million t, barley for 1,8 million t and maize for 2,1 million t.

At the 1st August 1985, the volume of stocks had increased up to 23,7 mio t, of which 14,4 mio t were of soft wheat (21% of the production), 1,4 mio t of hard wheat (23% of the production), 4,0 mio t of barley (9,0% of the production) and around 2,3 mio t of maize. The increase in stocks was principally in intervention stores (+9,5 mio t).

4. Trade

(a) Between Member States:

The major Community supplier of cereals to other Member States is France, which in 1984/85 supplied 13,3 million t (including cereal-based products), of which 5,3 million t were common wheat and 2,0 million t were barley.

The main customers for common wheat were Belgium, Germany and Italy but it may be assumed that a large proportion of the tonnage consigned to Belgium was intended for re-exportation to non-member countries through Belgian ports.

Italy remains the largest importer of Community wheat for domestic consumption. The transfer of 550.000 t of breadmaking wheat from French and German intervention stores for use as animal feed gave a stimulus to the use of wheat for this purpose in Italy.

Intra-Community trade in barley amounts to 5 million t, of which approximately one third is imported by Italy from France and the United Kingdom. Consignments of barley from the United Kingdom to other Member States amounted to 1,5 million t in 1984/85 but a large proportion of this tonnage was exported to non-member states through continental ports.

France exported 4,8 million t of maize to the other Member States, most of which was intended for use as animal feed.

(b) With third countries:

Imports of cereals and cereal products from non-member countries amounted, when the estimated tonnages of products in transit are deducted, to 8,7 million t in 1983/84, this being 0,9% less than in 1982/83. Grain maize accounted for 4,3 million t of this, 23,2% less than in 1982/83. Some 74% of the imported maize came from the United States and the rest mainly from Argentina and Yugoslavia.

Imports of barley, principally from Canada, increased from 150.000 t to 500.000 t because of fears of a lack of barley of brewery quality.

Imports of common wheat rose from 1,6 million t in 1982/83 to 2,3 million t in 1983/84 and imports of durum wheat from 0,3 million t to 0,8 million t. Almost all imports of these cereals came from North America.

The substantial drop in production of oats provoked an increase in imports, principally from Finland.

Total exports of cereals and cereal-based products reached 22,3 million t in 1983/84, of which common wheat and flour accounted for 14,8 million t. The wheat sold on normal trading terms in 1983/84 went principally to the Soviet Union, Poland, North Africa and Africa south of the Sahara. For 1984/85 exports of common wheat and flour are estimated at some 16,9 million t, consisting of 15,2 million t sold on normal trading terms, 3,3 million t of this being in the form of flour, and 1,5 million t as food aid. The range of destinations for flour exports continues to be very vast, the most important being Egypt, the Middle East and Africa south of the Sahara.

There were again large exports of barley in 1983/84 and 1984/85. Total exports of barley and barley-based products (mainly malt) dropped 0,7% in 1983/84 to 5,5 million t, of which 1,6 million t was in the form of malt. The quantities exported in 1984/85 are higher at approximately 7,9 million t, including 1,5 million t in the form of malt.

The principal destinations for barley in 1983/84 were the Mediterranean countries and the Middle East.

## 5. Prices

### (a) Common prices:

The Council did not adopt cereal prices in time for the beginning of the 1985/86 marketing year and the Commission was forced to take action to prevent a breakdown in the operation of the cereal policy mechanisms.

The Commission decided that the intervention and threshold prices for durum wheat for the 1984/85 marketing year should be retained for 1985/86, and that the intervention prices for the other cereals should be reduced by 1,8%, in line with the amounts by which the production thresholds had been exceeded. The 1985/86 levies decided on are based on the threshold price for 1984/85 minus the reduction in the intervention price. The monthly increases are unchanged.

A special intervention measure for common wheat of breadmaking quality is planned at the end of the 1985/86 marketing year for a quality higher than the minimum at a price 5% above the single intervention price. The purpose is to support production of better quality wheat but at the same time maintain wheat's competitiveness as an ingredient in animal feed and reverse the trend to higher production.

### (b) Internal market prices

The 1984/85 marketing year was marked by record production of cereals, in particular common wheat and durum wheat.

The record harvest resulted in pressure on common wheat prices, which remained in a state of flux and below the common intervention price until the new year. The severity of the winter made transport difficult within the Community and provoked an increase in prices during the second half of the marketing year.

In Italy durum wheat prices were subject to strong pressure throughout the marketing year and fell to over 10% below the intervention price.

The market in barley followed the trend of that of wheat. The drop in the wheat price below the common intervention price allowed an increase in the use of wheat as animal feed at the expense of the share held by barley and maize.

Maize prices remained firm at a level markedly higher than the common intervention price until May, when it was announced that there were no plans for a carryover payment. They then fell close to the intervention price level.

(c) World prices

At the beginning of the 1983/84 marketing year world stocks of wheat were estimated at 96 million t, 8% up on the previous year, whole feed grain stocks had dropped by some 23 million t to 65 million t. Total wheat and feed grain production again attained record levels in 1984/85 at 514 million t and 807 million t respectively.

In 1984/85 wheat production increased in most countries, including the EEC, Argentina, the United States and China, but dropped 8% in the USSR and 14% in Australia. Total world wheat production went up by some 5%, and world production of coarse grains by 18% to reach a new record level, this being essentially a result of abandonment of the PIK programme in the United States that had encouraged the removal of land from production. There was a general increase in production in all other countries with the exception of Australia and the USSR. World trade in wheat intensified in 1984/85 but not to a great enough extent to absorb the increased supplies available and stocks went up some 11% to attain a record level of 110 million t. The rise in the dollar against the European currencies at the beginning of the marketing year helped cereal exports.

The aggressive export policies practised by Argentina and Australia brought prices under pressure from December 1984 onwards.

Highest and lowest monthly average prices CIF Antwerp/Rotterdam in 1984/85

Type	Highest	Lowest
	ECU/t : Month	ECU/t : Month
Common wheat	206,07 : January 1985	156,19 : July 1985
Barley	174,18 : March 1985	145,72 : July 1985
Maize	190,73 : August 1984	159,14 : July 1985
Durum wheat	270,46 : February 1985	221,05 : July 1984

The implementation of the BICEP programme and the comprehensive use of a credit policy by the United States have made it increasingly difficult for Community exporters to remain competitive and they have lost important markets, particularly in the Mediterranean countries, which they have traditionally supplied.

(d) The record exports in 1984/85 were achieved because of the massive imports made by the USSR.

## 6. Short term outlook

Community cereals production for 1985/86 is estimated at 137-141 million t. In northern areas quality was affected by poor weather at harvest time and this has led to greater price differentiation.

The lower prices for feed wheat will probably mean that more is used in compound feed production at the expense of barley and maize. However, barley will probably retain its competitive edge for on-farm utilization.

The quantities of cereals used for human consumption can be expected to remain constant. The proportion of wheat in the cereals that go for industrial use may increase partly at the expense of that of maize.

It is likely that imports of cereals into the Community will continue to drop.

Exports are expected to be lower in 1985/86 than they were in 1984/85. World demand for wheat has been assessed at less than 100 million t, compared with 105 million t in 1984/85.

Most of the traditional importers are expecting better harvests and Russia in particular will be importing less. The other exporters have reacted by adopting more aggressive export policies that have provoked a fall in world prices. This, combined with the fall in the value of the dollar, will raise the cost of exports and it will probably be difficult to maintain them at the desired level of 1984/85.

If yields continue to increase at the same rate as at present and total areas sown remain constant, production could reach 155-160 million t by 1991. A slight increase in the volume going for industrial use is possible but there is nothing to indicate a significant expansion in this area or in human consumption. The Community thus risks being faced with a large accumulation of stocks at the end of the decade for which it will be difficult to find an outlet.

## 7. Economic aspects of the measures taken

### (a) Levies and refunds

1. These varied considerably in 1984/85 because of strong fluctuations in world prices and in the value of the dollar :

- common wheat :  
57 to 134 ECU/t, i.e. 30 to 90% of the cif price (net of tax)
- barley:  
63 to 131 ECU/t, i.e. 35 to 105% of the cif price (net of tax)
- maize:  
34 to 112 ECU/t, i.e. 17 to 77% 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 (1984/85):

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

For wheat a single invitation covered all destinations except Scandinavia and South America and resulted in the sale of 7,6 million t, the refund varying in accordance with the strong fluctuations in world prices. The rise of the dollar allowed it to be reduced to a few ECU in September and October 1984 but by the end of the marketing year it had risen to 41 ECU.

For barley an invitation was opened for all destinations except Scandinavia, Japan and South-East Asia, under which 6,4 million t were sold at a refund varying from 22 ECU in September 1984 to 69 ECU at the end of the marketing year.

The invitations were open from June 1984 to June 1985.

For several months the invitation to tender was combined with an ordinary refund.

At the beginning of the 1984/85 marketing year long-term licences were issued for exportation to those African countries that are traditional purchasers from the Community and to Kenya. Refunds were also set for the main basic cereals (except maize, for which the Community is in deficit) for countries bordering on the Community (in particular Switzerland, Austria, Liechtenstein and the Scandinavian countries), which find it more advantageous to obtain their supplies from the Community than from its competitors. Export refunds were also fixed in the normal way for wheat flour, rye flour and durum wheat meal.

At the end of the marketing year an invitation to tender for the refund was opened for exports of maize to Switzerland, Austria and Liechtenstein.

The refunds on malt continued to be fixed as in the previous year by a special system involving a weekly calculation on the basis of the barley import levy, with an added precaution designed to forestall speculative applications for long-term licences.

(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, of which 927.663 t (or 56%) is to be furnished by the Community as such and the balance by the individual Member States by agreement among themselves.

For 1983/84 the Community added 200.000 t to its commitment and for 1984/85 fixed the amount it would supply at 1.160.000 t.

By 30 September 1984 the Community had provided 1.071.000 t, i.e. 95%, of the 1983/84 programme and 580.000 t, i.e. 50%, of the 1984/85 programme. The Member States have fully met their commitments in all years and for 1984/85 exceeded them by some 255.000 tonnes.

Apart from "consumption relating to the 1980 food aid", in accordance with the Dublin plan of December 1984 (emergency aid budget) 78.000 t of cereals were delivered from the Community market.

(c) Intervention

The marketing year began with intervention stocks of 4,4 million t but during its course 13,4 million t was bought in, four times the amount in 1983/84. In the first few months, buying-in of breadmaking wheat at the price for the minimum quality was limited to a maximum of 3 million t. During the year 3,9 million t of cereals were sold from intervention, of which some 3,7 million t were exported, this figure including 330.000 t of wheat supplied as food aid. A further 200.000 t of wheat were disposed of on the Community market. The increase in the quantities bought in and the reduction in sales meant that at the end of the marketing year stocks stood at a record level of 15,9 million t.

Stock variations for 1983/84 were as follows :

Intervention stock variations in 1984/85 (provisional figures)

( '000 t)

	Common wheat:	Feed	Durum	Rye	Barley	Total
	of bread-	Wheat	Wheat			cereals:
	making					
	quality					
Stocks on 1.8.1984*	3.393	5	535	242	222	4.415
Amounts bought in	2.985	6.054	560	605	3.193	13.397
Sales	2.077	105	353	13	1.396	3.944
Net variations	+ 908	+ 5.950	207	+ 592	+ 1.797	9.454
Stocks on 31.7.1985*	4.301	580	760	834	2.019	13.869

\* Since the marketing year for durum wheat begins in July the figures for it relate to 1.7.1984 and 30.6.1985.

(d) Carry-over payments

In 1984/85 these were paid in respect of private stocks of wheat in order to prevent massive deliveries to intervention, and also for rye stocks held at mills. These payments, which are meant to compensate in part for the adjustment of prices at the end of the marketing year, were fixed on the basis of seven monthly increases for both wheat and rye.

(e) Price uniformity

Like some other sectors, cereals suffers from some degree of disunity occasioned by monetary disparities, which has necessitated prolongation of the compensatory amounts mechanism.

In 1985/86 the differences between Member States in the time elapsing before payments are made, varying from 60 to 120 days, will also have an effect, albeit limited, on the impact of guaranteed prices on the trend of market prices.

(f) Production refunds

These are paid to cereal and potato starch manufacturers to enable them to compete with producers of starch from other raw materials. For the 1985/86 marketing year they remain unchanged at 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 producers of durum wheat is granted in areas where producers are largely dependent on durum wheat for their income.

It has been provisionally fixed at 101,31 ECU/ha for 1985/86, which will be the first marketing year in which the full amount of the aid will be paid in all the areas of Greece which qualify for it.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on cereals amounted to 1,650 MECU in 1984. The estimates for 1985 and 1986 are 2,325 MECU and 2,933 MECU respectively. The 1984 expenditure was made up of 918,4 MECU on export refunds and 731,6 MECU on intervention, including 314,3 MECU spent directly on intervention storage.

Estimated expenditure on storage is 621 MECU in 1985 and 948 MECU in 1986.

## 2. RICE

### 1. Introduction

The area under rice in the Community of Ten in the 1984/85 marketing year was 0.20% of its total UAA and 0.14% of the total area under rice in the world.

France, Greece and Italy are the only producers, with 89% of the Community harvest coming from Italy, although the Community harvest for the year in question represented only 0,33% of world production of 451 million t (1).

### 2. Production

The area given over to rice in the Community in 1984 was 203.730 ha, a drop of 0,8% on 1983. In France the area was 9.400 ha compared with 7.370 ha in 1983, an increase of 27,5%, in Greece it rose 4,2% from 13.430 ha to 14.000 ha, and in Italy the area sown was 180.330 ha, a 2,0% drop.

Production in the Community of Ten dropped 0,9% from 1.149.500 t in 1983 to 1.138.781 t in 1984 (1).

French production in 1984 was 38.400 tonnes (1), an increase of 2,4%, Italian production 1.010.381 tonnes (1), a drop of 1.9%, and Greek production 90.000 tonnes, a 0,8% increase on the 1983 figure (82.000t).

### 3. Internal consumption

Community consumption of rice in 1983/84 amounted to 1.187.000 t, an 8,4% increase on the previous year's figure of 1.095.000 t. Industrial use remains particularly low and in fact dropped from 41.000 t. The amount of seed used remained stable at 32.000 t.

The use of rice as animal feed increased 19,6% to 1222.000 t from 102.000 t in 1982/83. Gross human consumption is also on the increase. It rose 8,1% from 914.000 t in 1982/83 to 988.000 in 1983/84.

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(1) Quantities expressed in paddy rice equivalent.

The word "rice" without further description signifies milled rice.

#### 4. Trade

A general picture can be given in terms of milled rice (and taking account of broken rice).

##### a) Total milled rice

In 1983/84 imports into the Community, including those imported under inward processing arrangements, amounted to 0,514 million t a 16% drop on the 0,613 million t imported in 1982/83.

Exports for the period 1984/1985 amounted to 0,320 million t, including those exported under inward processing arrangements, a 9,6% increase on the 0,292 million t exported in 1983/84.

The Community's share of world trade in 1984 was some 9% of imports and some 6,5% of exports. The main sources of both rice and broken rice remain the United States, Thailand, South America (in particular Suriname) and Australia.

Exports continue to go mainly to countries close to the Community such as Switzerland, Austria and the Mediterranean countries.

Intra-Community trade dropped 11% from 556.000 t in 1982/83 to 494.530 t in 1983/84, of which more than 46% was Italian rice delivered to the other Member States. Italian deliveries to the rest of the EEC reached 247.918 t in 1984/85.

##### b) Broken rice

This is used for human consumption, as animal feed and for industrial purposes. Total Community consumption in 1983/84 was 274.000 t (product weight), animal feed accounting for 122.000 t and industrial uses for 40.000 t including 29.000 t for beer production. Total human consumption accounted for 112.000 t.

#### 5. Prices

##### a) Common Prices

The following prices have been adopted for the 1985/86 marketing year:

- the intervention price for paddy rice remains unchanged from 1984/85 at 314.19 ECU/t;
- the target price for husked rice (both round- and long-grain) was set at 548.37 ECU/t, a 1,6% increase on 1984/85;
- the threshold price for husked rice (both long- and round-grain) was fixed at 541.63 ECU, a 1,5% increase on 1984/85.

b) Market prices

Average market prices in the main producing area (Vercelli) during 1984/85 were:

- . for ground-grain rice 17.7% above the intervention price
- . for long-grain rice 21.40% above the intervention price for Lido and 34,4% for Ribe.

The percentages for 1983/84 were +23,7% and +27,4% respectively.

At the end of the marketing year prices dropped as follows:

- for round-grain rice to approximately 114,6% of the intervention price
- for long-grain rice to approximately 106,6% (Lido) and 128,7% (Ribe) of the intervention price.

c) World prices

During 1984/85 the Thai offer price strongly influenced the world market. A steady drop in prices throughout the marketing year, particularly for long-grain milled rice, which fell from USD 310/t in September 1984 to USD 222/t in August 1985, enabled Thai products to dominate the European and Mediterranean markets. Most United States exports were made under PL 480, which explains the lack of price transparency on the world market.

d) Consumer prices

These are available for some Member States only. The following were recorded for long-grain rice (round-grain in the case of Greece).

	1983	1984	1984/1983 %
. Germany	3,8 DM/kg	3,82 DM/kg	-
. Belgium	70,5 FB/kg	78,39 FB/kg	+ 11,2
. France	8,2 FF/kg	8,99 FF/kg	+ 9,6
. Italy	2.053 Lit/kg	2.120 lit/kg	+ 3,3
. Netherlands	5,4 HFL/kg	5,46 HFL/kg	-
. Greece	68,8 Dra/kg	81,67 Dra/kg	+ 18,7

6. Short-and long-term outlook

As forecasts had indicated, the 1984/85 harvest dropped very slightly (by 1,0%) from 1983/84. The 1985 production figure appears to be higher. In 1984 22% of the rice produced was round-grain and 78% long-grain. As far as 1985 is concerned it is thought that the proportion of long-grain rice will increase slightly.

Despite the fact that Community demand is for long-grain rice, some of the long-grain produced, mainly in Italy, continues to be marketed only outside the Community, which continues to import types popular with consumers particularly in the Northern countries. Long-grain varieties giving better yields both in the field and at milling are increasingly grown in the Community. Thus Lido continues to replace many comparable varieties with lower yields.

7. Economic aspects of the measures taken

a) Levies and refunds

Because of the level of world market prices in 1984/85 import levies reached higher levels than in 1983/84. For broken rice, however, they did not increase by so much.

The levies for the last four marketing years have been as follows:

	(ECU/t)				
	: <u>1981/82</u>	: <u>1982/83</u>	: <u>1983/84</u>	: <u>1984/85</u>	:
Round-grain husked rice	: 133,39	: 212,55	: 183,20	: 276,94	:
Long-grain husked rice	: 138,64	: 210,59	: 213,00	: 282,90	:
Round-grain milled rice	: 193,65	: 343,34	: 323,54	: 320,46	:
Long-grain milled rice	: 313,30	: 442,40	: 455,34	: 538,10	:
Broken rice	: 36,40	: 64,69	: 51,28	: 61,33	:

The levies stayed at high levels from March/April 1985 onwards because of the drop in world market prices.

The existence of a structural surplus of rice for which there are no ready outlets in the EEC meant that special export measures had to be taken, firstly to secure the traditional exports of quality products and secondly to dispose of the purely structural surplus elsewhere. The following measures were adopted to maintain traditional export flows.

a) A refund of 108 ECU/t at the beginning of the marketing year and 180 ECU/t until the end of the marketing year was set for exports of long-grain husked rice to Switzerland, Austria and Liechtenstein. For long-grain milled rice the refund rose from 135.000 to 225.000 ECU/t.

(1) In September 1984 refunds were introduced on long-grain milled rice in small packages, differentiated according to which of two destination areas the rice was to be exported to. They ranged between 150 and 225 ECU/t and 160 and 235 ECU/t.

b) For disposal of the surplus proper, recourse was had to tendering procedures so that the quantities to be exported and the resulting expenditure could be better controlled.\* The maximum amounts granted ranged between 220 and 295 ECU/t.

b) Food aid

The provisional figure for the quantity of rice exported as food aid in 1984/85 is 141.000 tonnes (milled rice equivalent), 106.000 t as national aid and 35.000 t as Community aid. This is a 40% increase on 1983/84. The restricted quantities of rice available mean that the figure for 1985/86 will probably be smaller, in the region of 100.000 tonnes.

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\* 50.000 t of long-grain milled rice was exported between 17 December 1984 and 13 June 1985. No invitation to tender was opened for round-grain rice.

c) Intervention

No rice has been bought in since 1972/73. The possibility exists for very small quantities of rice to be taken into intervention in the French department of Guiana.

d) Monetary compensatory amounts

To date no monetary compensatory amount has been introduced for rice.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on rice amounted to 47,8 million ECU in 1984, i.e. 0,3% of total Guarantee Section expenditure, and is estimated at 90 million ECU in 1985, i.e. 0,5% of the total. The amount of 90 million ECU splits into 67 million ECU for refunds and 23,0 million ECU for intervention.

### 3. SUGAR

#### Introduction

##### (a) Production system in force

The 1984/85 marketing year is the penultimate one to which the system of production quotas introduced for sugar in 1981 (1) will apply. The system, under which producers have sole financial responsibility for disposing of any surpluses resulting from differences between production and consumption of sugar in the Community, will apply for one more marketing year, i.e. until 30 June 1986. The cost of exporting the quantities equivalent to the amount of preferential sugar imported from the ACP (2) will continue to be borne by the EAGGF.

The main characteristics of the 1984/85 marketing year can be summed up as follows:

- the very low sugar prices recorded on the world market since 1982 fell even further in 1984 and 1985;
- after a fall of more than 9% in 1982 and again in 1983, areas under sugarbeet were increased in 1984 and slightly reduced in 1985;
- the yield per hectare was well above the 'normal' yield and Community production amounted to 12,5 million tonnes of white sugar, i.e. 1,5 million tonnes more than the previous year;
- according to initial estimates, Community sugar production in 1985/86 could reach 12,4 million tonnes;
- overall sugar consumption in the Community exhibited a major upturn compared with the previous year, amounting to approximately 9,5 million million tonnes;
- total exports of sugar onto the free world market reached roughly 3,9 million tonnes (including almost 800.000 tonnes of C sugar), a lower figure than in 1983/84.

(1) Regulation (EEC) No 1785/81 (O.J. No L 177 of 1st July 1981, p. 4)

(2) African, Caribbean and Pacific (ACP) Countries and India

(b) New production system as from 1 July 1986

In August 1985 the Commission placed a proposal before the Council concerning production system for sugar to be applied from 1 July 1986. The proposal consists in maintaining the system of quotas for five marketing years, during which quotas will be applied at the same level as in 1985/86. Furthermore, it is proposed that the mechanism whereby producers finance the cost of disposing of Community sugar surpluses should be reinforced, i.e. the ceiling for the basic levy should be raised from 2% to 2.5% of the intervention price for white sugar and the limit up to which the Council can fix the B levy from 37.5% to 47%.

Furthermore, with a view to expanding the outlets for sugar within the Community, the Commission is proposing a major increase in production refunds for sugar used in the chemical industry, the costs to be borne by sugarbeet and sugar producers.

1. Cultivation of sugarbeet in the Community

In 1984, beet for sugar production occupied an area of 1.733.000 hectares (i.e. 70.000 hectares more than in 1983). The greatest increases in area occurred in the Netherlands (roughly 11,2%), France (9,2%) and Belgium (5,3%) and Germany (roughly 5,0%). In the case of Greece however, a 21,1% reduction in the area under sugarbeet was recorded as a result of bad weather at the time of sowing.

Sugarbeet now accounts for roughly 1,71% of the total Community UAA (utilized agricultural area) (1,64% in 1983).

The figures obtained from the structure surveys carried out in recent years indicate a reduction in the total number of farms growing sugarbeet in all Member States. However, this decrease has tailed off somewhat in recent years.

		Number of farms growing sugarbeet	
Survey	1970/71	425.200	EUR - 9
"	1975	365.500	EUR - 9
"	1977	372.600	EUR - 10
Estimate	1984/85	332.000	EUR - 10

The average area of sugarbeet per grower varies between Member States, ranging from about 1 hectare in Greece to almost 11 hectares in France.

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

On the whole, the far-reaching structural changes that have been operated in sugarbeet production since 1967/68, when the common organization of the sugar market was introduced, have improved production conditions and indicate that the system of production quotas has not hampered the necessary restructuring process.

A general plan for restructuring the sugarbeet and sugar sector has been drawn up in Italy and is now being updated. Certain specific implementation plans have already been approved by the Commission under Articles 92 and 93 of the EEC Treaty.

## 2. Restructuring of the processing industry

In 1972/73 there were 129 sugar manufacturers in the Community, the greatest degree of concentration being in France, Germany and Italy. In the same year there were 250 beet-processing factories.

The latest figures for 1984/85 continue to show a marked change in the structure of the sector.

More specifically, the number of sugar manufacturers dropped to 90 (-30%) and the number of factories in operation to 193 (-23%).

This development was accompanied in the main by improvements in the equipment of the factories remaining in operation and the daily throughput of beet in the Community as a whole in 1984/85 stood at 1.174.000 tonnes; this is almost the same as the previous year's figure but is 34% higher than the tonnage (879.000 tonnes) processed in 1972/73.

### 3. Yield per hectare and sugar production

Thanks to the good weather in the period leading up to the sugarbeet harvest, the sugar yield per hectare (7,04 tonnes) at Community level in 1984/85 was 4,0% higher than the 'average' yield for the previous five years (6,76 tonnes).

When account is also taken of the increase in areas sown, sugar production therefore amounted to 12,5 million tonnes. This figure is to be compared with 15,03 million tonnes for 1981/82 (record figure), 13,94 million tonnes for 1982/83 and 11,00 million tonnes for 1983/84.

As a result of the production figure for 1984/85 and when account is taken of the 214.000 tonnes carried over from the previous marketing year, production of A sugar amounted to 9,3 million tonnes, production of B sugar to 1,9 million tonnes and production of C sugar to 1,5 million tonnes, which is an increase compared with the previous marketing year (1,15 million tonnes). The quantity of C sugar carried forward to the 1984/85 marketing year was 749.000 tonnes.

### 4. Sugar consumption

#### Human consumption

Human consumption of sugar, which over the last four years had fallen steadily to reach its lowest level (9.22 million tonnes) in 1983/84, showed a major upturn in 1984/85.

It was between 9,4 and 9,5 million tonnes (i.e. an increase of between 200.000 and 250.000 tonnes compared with 1983/84).

Sugar consumption per head of population in the Community also increased, using from 33,9 kg in 1983/84 to roughly 34,4 kg in 1984/85. An intensive sugar promotion campaign in certain Member States and a delay in the recording of consumption statistics are not unrelated to this increase.

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

In 1984/85, about 100.000 tonnes of sugar were used in the chemical industry. The production refund of 3,88 ECU per 100 kg of white sugar used remained unchanged. The Community's self-sufficiency in sugar reached around 132%.

#### 5. Isoglucose

In 1984/85, consumption and production of isoglucose in the Community remained within the limit of A and B quotas allocated. Exports and imports of isoglucose to and from non-member countries are negligible but there is some trade from France and Belgium to the Netherlands.

#### Production/consumption (EUR 10)

(en '000 t. of dry matter)

<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>
82,6	102,8	139,1	164,1	179,7	182,6	182,3	178,5	182,6.

#### 6. Trade

##### Between Member States

In 1984/85 as in previous years, Italy and Belgium imported the largest quantities of unprocessed sugar from other Community countries.

Italy's traditional suppliers are France and Germany whereas Belgium has for several years been importing large quantities of unprocessed sugar from France for subsequent export to non-member countries via the port of Antwerp.

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

#### With non-member countries

As in the past, most of the preferential sugar imported from the ACP countries went to the United Kingdom in 1984/85. Some was also imported by France (13% of total preferential imports).

In 1984/85 contracts were awarded by tender for most of the sugar exported on Community responsibility. Awards were thus made for 3.056.000 tonnes of sugar (white sugar equivalent), including 62.900 tonnes of white sugar held by the BALM (German intervention agency). In addition, 25.000 tonnes of sugar were committed under the 'periodic' system.

Including exports of C sugar, total exports of unprocessed sugar in 1984/85 should reach about 3,9 million tonnes of white sugar equivalent.

#### 7. Community prices

##### 1984/85

Since the internal market situation called for a very cautious price policy, the average level of agricultural prices in ECU dropped by 0,5% in the Community as a whole, disregarding the effect of related agri-monetary measures. In the sugar sector, prices expressed in ECU remained unchanged compared with the previous year.

The only change was that, in the system of reimbursement of storage costs, the amount of the monthly reimbursement was reduced to 0,53 ECU/100 kg (compared with 0,57 ECU/100 kg previously) when it was noted that interest rates in the Community enabled the standard interest rates used for calculating storage costs to be reduced from 11% to 10% per year.

#### 1985/86

The Council decisions on the subject confirm the opinion that the situation on the Community market called for an extremely cautious price policy. For the first time the average level of prices in ECU fixed by the Council (-0,50%) was less than that proposed by the Commission (-0,80%), disregarding the effect of related agri-monetary measures.

In the sugar sector the basic price for sugarbeet remains unchanged compared with 1984/85 whereas the intervention price for white sugar has risen by 1,3%. The other prices in the sugar sector have been aligned with the latter increase.

#### Prices on the internal market

Ex-refinery market prices net of tax charged by the sugar industry in 1984/85 were close to or slightly above the intervention price in most Member States.

### 8. World market trends

#### Production, consumption and stocks

In 1984/85, world sugar production was again slightly above 100 million tonnes (in raw sugar equivalent).

Thus in the last four years the production limit of 100 million tonnes has been consistently exceeded or approached despite the low world prices recorded since 1981/82.

World sugar consumption rose to 98,3 million tonnes in 1984/85 but there was a deceleration in its natural growth rate. The increase was less than the average growth rate for recent years.

- isoglucose, which is produced mainly in the United States, Canada, Japan and South Korea and output of which in 1984/85 reached roughly 6 million tonnes, and
- aspartame, the new sweetener, the use of which is steadily increasing throughout the world.

World stocks at 31 August 1985 were assessed at 41 million tonnes (the highest figure ever). The high level of stocks is mainly due to the fact that production has exceeded consumption for four consecutive years, resulting in a surplus of around 14 million tonnes.

#### World prices

As a result of the situation described above (very high initial sugar stocks and surpluses), the world price for raw sugar fell to 4 cents/lb in August 1984.

This decline continued until the end of 1984. Prices fell still further and in the middle of 1985 (20 June) the all-time low of 2,56 cents/lb was reached. Since then, prices have begun to rise again, stabilizing at around 5-6 cents/lb from September 1985.

The average price of white sugar for immediate delivery (spot price) on the Paris stock exchange was 19,92 ECU/100 kg in 1984/85 (as compared with 26,14 ECU/100 kg the previous year).

#### World outlook for 1985/86

According to preliminary estimates available for 1985/86, output could attain around 98,5 million tonnes of raw sugar equivalent.

World sugar consumption is expected to reach a higher level than in 1984/85 and to exceed production by 1 million tonnes, which will make it possible to reduce the existing surplus stocks by the same amount.

Even if, due to its modest scale compared with surpluses, this improvement does not have any major impact on the world market trend, a number of signs suggest a possible reduction of sugar production in 1985/86, particularly in some of the bigger exporting countries. For example, compared with the previous year, production has been assessed at:

- 1,1 million tonnes in Brazil
- 1,0 million tonnes in Cuba
- 1,44 million tonnes in Argentina
- 0,34 million tonnes in the Dominican Republic
- 0,30 million tonnes in South Africa.

These prospects as regards production and consumption offer some hope of an improvement in sugar prices in the near future.

#### 9. EEC outlook for 1985/86

The area under sugarbeet in the coming year will probably be 1.718.000 hectares (down 0,9% on the previous year).

The results of analyses carried out in the field up to the beginning of October 1985 and the results obtained at the start of the processing year indicate a sugar yield per hectare close to that of 1984/85, which was fairly good. Sugar production from beet in the Community may therefore be estimated at 12,1 million tonnes, in addition to which there will be 290.000 tonnes of cane sugar from the French overseas departments and 19.000 tonnes of sugar processed from molasses. This makes a total production figure of 12,4 million tonnes of white sugar.

Sugar consumption in the Community will be about the same as in 1984/85, i.e; around 9,5 million tonnes.

If imports of preferential sugar, traditional external trade in sugar in the form of processed products and the carryover to 1985/86 are also taken into account, it is estimated that the total availability of sugar for export, including C sugar, will, on the basis of current forecasts, be around 4 million tonnes of white sugar, i.e. slightly above the quantity effectively exported in 1984/85 i.e. around (3,9 million tonnes).

10. Economic aspects of the measures taken

- Levies and refunds

Because of the level of world prices, which were significantly below Community prices throughout 1984/85, all exports of sugar covered by the quotas qualified for export refunds.

The average refund on exports for the 1984/85 marketing year was 419,52 ECU/tonnes of white sugar compared with an average of 347,57 ECU/tonne for the years 1981/82 - 1984/85.

- Intervention

The following quantities were taken into intervention during the 1984/85 marketing year:

- a) 62.900 tonnes of white sugar by the BALM (German intervention agency), intended for subsequent export to non-member countries, and
- b) 45.000 tonnes of white sugar by the AIMA (Italian intervention agency), intended for the internal market.

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 1.242 million ECU in 1982, 1.316 million ECU in 1983 and 1.631 million ECU in 1984 and has been assessed at 1.689 million ECU for 1985.

As already pointed out, since the 1981/82 marketing year the cost of disposing of surpluses resulting from differences 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 basic production levies and the B quota payable on A and B sugar and isoglucose.

Another special levy to equalize storage costs is charged on all sugar produced and disposed of within the quotas, in order to 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 536 million ECU in 1982, 368 million ECU in 1983, 455 million ECU in 1984 and roughly 664 million ECU in 1985. However, the net amount of the aforesaid expenditure is accounted for almost entirely by expenditure resulting from the need to export a quantity of Community sugar corresponding to the 1,3 million tonnes of preferential sugar imported from the ACP countries; this expenditure has fluctuated between 330 and 520 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. Nevertheless, 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 eight 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 uncultivated 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 about 50% 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. New general rules in this respect and special measures are applicable from 1 November 1984. From that date too, aid is granted at a fixed rate to small producers, i.e. those whose output of olive oil is less than 100 kg.

In France all growers belong to an organization, in Italy roughly 97% and in Greece about 95%.

On the basis of the applications for aid, production in the 1983/84 marketing year was 800.000 t in Italy, 265.000 t in Greece and 2.000 t in France. Nevertheless it is worth mentioning that, in Italy in particular, the quantities for which aid is given are inferior to those listed in the aid applications. The quantities covered by aid applications for 1984/85 were not yet known when this report was drawn up.

### 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 of five litres by approved packaging establishments and is subject to the oil being marketed at a price which takes account of the consumption aid. Only six countries, however, operate packaging establishments approved for the purposes of the scheme (Italy, France, the United Kingdom, Greece, the Netherlands and Belgium).

From 1978/79 - the marketing year in which the aid scheme was operated for the first time - up to and including 1982/83, aid applications (most of which are made in Italy) showed an average annual increase of about 25%. Since 1983/84 the increase has been less marked and is around a few percent.

For 1983/84, aid applications were made in respect of about 389.000 t.

Applications made during the period to the end of October 1985 suggest that the figure for 1984/85 will be of the order of 450.000 t.

The increase in the quantities eligible for consumption aid 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, partly by the fact that the system was introduced progressively in Greece beginning only in 1981.

Regarding the impact of the aid on the retail price, seven years of operation of the scheme show that it has been effective and consequently, at least in the major user country, 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. After the accession of Greece, however, and in view of the quantity of oil available in that country, imports from non-member countries fell from 125.000 t (average for the five marketing years preceding enlargement) to 36.900 t in 1982/83 and 61.500 t in 1983/84. The cut-back in production in 1984/85, however, increased imports in that year to about 165.000 t (the latter figure being based on import licences issued up to 31 October 1985) mainly from Spain (78%) and Tunisia (20%). 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 56.400 t in 1982/83, 69.800 t in 1983/84 and, on the basis of export licences issued, 49.000 t in 1984/85.

#### 5. Prices

##### (a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979. For the 1984/85 marketing year the mechanism established was as follows:

	<u>ECU/100 kg</u>	
	1.11.1984-15.3.1985	16.3.1985-31.10.1985
Producer target price	316,23	316,23
Production aid	69,56	69,56
Intervention price	227,62	227,62
Representative market price	196,87	208,80
Threshold price	195,74	207,67

The consumption aid is equal to the difference between the producer target price, less production aid, and the representative market price. For the 1984/85 marketing year it was 49,80 ECU/100 kg for the period from 1 November 1984 to 15 March 1985 and 37,87 ECU/100 kg for the period 16 March 1985 to 31 October 1985.

For 1985/86 the prices fixed by the Council are as follows:

	<u>ECU/100 kg</u>
Producer target price	322,56
Production aid	70,95
Intervention price	227,62
Representative market price	198,59
Threshold price	198,68

(b) Market situation and intervention purchases

The 1984/85 crop was small in Italy but average in Greece. This led to small quantities being taken into intervention in both Italy, and Greece (10.700 t and 1.500 t respectively). Sales from intervention totalled nearly 70.600 t in 1984/85.

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

After purchases and sales in Italy and Greece, approximately 63.480 t of olive oil were in storage on 31 October 1985 (63.000 t in Italy and 480.000 t in Greece), against 135.000 t at the same date in the previous year.

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 1984/85; the major rise in the threshold price has, however, meant a proportional increase in the levy.

(b) Refunds

During the 1984/85 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 55 and 80 ECU/100 kg, enabled 33.600 t to be exported, on the basis of licences issued up to the end of October 1985, compared with 43.600 t in the previous marketing year.

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 1096 million ECU in 1984. Forecast expenditure for 1985 is 897 million ECU.

For 1986, expenditure is estimated on the basis of the draft budget at 1074 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.

Expenditure on olive oil accounted for 5,9% of total Guarantee Section expenditure in 1984 and 4,5% in 1985. For 1985 the estimate is 5,1%.

## 5. OILSEEDS AND PROTEIN SEEDS

### I. Rape and sunflowerseed

#### 1. Introduction

In 1984, the share of oilseeds in the value of final agricultural production was 1.3% and these crops accounted for 2% of the Community's UAA. World production of rape seed was 16,77 million t as compared to 14,46 million t in 1983; Community production rose in 1984 to 3.518.100 t, and the Community's share of world production rose to 21% from 17% the previous year.

World production of sunflowerseed rose to 17,63 million t in 1984 from 15,45 million t in 1983. Community production of sunflowerseed was 1.224.400 t in 1984, representing 7% 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 1984 was approximately 41% for oil, excluding olive oil, and 12% for oilcake.

#### 2. Production

In 1984, the Community area under rape was 1.166.100 ha compared with 1.107.000 ha in 1983, an increase of 5%. Area increased in all of the producing countries with the exception of France and the Netherlands (the former showing a decline in area, whilst the latter remained the same). 1984 proved to be a very good harvest with yields being high in all countries, with the exception of Belgium which showed a lower yield than 1983. The average yield for the Community was 3,020 t/ha in 1984 compared to 2,250 t/ha in 1983. Total production was 3.518.100 t as compared to 2.492.100 t in 1983. The area under sunflowerseed rose to 621.300 ha in 1984 from 501.500 ha in 1983, an increase of 24%. Production rose to 1.224.400 t from 976.800 t in 1983. This represents an increase of 25%.

#### 3. Consumption

The demand for rape and sunflowerseed 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 rapeseed oil in 1984/85 increased by 11% on that for 1983/84. This was a reflection of the very high increase in the Community's production of rapeseed in 1984/85. Sunflower oil consumption increased by 29%.

(ii) Oilcake

Consumption of rapeseed cake increased in 1984/85 from 2.052.000 t to 2.279.000 t. This is again a reflection of the increased Community production of rapeseed since there was a reduction in imports during the same period (258.000 t as against 458.000 t the previous year).

Sunflower cake consumption also rose from 1.466.000 t in 1983/84 to 1.518.000 t in 1984/85. This was also a reflection of the large EEC production of sunflowerseed. There was a reduction in imports but this was only slight compared to that for rapeseed (821.000 t as compared to 890.000 t in 1983/84).

(iii) Oilseeds

Despite the large increase in rapeseed production in 1984 compared with that in 1983, the crop was effectively disposed of within the Community. However, 62.516 t were taken into intervention but this quantity was sold before the end of the year.

There was similarly no problem in the marketing of the Community sunflowerseed crop since the Community is deficient in this crop.

4. Trade

Imports of rapeseed fell to 202.000 t in 1984/85 from 368.000 t in 1983/84. This was a reflection of the increased production within the Community.

Imports of sunflowerseed rose to 488.000 t from 386.000 t in 1983/84, an indication of the increased demand for sunflowerseed within the Community.

Exports of rape and sunflowerseed remained at relatively low levels although there was an increase from 10.000 t in 1983/84 to 68.000 t in 1984/85 of rapeseed exported.

Trade of rapeseed within the Community consists mainly of imports into Germany, the Netherlands, Belgium and Luxembourg from France. There are also quite high exports from the UK to France and Germany. Trade in sunflowerseed follows a similar pattern.

## 5. Prices

### (a) Common prices

For the 1984/85 marketing year the target price for rapeseed was 47,26 ECU/100 kg whilst that for sunflowerseed was 58,22 ECU/100 kg. These figures represent a 2% decrease and a 1% increase respectively on the prices for 1983/84. The decrease in the rapeseed price was a result of the Council's decision to moderate the expansion of this crop by virtue of the guarantee threshold system. The production in 1983/84 passed the guaranteed threshold level of 2.290.000 t and therefore the price had to be reduced by the level by which it was exceeded.

1984/85 was the first year in which the Council also introduced a guarantee threshold for sunflowerseed, again to moderate its growth within the Community in a manner similar to that for rapeseed.

For the 1985/86 marketing year the Commission proposed to the Council that a reduction of 3,6% in the target price for rapeseed should be introduced following the exceeding of the guaranteed threshold set for 1984/85. The Council did not accept this proposal and the Commission therefore introduced a smaller reduction of 1,8%. The Council has yet to decide on this proposal, but until it does agree a target price, the Commission is working on the basis of its proposal in order that it can maintain the organization of the market for rapeseed.

With regard to sunflowerseed the Council adopted a target price of 57,35 ECU/100 kg for 1985/86 which represents a 1,5% decrease on the previous year. This reduction was proposed to ensure that growth in production remains within the limits of the guarantee threshold.

## 6. Market Prices

### (1) World market price

During 1984/85 world market prices were generally lower than those for 1983/84 for seed and meal, but oil prices remained fairly high due to increased demand and lower stocks; also world production of oilseeds was higher than for 1983/84. At the beginning of the 1985/86 marketing year there has been a turn in oil prices which has shown a continual downtrend due to the availability of oils at the moment, whilst the decline in seed has been smaller and meal prices have gradually begun to increase because of an increasing demand for meal due to small stocks and prices appear to be favourable against competing products.

(2) Community market

During the 1984/85 marketing year prices obtained by producers for both sunflowerseed and rapeseed were in the main higher than the intervention price, although some producers received the intervention price.

7. Outlook

The Community rapeseed crop for the present marketing year (1985/86) is estimated at 3.580.100 t which is about 2% greater than the 1984/85 crop. This slight increase in production does not truly reflect the 5% increase in acreage. This is largely due to the fact that Community yields in 1984/85 were particularly good.

As regards selling the crop there appears to be no major difficulties this year and the quantities already committed compare favourably with the same period last year.

The Community sunflowerseed crop for 1985/86 is estimated at 1.626.200 million t, an increase of 43% on last year. This is due to a greater acreage being sown to sunflowerseed in 1985.

8. Economic aspects of the measures taken

(a) Aid and refunds

Aid for rapeseed in the 1984/85 marketing year fluctuated between 2,8 ECU/100 kg at its lowest level and 16,8 ECU/100 kg at its highest. The average aid was 10,6 ECU/100 kg. The export refund for the same period varied between 2 ECU/100 kg and 14 ECU/100 kg.

For sunflowerseed aid varied between 12,3 ECU/100 kg and 27,1 ECU/100 kg. The average aid was 18,5 ECU/100 kg. No export refunds were fixed for this product because of the Community deficiency situation.

(b) Intervention

During the 1984/85 marketing year 62.516 t of rapeseed were taken into intervention in Denmark and Germany. However, as indicated earlier, this quantity was later sold before the end of the marketing year. For the 1985/86 marketing year the Commission adopted a reduction to 1,25 ECU/100 kg for the bonus above the intervention price for "00" rapeseed.

(c) Change in aid rules

By Regulation (EEC) No 1474/84 the Council provided for certain simplifications of the systems for fixing the aid and restitution. Until 30 June 1984 the existing systems provided, on the one hand, the fixing of the aid and the restitution and the publication of these amounts in ECU, and on the other hand, the fixing and the publication of the differential amounts which are monetary coefficients which apply to the target price as well as to the amounts of the aid and restitution. With the aim, essentially, of simplifying the administrative tasks of the Member States the Council decided to replace the double system given above by one publication of the aids and restitutions which are fixed and these are given in national currencies. This new system became effective on 1 July 1984.

9. Budgetary Expenditure

EAGGF Guarantee Section expenditure on rape and sunflowerseed amounted to 613,1 million ECU in 1984. This was 36% less than in 1983. The appropriations allocated for 1985 are 860 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 89.039 t in 1983. In 1984 production rose to 154.000 t. The 1985 production is estimated at 374.000 t (a 143% increase). The soya crop accounts for only a very small proportion of the Community UAA, world production (90,88 million t in 1984/85) or consumption within the Community (18 million t of seed equivalent in 1984/85).

For the 1985/86 marketing year the Council agreed the payment of aid to the first purchaser who is an oil mill or who will subsequently sell the beans to an oil mill.

For the 1985/86 marketing year, the guide price was fixed at 57,58 ECU/100 kg and the minimum price was fixed at 50,67 ECU/100 kg; these prices represent an increase of 1% as compared to 1984/85.

Aid for soyabeans in the 1984/85 marketing year fluctuated between 22.088 ECU/100 kg and 32.074 ECU/100 kg with the average being 25.916 ECU/100 kg. The aid at the start of the 1985/86 marketing year was 33.514 ECU/100 kg.

EAGGF Guarantee Section expenditure on soyabeans amounted to 32,8 million ECU in 1984, compared to 6,0 million ECU in 1983. The appropriations allocated for 1985 are 47 million ECU.

### 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 60.000 t of seed in an average year, the cultivation of flax (1) accounts for only a very low proportion of the Community UAA and of world production of flax seed (4,9 million ha and 2,5 million t in 1984 according to the FAO, against 4,6 million ha and 2,3 million t in 1983).

This crop makes only a modest contribution to meeting the Community's large requirements, since imports in 1984 amounted to 277.000 t of flax seed (247.000 t of which came from Canada), 40.000 t of oil (36.000 t from Argentina) and 501.000 t of oilcake (387.000 t from Argentina and 83.000 t from the United States).

The cultivation of seed flax is underdeveloped in the Community. In 1984 only 1.991 ha (3.100 t) were planted against 2.112 ha in 1983 and 3.147 ha in 1982. For fibre flax, as a result of an increase both in area in the Community and in yield, the total production of seed was 56.200 t against 41.200 t in 1983. The Community flax crop rose therefore from 55.100 ha in 1983 to 66.500 ha in 1984 to give an output of 59.300 t of seed compared with 43.800 t in 1983.

For the 1984/85 marketing year, the guide price was fixed at 54,86 ECU/100 kg compared with 54,59 ECU/100 kg for 1983/84 (+0,5%). The average world market price having been 38,227 ECU/100 kg, aid was only 16,633 ECU/100 kg compared with 17,265 ECU/100 kg for 1983/84 (world price 37,325 ECU).

EAGGF Guarantee Section expenditure on seed flax and fibre flax (1) was 7,2 million ECU for 1984.

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

6. DRIED FODDER, PEAS, FIELD BEANS AND SWEET LUPINS

(a) Dried Fodder

1. Introduction

The common organisation of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried légumes, dehydrated potatoes, protein concentrates obtained from lucerne and grass juice and by-products obtained in the manufacture of protein concentrates. Although dehydrated potatoes were excluded from the aid arrangements for the 1984/85 marketing year by the Council, it decided to include them again for the 1985/86 marketing year.

2. Production

Production of dehydrated fodder, other than dehydrated potatoes, in the Community for 1984 was 1.366.625 t of which 135.000 t were sun-dried. Production increased by 2% over the 1983 level.

In 1984, France was again the main producer with 785.000 t (57%) of Community production.

For sun-dried fodder, the common organisation of the market has been in operation since 1 July 1978. Community production eligible for aid in 1985/86 is estimated at 135.000 t, the same as in the previous marketing year.

3. Quantities available

Dehydrated fodder available in 1984 totalled 1.541.322 t compared with 1.554.249 in 1983.

4. Trade

Community imports of dried fodder fell from 224.331 t in 1983 to 183.508 t in 1984. Spain and Hungary were major exporters of dehydrated fodder to the Community. Community exports of dehydrated fodder to non-member countries in 1984 amounted to 8.811 t as compared to 7.912 t for 1983.

## 5. Prices

During 1983/84 the Council agreed the utilisation of a basket of imported competing products (soya meal, corn gluten feed, citrus pellets and barley) on which to formulate the world market price of dried fodder in the absence of offers or quotations for dehydrated fodder on the world market. This method was first used in September 1983, and continued in use during the 1984/85 and 1985/86 marketing years.

For the 1984/85 marketing year world market prices for the basket of products were at high levels to start with, fell sharply during the summer and early autumn and then followed a gradual seasonal rise. In the first part of the 1985/86 marketing year they showed a fall during the summer and rose again in the early autumn.

The rates of supplementary aid payable for dehydrated fodder and protein concentrates varied between 1,8 and 18,8 ECU/t.

## 6. Economic aspects of the measures taken

For 1985/86 the Council fixed the guide price for products other than dried potatoes at 178,92 ECU/t and the flat-rate aid for those products at 8,49 ECU/t, i.e. at levels higher in both cases by 1% than in 1984/85, when the guide price for products other than dried potatoes was 177,15 ECU/t and the flat rate aid for those products was 8,41 ECU/t. For dried potatoes the Council fixed a flat rate aid of 15,78 ECU/t in 1985/86.

## 7. Outlook

Forecasts for 1985/86 suggest that production in several Member States will be some 20% lower than in 1984/85. The decrease is mainly attributed to the effects of the prolonged freezing weather in the preceding winter, which severely affected yields.

## 8. Budgetary expenditure

EAGGF Guarantee Section expenditure on dried fodder was 76,1 million ECU in 1984 as compared to 57,7 million ECU in 1983. The appropriations for 1985 are 62 million ECU.

(b) Peas, field beans and sweet lupins 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 utilisation of peas and field beans in animal feed. From the 1984/85 campaign onwards, the Council agreed that these measures should be extended to include sweet lupins. At the start of the 1985/86 marketing year the Council adopted a system of monthly increments for support prices, introduced new arrangements for advance fixing of aid and agreed different minimum prices for peas and for field beans.

In 1984/85, 885.400 t of peas, 230.500 t of field beans, and 400 t of lupins were declared as having entered animal feed processing undertakings. This represents an approximate level of increase of 55% in the case of peas and of 20% in the case of beans compared to 1983/84. It reflects an increase in the utilisation of peas in Germany, France, Belgium, Holland, UK and Denmark. For beans there have been increases in utilisation in France and Germany.

For the 1984/85 marketing year the activating price for aid was fixed at 51,24 ECU/100 kg of soya cake for peas and field beans, and 47,82 ECU/100 kg of soya cake for sweet lupins, while the minimum purchase price for these products was set at 28,90 and 31,79 ECU/100 kg respectively. The aid for peas and field beans varied between 12,792 and 15,210 ECU/100 kg while the aid for sweet lupins varied between 15,004 and 18,227 ECU/100 kg..

For the 1985/86 marketing year, the activating price for aid was fixed at 50,64 ECU/100 kg for peas and field beans and 48,25 for sweet lupins. The minimum purchase price was fixed at 28,35 ECU/100 kg for peas, 27,35 for field beans and 31,79 for sweet lupins. Each of these prices, except those for sweet lupins, is subject to six monthly increments of 0,18 ECU/100 kg, starting from September.

The overall effect of the price changes is that the minimum price remains the same, except for field beans, and that the aid-activating price is up by about 1% on that for last year.

(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 field beans of varieties capable of competing with Community production.

The quantity of peas and field beans declared as having entered human consumption processing undertakings in 1984/85 was 138.800 t, approximately the same as in 1983/84. The guide price for 1984/85 was 33,11 ECU/100 kg and that for 1985/86 was set at 32,48 ECU/100 kg. The world market price for 1984/85 started the season at 27 ECU/100 kg and was changed twice during the year to 25 and 27,07 ECU/100 kg. At the start of the 1985/86 season the world market price was set at 27,07 ECU/100 kg, dropping in August to 24,32 ECU/100 kg.

#### Outlook

The area of peas harvested in the Community in 1985 was some 50% higher than in 1984, and the volume of production is expected to show an increase at least as great, in spite of unfavourable weather conditions that affected harvesting in a number of areas. Production of field beans is expected to be about the same as in 1984. Cultivation of sweet lupins has not shown any expansion from its modest level in 1984. The new system of monthly increments applied to the support prices is expected to have a beneficial impact on the marketing process in the course of 1985/86.

#### Budgetary expenditure for peas, field beans and sweet lupins

Expenditure in this sector by the EAGGF Guarantee Section in 1984 totalled 139,5 million ECU, compared to 84,6 million ECU spent in 1983. This increase indicates the increased utilisation of peas and field beans within animal feeds.

The appropriations allocated for 1985 amounted to 207 million ECU.

## 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 (1,5% of the UAA) and with regard to the number of growers (85.000). Nevertheless, for Greece, the only producer Member State, cotton is of very great economic and social importance. According to the FAO, world production of cotton fibre (grown on 34,7 million ha) was 17,3 million t in 1984. Community output was 145.000 t and the Community share of world production is therefore less than 1%.

#### 2. Production

Under the Greek national aid scheme it was not 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 scheme, the area under cotton was 126.000 ha. Since 1982 it has continued to rise, reaching 168.000 ha in 1983, 192.000 ha in 1984 and 209.000 ha in 1985, the highest figure since 1963 (when it was 231.000 ha). It should be noted that the figure of 200.000 ha was also exceeded in 1961 and 1962. Community production in 1984 was 452.000 t of unginned cotton and 145.000 t of cotton fibre compared to 402.500 and 130.000 t in 1983. Production of cotton seed was 244.000 t in 1984 compared to 213.500 t in 1983.

#### 3. Trade

Since unginned cotton is difficult to transport over long distances both for technical and economic reasons, 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 1984 the Community of Ten imported 858.000 t of cotton fibre (raw cotton plus linters) compared to 807.000 t in 1983 (Community of Nine).

The United States (198.000 t), Syria (72.000 t), Turkey (68.000 t), Egypt (49.000 t), the Soviet Union, Sudan and Israel were the main suppliers in 1984 (60% of total supplies). Community exports of cotton fibre are limited. In 1984 they reached 34.000 t, 16.000 t of which were supplied by Greece.

Intra-Community trade is very limited (23.000 t) and supplies from Greece to other Member States amounted to only 9.000 t.

#### 4. Prices

In order to calculate the aid, a theoretical world price is fixed for unginned cotton, based on the value of the products obtained from ginning less the ginning costs.

The world price for unginned cotton stayed very high from the beginning of the 1983/84 marketing year until June 1984 but then began to fall owing to the satisfactory outlook for the new harvest. Since then the fall has continued owing to the abundance of cotton on the world market and in spite of a continuing rise in consumption (about 2% per year). Thus, at the end of 1984/85, the Community price for unginned cotton had fallen to 40,2 ECU/100 kg from 62,0 ECU at the end of the previous marketing year (down 54%). The world fibre price fell from 74,25 ct/lb (164 ECU/100 kg) at the end of 1983/84 to 55,80 ct/lb (147 ECU/100 kg) at the end of 1984/85, a drop of 33% which is far from ended.

#### 5. Aid scheme and budgetary expenditure

The aid scheme involves the granting of aid for the Community quantity of unginned cotton, equal to the difference between a guide price fixed by the Council and the world market price.

The full aid is granted only for a limited quantity and any excess production results in a reduction in aid for all producers.

For the 1985/86 marketing year, the Council fixed the guide price at 96,02 ECU/100 kg, the minimum price at 91,23 ECU/100 kg and the quantity of unginced cotton which will receive the full aid at 567.000 t. The corresponding figures for 1984/85 are 94,14 ECU/100 kg, 89,44 ECU/100 kg and 500.000 t. The prices have therefore been increased by 2%.

During the 1984/85 marketing year the Commission, taking into consideration the world market situation, fixed the aid for unginced cotton 22 times. The aid was 32,6 ECU/100 kg on 1 September (the start of the 1984/85 marketing year) but then, due to the continuing fall in cotton prices throughout the year, it was increased to 48,146 ECU/100 kg on 31 August 1985. During the 1984/85 marketing year the average aid for the ginning period was 31,94 ECU/100 kg as against 24,78 ECU in the previous year. The effect of this was that in 1984/85 expenditure on cotton by the Guarantee Section of the EAGGF was 154 million ECU compared with 106 million in 1983/84 and 125 million in 1982/83. This expenditure is estimated at 183,5 million ECU in the 1985 budget.

## 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.

For the last ten years the Community area under fibre flax has been 58.900 ha on average. 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).

Hemp is grown only in a very small area in France. It is used solely by the paper-making industry but attempts are being made to recover certain textile outlets.

### 2. Production

In 1982 the Community area under fibre flax, which in 1981 had fallen to less than 50.000 ha, rose again. In 1985 the rise continued with around 75.500 ha being sown compared with 64.800 ha in 1984 and 53.000 ha in 1983. This increase is attributable to an overall improvement in the industry which has been a feature of it for some years. The relative importance of the producer Member States has scarcely changed: France 80%, Belgium 14% and the Netherlands 6%. It should be noted that an attempt has been made to launch flax-growing in other Member States. Dew retting continues to replace water retting. This trend is a danger not only to the producers in question, but also to future supplies of good quality certified seed.

Following a growing cycle that was disturbed and delayed, pulling and retting conditions for the 1984 harvest were satisfactory. The heavy rains that followed, however, seriously hampered gathering and a significant area had to be abandoned. The result was that the straw and seed yield was not large and the quantity and quality of the fibre were very uneven.

The area under paper hemp, after a steady increase in previous years, began to fall in 1979 and continued to drop until 1984. Having fallen to below 5.000 ha it rose again in 1985 to around 6.500 ha.

### 3. Consumption and stocks of fibres

Stocks of flax fibres held by scutching concerns, dealers and spinning undertakings, estimated by the trade at around 45.000 t at the start of the 1983/84 marketing year, fell during the year to the abnormally low level of 38.000 t at the year's end. During the first half of 1984/85 they fell again. Demand was very heavy, especially for less high quality and short fibres.

Influenced by a steady market in flax tow, the market in hemp fibres also improved, leading to a fall in hemp 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 1984 retting and scutching concerns in Belgium purchased 59.000 t (56.000 t in 1983) of flax straw in France and the Netherlands to swell the Belgian crop. The rise compared with previous marketing years is explained by the fact that the increase in the supply of Belgian-produced straw was insufficient to meet the growing needs of Belgian retting and scutching concerns.

After having fallen steeply in previous years, imports of flax fibre rose sharply in 1983 and 1984 (to 34.500 t in 1984 and 19.500 t in 1983 from 11.400 t in 1982), especially imports of short fibres, which reached 22.800 t in 1984 compared with only 9.800 t in 1983 and 3.700 t in 1982. The reason for this was the very heavy demand starting in the second half of 1983. The quantity exported (40.700 t) still greatly exceeds the already very large quantities recorded for 1983 (30.800 t) and 1982.

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. However, it supplies the entire world and in particular Eastern Europe with long fibres, especially good and superior quality fibre which is not produced elsewhere.

Imports of hemp fibre rose slightly (from 5.200 t in 1983 to 7.300 t in 1984). Supplies came from China, Egypt and Eastern Europe. Exports were only about 3.400 t.

## 5. Prices

The prices of flax straw rose sharply during the 1981/82, 1982/83 and 1983/84 marketing years, and continued to rise appreciably in 1984/85. Returns for the majority of growers also rose sharply. Average selling prices for flax fibre, which have been rising since October 1981, continued rising for most of the 1984/85 marketing year. The rise was very steep for lower quality fibre, especially for the shortest fibres, for which prices practically doubled during the marketing year after having remained very low for several years. Towards the end of 1984/85, however, the market situation was reversed.

The contract price for hemp straw agreed between users and producers which had been adjusted regularly in earlier marketing years, rose from FF 560/t in 1983/84 to FF 655/t in 1984/85.

## 6. Outlook

It will be recalled that in 1984 around 5.800 ha of fibre flax could not be harvested because of very poor weather during the retting period. The substantial loss of fibre (10.000 t) which followed and the very heavy demand gave rise to a considerable increase in new areas sown, which rose from 64.755 ha in 1984 to 75.530 ha in 1985 (up 17%), of which around 3.000 ha are intended for the paper-making industry without prior processing. This appreciable rise in foreseeable supplies of flax fibre together with a cut-back in dry spinning have induced buyers, especially of short fibre, to reduce their purchases. The result has been a difficult market for fibre and a substantial fall in prices at the end of 1984/85. The slump in fibres affected the disposal of straw from the 1985 harvest.

The hemp yield from the 1985 harvest is expected to be average overall and the marketing of fibre is being adversely affected by the deterioration in the situation for short flax fibres.

## 7. Projections for fibre flax for 1986/87 and beyond

The very satisfactory marketing situation for straw and fibre from the 1984 harvest encouraged producers and scutchers to increase once again the areas sown. However, it can be seen that in spite of relatively low yields the increase in the areas sown is already threatening sales. This gives rise to fears that the market balance and the resulting shortage of flax fibre were attributable to a contraction of supply during previous marketing years rather than to an increase in demand, even if demand has undoubtedly increased and flax has succeeded in recovering some of its lost outlets.

The future of the sector will be assured in the long term only if flax continues to capture 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. This could be achieved by means of greater creativity, backed up by appropriate information for users.

## 8. Budgetary expenditure

The aid for fibre flax was fixed at 355,09 ECU/ha for 1985/86 compared with 351,57 ECU/ha for 1984/85 (+1%). Of this amount, 22,85 ECU are to contribute towards financing measures to encourage the use of flax fibres.

For hemp, aid for 1985/86 is 322,48 ECU/ha compared with 319,29 ECU/ha for 1984/85 (+1%).

Expenditure chargeable to the Guarantee Section of the EAGGF for fibre flax and hemp in 1984 was 19,2 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 1984 fodder seed produced a 12.418.000 ha crop of green fodder in the EEC, while permanent grasslands covered an area of around 46.000.000 ha. A production of around 1,4 million quintals provides enough hybrid maize seed to put approximately 6 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 legumes, 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 legumes.

In 1984 production of fodder seed in the Community was about 2,6 million quintals (2.272.893 in 1983); legumes are apparently reaching an equilibrium state. The area declared for the 1985 harvest (228.762 ha) was higher than in 1984 (205.234 ha) especially for legumes:

Graminae : 103.782 ha in 1985 as compared with 107.495 ha in 1984  
Leguminosae : 124.980 ha in 1985 as compared with 97.739 ha in 1984.

The production of rice for sowing is running at around 428.870 quintals (1984). With the granting of Community aid, the use of certified seed has greatly increased. Community aid thus seems to be having a positive effect.

Production of hybrid maize seed is around 1.200.000 quintals (1984). The trend of production is slightly upwards, therefore, compared with 1983.

### III. Supply situation

Community supplies of fodder seed continue to be satisfactory. With 2.6 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.).

In the case of hybrid maize the situation is still unclear. Imports rose between 1979/80 and 1982/83. During the 1983/84 marketing year, however, imports fell from 386.987 quintals in 1982/83 to 287.290 quintals. During 1984/85, however, they rose again to 387.902 quintals (including Greece). The situation needs to be closely monitored.

### IV. Prices

Producer prices in the Community moved upwards 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 1984</u>	<u>September 1985</u>
Lolium perenne L (late varieties)	61	104
Lolium multiflorum L	74	89
Festuca pratensis L	104	95
Festuca rubra L	74	101
Poa pratensis	141	250

The countervailing charges on hybrid maize imports range at present (October 1985) from 7,5 to 37,3 ECU/100 kg depending on the country of origin.

For 1985/86 the reference prices for hybrid maize have been fixed as follows:

I. Double hybrids and topcross hybrids:	84 ECU/100 kg
II. Three-cross hybrids:	101 ECU/100 kg
III. Single hybrids:	224 ECU/100 kg

V. Action decided on

The Commission has fixed the reference prices for hybrid maize for the 1984/85 marketing year (Regulation (EEC) No 1800/85 of 28 June 1985) and the lists of varieties of *Lolium perenne* L (high persistence, late or medium-late varieties; low persistence, medium-late, medium-early or early varieties) have been altered (Regulation (EEC) No 1858/85 of 3 July 1985). The countervailing charge on imports of hybrid maize seed has been adjusted several times.

VI. Outlook

The forage seed harvest would seem to be below average and prices are showing an upward trend. For hybrid maize, the trend of prices is also expected to be upward in view of the fact that the 1985 harvest would appear to be below average in both Italy and France.

VII. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was around 42 million ECU in 1984.

9. WINEI. 1983/84 wine year1. Introduction

In 1984 wine represented 4,1% by value of the Community's final agricultural production. In 1983/84 the area under vines in production amounted to around 2 257 000 ha, out of a total area of 2 319 000 ha, or 2,5% of the Community's UAA; in five years the total area has been reduced by 255 000 ha (10,0%).

The FAO puts world wine production in 1983/84 at 340 million hl, which is 27 million hl less than the previous year's figure but equal to the average production over the last five years (341 million hl).

2. Production

Production in the Community was 168 million hl in 1983/84, compared with 172 million hl in 1982/83 and 140 million hl in 1981/82.

In the three years this represented 49,4% (in 1983/84), 46,9% (in 1982/83) and 44,0% (in 1981/82) 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 1983/84 total internal utilization accounted for 167 million hl compared with 156 million hl in 1982/83; these quantities include the intervention distillation mentioned below.

(a) Human consumption

In 1983/84 direct human consumption was 121,5 million hl against 122,3 million hl in 1982/83.

These figures confirm that the trend is still downwards, which 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 1983/84 amounted to 44 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 1983/84 totalled 37 million hl.

In the two previous wine years the quantities processed were 31 million hl and 24 million hl, while the quantities distilled with Community aid were 21 million hl and 14 million hl.

(c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1983/84 for all internal utilizations was 101,1% (110,6% in 1982/83).

If the quantities distilled under the various intervention measures (about 37 million hl) are included in the supply figure, the degree of self-sufficiency for 1983/84 becomes 130,0% compared with 128,1% in 1982/83 and 103,1% in 1981/82.

4. Stocks

At the end of 1983/84 stocks in the Community amounted to 88,4 million hl, slightly down on the previous year (89,3 million hl).

5. Trade

In 1983/84, imports into the Community of Ten were 5,2 million hl, whilst exports amounted to 7,8 million hl.

The trend is still for imports to drop, while the export trend is less clear. Since 1975/76 exports had shown an upward trend, mainly owing to expanded Italian exports; they have fallen slightly over the last two wine years, chiefly because exports to the Soviet Union have decreased.

## II. 1984/85 wine year

### 1. Production

The most recent production figures indicate a volume of 145 million hl, a drop of 23 million hl compared with the previous year.

### 2. Consumption

Total internal utilization accounted for 161 million hl, a decrease of 6 million hl.

#### (a) Human consumption

In 1984/85 direct human consumption was 121,6 million hl, confirming the downward trend which has been apparent for several years.

#### (b) Processing

The quantities processed in 1983/84 amounted to 38,4 million hl compared with 44,1 million hl in the previous marketing year.

The quantities distilled under Community intervention measures decreased appreciably (30,0 million hl as against 37,2 million in 1983/84) owing to the reduction in quantities coming forward.

### 3. Prices

#### (a) Institutional prices

For 1984/85 the guide prices for all types of table wine were 1% down on the previous year.

#### (b) Average prices for the wine year

##### - Red wine of type RI

French quotations remained stable for most of the year, at a level slightly below the previous year's, but recovered slightly at the end of the year. Unlike previous years, French quotations were lower than Italian ones, remaining at about 73% of the guide price.

Italian quotations fell over the year. By August they had risen to 83% of the guide price. From January they were higher than French quotations.

The few Greek quotations taken into account were at 51% (Patras) and 72% (Heraklion) of the guide price.

- Red wine of type RII

The only French quotation, for Bastia, was very low throughout the year. It remained at around 67% of the guide price, at the same level as the previous year's average.

The Italian quotations available rose slightly, stabilizing towards the end of the year at about 72% of the guide price, an increase of 6%.

No Greek quotations were received.

- White wine of type AI

French quotations were rather irregular throughout the year. Starting fairly low, they strengthened and stabilized in June at 97% of the guide price. Average quotations were 11,5% and 17,7% up on the previous year's.

Italian quotations, which were much lower than the French ones, showed a similar trend, varying between 62% of the guide price early in the year and 78% towards the year's end. They differed from the previous year's by between -1,7% and +5,4%.

Greek quotations were very irregular throughout the year. The average quotation was 75% of the guide price, the same level as the previous year's figure.

- German wine

Quotations for white wine of type A II recovered strongly from the very low levels of the previous two years. In August they were at 120% of the guide price, 70% and 101% up on the previous two year's figures. In the case of white wines of type A III, quotations remained lower, at around 90% of the guide price.

Quotations for red wine began to recover early in the marketing year and remained well above the guide price. The average quotation was 109% up on the previous year's figure, at 180% of 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 and the average Spanish price fell from 60% of the average Community price in 1982 to 50% in 1983 but rose again to 58% in 1984.

III. Outlook

(a) Short term : forecasts for 1985/86

The latest information available suggests that the 1985/86 harvest will yield less than the previous year.

Production should be around 140 million hl.

(b) Medium term

Even if the 1985/86 harvest is poor, the trend in recent years suggests the continuing likelihood of fairly average surpluses. It is therefore more necessary than ever to apply effectively the instruments set up by the Council as a result of the European Council in Dublin, especially as regards the cessation of wine-growing. 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 compulsory 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, except for red, rosé and white wines put up in containers holding 2 litres or less, for which the charge has been abolished (0 ECU/% vol actual alcohol/hl).

###### 2) Export refunds

The level of export refunds for wine remained unchanged at 1,55 ECU per % vol and 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 kept at 17,25 ECU per hl.

The quantities qualifying for refunds fell again in 1983, amounting to 1,10 million hl against about 2,05 million hl in 1982. They stabilized in 1984 but should be even lower in 1985 to the Soviet Union.

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

In 1984/85 the following intervention measures were applied on the dates indicated:

- . preventive distillation (1 September 1984)
- . distillation of wines produced from table grapes and dual-purpose grapes (1 September 1984)
- . distillation of the by-product of wine-making (1 September 1984)
- . distillation carried out under the "special price support guarantee" (reserved from holders of long-term storage contracts (16 September 1984)
- . authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must (16 December 1984)
- . compulsory distillation (19 January 1985)
- . support distillation (7 March 1985)

The quantities of wine distilled with Community aid were of the order of 31 million hl, against 37 million hl in 1983/84.

The average of the monthly quantities covered by storage contracts amounted to 13,5 million hl (25,6 million hl in 1983/84), the maximum figure being 18,1 million hl (38,7 million hl in 1983/84).

As in previous years, aids granted were as follows:

- aid for the re-storage of table wines stored during 1983/84
- aid for products used in the production of grape juice
- aid for enrichment
- aid for British and Irish wines and for home-made wine.

(c) Stock situation

At the beginning of 1984/85, stocks held by producers and the trade in the Community of Ten amounted to 108,8 million hl (against 89,3 million hl at the beginning of 1983/84) because of reevaluation of Italian stocks. Some 88,0 million hl can be expected at the end of the marketing year.

(d) Price unity

At the beginning of the 1983/84 marketing year, monetary compensatory amounts were retained for Germany but were abolished on 1 January 1985 because the agricultural exchange rate for the German mark in the wine sector was altered. They were restored for Greece on 11 March 1985 and for Italy on 24 July 1985 following the devaluation of the Italian lira.

In the wine sector, only the representative rates for the German mark and the guilder were altered during the 1984/85 marketing year, on 1 January 1985.

V. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 1 223 million EUA in 1984; the provisional figure for 1985 is 998 million EUA and the estimate for 1986 is 1 115 million EUA for the Community of Twelve. This is 6,7%, 5,0% and 5,4% respectively of total expenditure by the Guarantee Section.

The figure of 998 million EUA for 1985 can be broken down into 35,0 million EUA on refunds and 963,0 million EUA on intervention.

## 10. RAW TOBACCO

### 1. Introduction

In 1984 world leaf tobacco production totalled 6,35 million t, i.e. an increase of 5% compared with the 1983 figure but 7,5% down on the 1982 record production of 6,87 million t. The increase in production chiefly related to the flue-cured and light air-cured varieties (+ 9% and + 14% respectively). Production rose substantially in the world's two major producing countries : China's 1984 crop was an estimated 21% up on 1983 (1,65 million t, compared with 1,38 million t in 1983), while the United States recorded an estimated increase of 19,5% (784 000 in 1984, as against 648 000 t in 1983). The forecasts are that in 1985 the world's total leaf tobacco production will be around 6,30 million t, i.e. about the same as in 1984. China's production is estimates at 1,77 million t (7% up on 1984) whereas production in the United States is expected to fall to 670 000 t.

### 2. Production and structure

In 1984, Community production was 348 421 t, 11% less than in 1983. During that period the area under cultivation rose by 2%, from 181 910 ha in 1983 to 185 586 ha in 1984. The last three years' figures for the area under cultivation and for production are set out, both by tobacco type and by Member State, in the tables below.

EEC

TYPE	AREA (ha)			PRODUCTION (t.)		
	1982	1983	1984	1982	1983	1984
Dark air-cured	29.294	26.986	26.789	75.458	62.078	60.942
Sun-cured	104.257	102.509	101.714	132.608	112.241	137.268
Light air-cured	25.437	31.638	32.673	82.923	94.533	103.655
Flue-cured	12.634	14.890	17.785	30.240	33.194	34.144
Fire-cured	5.018	5.837	6.620	10.196	10.663	12.399
Other	52	47	5	98	49	13
<b>Total EUR-10</b>	<b>176.692</b>	<b>181.907</b>	<b>185.586</b>	<b>331.523</b>	<b>312.758</b>	<b>348.421</b>

TYPE	AREA %		PRODUCTION %	
	1983/1982	1984/1983	1983/1982	1984/1983
Dark air-cured	- 7,9	- 0,7	- 17,7	- 1,8
Sun-cured	- 1,7	- 0,8	- 15,4	+ 22,3
Light air-cured	+24,4	+ 3,1	- 14,0	+ 9,6
Flue-cured	+17,9	+ 19,4	+ 9,8	+ 2,9
Fire-cured	+16,3	+ 13,4	+ 4,6	+ 16,3
Other	- 9,6	- 89,4	- 50,0	- 73,5
<b>Total EUR-10</b>	<b>+ 2,3</b>	<b>+ 2,0</b>	<b>- 5,7</b>	<b>+ 11,4</b>

COUNTRY	AREA %			PRODUCTION (t.)		
	1982	1983	1984	1982	1983	1984
Germany	3.035	2.984	3.042	8.112	6.809	7.230
Belgium	495	523	527	2.141	2.078	2.054
France	15.578	14.256	14.414	43.870	36.216	34.907
Greece	93.006	92.714	92.713	132.382	111.591	143.088
Italy	64.578	71.433	74.890	145.018	156.064	161.142
<b>Total EUR-10</b>	<b>176.692</b>	<b>181.910</b>	<b>185.586</b>	<b>331.523</b>	<b>312.758</b>	<b>348.421</b>

### 3. Consumption

In 1984, world consumption of tobacco in the form of cigarettes and other manufactured products reached 5,63 mio t, which represents an increase of 5% in comparison with 1983: Cigarette production rose slightly, to 4 696 000 million units; the increase in taxes on cigarettes, the downturn in the rate of economic growth and the anti-smoking campaigns doubtless helped to curb any increase in production. In the Community, cigarette production fell by 2%, from 562 000 million to 550 000 million units. In fact, it fell slightly in United Kingdom, Belgium, France and Italy but increased in other Member State such as Denmark, Greece and the Netherlands and especially in the Federal Republic of Germany. Germany's production rose by 2,5%, mainly because of a sharp increase in the production of cigarettes intended for export. A stagnation of the cigarette production has been noticed in the United States and Japan, but the production increased in China and the Soviet Union. The Community's degree of self-sufficiency is about 48%.

### 4. Trade

World exports in 1984 totalled 1,4 million t, i.e. the same as in the previous year.

Community exports in 1984 were 142 800 t (120 237 t in 1983). This tobacco was exported in 1984 but came from several previous harvests.

Imports reached an estimated 424 000 t in 1984 (1983 : 436 000 t), about 60% of it Virginia flue-cured tobacco. More than a third of all tobacco 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 73 630 t and 287 367 t respectively in 1984, but with preferential tariff arrangements applying to only 62 550 t of the latter figure.

## 5. Prices

The trend towards higher prices recorded on the American market in 1981 and 1982 did not continue in 1983 and 1984, with prices steady at about the level they reached in 1982. The average export price for Virginia flue-cured tobacco was USD 6,6/kg, while that for Burley was slightly up on 1982, at USD 7,3/kg. The average price of leaf tobacco on the American domestic market was USD 3 per kg in the case of flue-cured tobacco and Burley. The substantial gap between domestic market prices and export prices is accounted for by differences in quality. The prices of oriental tobaccos were slightly up in Turkey, a country whose production consists almost entirely of oriental varieties. The average price of Turkish-grown tobacco exported to the United States was USD 3,2 per kg, as against USD 1,5 per kg in the case of tobacco intended for the Turkish home market.

## 6. Outlook

The world market situation is one of stagnating consumption and the prospects for the medium term suggest a fall in demand rather than an upturn. This will lead to greater competitiveness not only as regards product quality - at both producer and processor level - but also as regards prices. The forecasts for 1984 are that production will more or less meet demand.

As far as the Community is concerned, the structural difficulties affecting certain oriental tobacco and certain dark air-cured tobaccos will continue. Conversion programmes are currently being implemented in most of the countries where these varieties, which are difficult to market, are grown. The production of dark air-cured tobaccos was 2% down, and the quantities produced will most probably be marketed without activating the intervention measures. The production of oriental tobacco, on the other hand, increased by 22% to 137 268 t, although there was no increase in the area under cultivation, after the drop caused by bad weather in 1983. The production of Burley (103 655 t) and flue-cured tobacco (34 144 t) increased by 10% and 3% respectively.

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, when the ratio between the intervention price and the corresponding norm price was reduced from 90% to 85% for all varieties. This measure had its period of validity extended twice, for the 1983 and 1984 harvests, and was adopted permanently after the 1985 harvest.

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

Other measures have been taken to discourage sales into intervention. 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 pegged at the 1983 level. The component in question is applied differentially according to circumstances and is reduced in relation to the actual cost when it is taken into consideration for the purposes of calculating the derived intervention price. The percentages and quantities of tobacco taken over by the intervention agencies and the percentage of Community production which, when exceeded, activates measures consisting of a reduction in the buying-in price and restrictions on the quantities taken into intervention were revised downwards so that they could be applied more rapidly. These measures can be described as a more forceful application of the principle of co-responsibility.

In the light of the report drawn up in 1983 on the updating of the list of competing varieties, reference was made when fixing the prices and premiums for the 1984 harvest to competing varieties which were as close as possible to the reference quality of Community varieties. When the prices and premiums were fixed for the 1985 harvest, a number of changes were made to bring the system into line with the market situation.

In 1983 the tobacco still held by the Italian intervention agency was sold - entirely for export outside the Community - via two separate tendering procedures. In 1984 a tendering procedure was opened in respect of the sale for export of 8 313 406 kilograms of baled tobacco from the 1981 harvest held by the Greek intervention agency. In 1985 two tendering procedures were opened in respect of the sale for export of baled tobacco from the 1982 harvest held by the Greek and Italian intervention agencies. The only tobacco at present in intervention is from the 1983 harvest for which two adjudications are foreseen at the beginning of 1986 relating to 3.802 t of Greek tobacco and 2.470 t of Italian tobacco. In consequence, there will no tobacco in intervention at the beginning of the 1986 marketing year.

The granting of export refunds has consolidated the Community's position as an exporter on the world market. Export refunds were granted in respect of an estimated 98 018 t of tobacco from the 1981 harvest, 95 085 t from the 1982 harvest and 55 273 t from the 1983 harvest, but tobacco from these harvests is still being exported.

8. Budgetary expenditure

EAGGF guarantee expenditure in the tobacco sector was 776,4 million ECU in 1984. The estimate in respect of 1985 is 841 million ECU, taking into account expenditure carried over from previous harvests. Expenditure on tobacco therefore accounts for 4,5% of total expenditure.

11. FRUIT AND VEGETABLESA. FRESH FRUIT AND VEGETABLES1. Introduction

Production of fresh fruit and vegetables in 1984, including crops for processing was 1,2% up on the figure for 1983.

Within the Community of Ten, Italy is by far the largest producer, accounting for 48% of Community fruit production and nearly 43% of vegetable production. France comes second with 16% of fruit output and 17% of vegetable output, while the third most important producers are Germany for fruit (15%) and Greece for vegetables (12%), the latter followed by the United Kingdom (10%).

2. Production

Fruit production in the Community in 1984 was 22,0 million t (1), an increase of 1% over 1983 and roughly equal to the average figure for previous harvests. The rise in production affected all Member States except Italy, where production fell by 9,7%.

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

- in apple production, which accounted for 33,4% of fruit production, the 1984 harvest was 19% more than in the previous marketing year, with a rise in all Member States;
- for pears (11% of fruit production) the harvest was down, especially in Belgium, Denmark and Greece and to a lesser extent in Italy. Production was down on 1982 but up on 1979. Germany saw a rise in production in 1984 compared with 1983.

The decrease for the Community as a whole over 1983 was 4,8%;

- the peach harvest in 1984 rose in Germany and Greece but was down in the Community as a whole as compared with 1983 (-3,6%);
- for table grapes, which represented 9,4% of fruit production, the 1984 harvest was down 12% on 1983 and up 9,7% on 1982. Italy is by far the largest producer, accounting for 68% of Community production.

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(1) Harvest figures for the Community of Ten.

Commercial vegetable production in the Community reached 30,7 million t, more than in previous years. Production rose throughout the Community except in Ireland and the United Kingdom, which saw a slight decrease.

### 3. Consumption

Internal consumption of fruit in the Community of Ten in 1983/84 was 19,3 million t (1), a fall of 7,9% compared with 1982/83. For citrus fruit the figure was 9,9 million t.

Internal consumption of vegetables, at 33,4 million t, showed a rise of 0,9% compared with the previous marketing year.

#### a) Human consumption

Human consumption was the principal use made of fresh and processed fruit, and accounted for 84% of all internal consumption.

Per capita annual consumption in the Community of Ten amounted to 88 kg for all fruit (29 kg of citrus fruit and 59 kg of other fruit).

Human consumption of vegetables was 89% of all internal consumption. Per capita annual consumption was 109 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 often 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 98% in 1983/84; the figure for non-citrus fruit is 83% and for citrus fruit 47%. The figures for the 1982/83 marketing year were 99%, 87% and 42%.

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

#### 4. Community's trade

In 1984 the Community's total imports of fresh fruit from non-member countries amounted to 4,7 million t, a rise of 4,7% compared with 1983. Citrus fruits were by far the predominant import at 3,2 million t (oranges 1,7; grapefruit 0,35; small citrus fruits 0,84) since apples, which occupied second place, accounted for only 0,61 million t.

Fruit exports to non-member countries were just over 0,8 million t, including 0,19 million t of apples, 0,11 million t of lemons and 0,10 million t of stone fruit, in particular peaches.

Imports of fresh vegetables from non-member countries totalled 1,38 million t and exports 0,37 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 3,0 million t. Apples (1,1 million t) were the main product, followed by table grapes (0,43 million t), pears (0,25 million t) and stone fruit, in particular peaches (0,54 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 and onions were the main products, with 0,52 million t of each traded within the Community.

#### 5. Prices

##### a) Common prices

Basic prices and buying-in prices were increased for the 1984/85 marketing year in such a way that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 0,5% higher than in the 1983/84 marketing year for all products except aubergines, table grapes and cauliflowers, for which the increase was 2%. The average withdrawal prices for tomatoes and apricots were 1% lower than in 1983/84.

In the case of Greece, basic prices and buying-in prices for 1984/85 were fixed by the Council to continue the gradual adjustment required by the Act of Accession. Common prices were applied in Greece for all products taken into intervention except tomatoes, peaches, mandarins and oranges.

For 1985/86, the Council decided that prices should be reduced by an average of 1,1%. This reduction in basic prices and buying-in prices, expressed in ECU, represents a decrease of 3% for lemons, oranges, mandarins and tomatoes and an increase of 1% for aubergines and cauliflowers. Prices were reduced by -1,5% for apricots and peaches but remained unchanged for table grapes, apples and pears.

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased in real terms by 5% on average between 1983/84 and 1984/85 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries, plums, aubergines and courgettes. Broad-leaved endives, artichokes, lettuce and apricots were included in the list of products to which reference prices applied in 1984/85. The amendment of the "acquis communautaire" applied to citrus fruit enabled the reference prices in 1984/85 to be increased by 20% for lemons, 19% for clementines, and about 8% for oranges and mandarins.

Between 1984/85 and 1985/86, reference prices were increased by a maximum of 5,9% except in the case of oranges and mandarins, where the increase was about 7% on account of the second tranche of the standard amount of 15% referred to in Article 23(2) of Regulation (EEC) No 1035/72.

In the case of lemons and clementines, the reference prices for 1985/86 were increased by 17% and 16% respectively, in line with the reduction in the marketing premium for these fruit (see 7(c) below).

Under the Act of Accession of Greece, the Community fixed Community offer prices for 1985/86 to apply to all products subject to reference prices before Greek accession. However, these prices are applicable until 31 December 1985 except in the case of peaches and tomatoes for which a seven-year transitional period is provided for.

#### 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 figures collected for the pilot products in connection with the management of the system of basic and buying-in prices leads to the following conclusions.

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

As the average prices for the 1984/85 harvest were influenced by a "bumper" crop, they settled throughout the marketing year below the average level recorded in 1983/84.

For 1984/85 the average price level was between 7,9% and 37,2% lower everywhere except in Greece than in the previous year. The United Kingdom and Luxembourg do not have meaningful quotations for this product.

The monthly analysis made throughout 1984/85 shows that in all Community countries apple prices were very close to the basic price.

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

The prices in 1984/85 were down in almost all Community countries. This marked decrease, ranging from 35% in Denmark to 4% in Germany, did not affect Italy (+ 17,1%) or Greece (+ 39,5%). Ireland and Luxembourg 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 constantly 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 representative markets.

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

In 1984, prices were 20,5% higher than in 1983 in Greece and stabilized in France and Italy. The seasonal pattern was normal, however, and the monthly average was above the basic price except for some early varieties, which sometimes reached levels 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 down on the previous year in Greece and France.

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 between the basic price and the buying-in price until early September, reaching the level of the buying-in price during that month, particularly on the Ascoli Piceno market.

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

Prices in Italy in 1984 were 38,1% up on the previous marketing year while Greece saw a fall of 3,9% over 1983.

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

The annual average price for mandarins in Italy was up on 1983/84 by 37%, while in Greece there was a rise of about 1%.

The monthly quotations did not show major fluctuations, normally being more than 4-5 ECU above the basic price in Italy, while in Greece prices were around the basic price.

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

The annual average price for lemons in 1984/85 was slightly lower in Greece and Italy than in the previous year, when prices had been high as a result of stationary production levels.

Prices are still high and throughout the first part of the marketing year the monthly averages were above the basic price, especially in Greece; quotations in April in Palermo, Messina and Xilokastro were sometimes below the basic price.

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

Annual average prices were lower throughout most of the Community compared with 1983/84, the fall ranging from 9,8% in Belgium to 25,7% in Denmark. Only in Greece and Italy were quotations up on the previous marketing year.

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

In 1984 prices rose in all the Community countries except Germany (- 15,5%).

The monthly analysis shows that daily prices were generally above the basic price in France, Italy and Greece, 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 8,6 million t in 1982 (surplus) and 6,1 million t in 1983 (normal).

## 7. Economic aspects of the measures taken

### a) Import and export measures

#### (i) Countervailing charges on imports

During the 1984/85 marketing year, charges were imposed on imports of the following products:

- cucumbers from Spain, Romania, Poland, Albania and Turkey;
- tomatoes from Romania, Spain, Poland, Morocco, Bulgaria and Turkey;
- apples from Spain, Poland and Hungary;
- pears from Spain;
- peaches from Spain and Yugoslavia;
- some varieties of plums from Yugoslavia, Spain and Hungary;
- courgettes from Spain;
- mandarins (satsumas) from Spain;
- cherries from Austria, Bulgaria and Hungary.

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 1984/85 to cucumbers exported by Greece to the other nine Member States.

#### (ii) Export refunds

Export refunds were fixed during the 1984/85 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 varied according to product and were 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 on 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 1984/85 marketing year.

(iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries, estimated Community production and the price trend for Community apples were such that it was necessary to ask suppliers in the southern hemisphere to be cautious in planning their exports to the Community between March and August 1985.

b) Withdrawals from the market

Intervention during 1984/85 was on a larger scale than in 1983/84 in the case of apples; there was decreased intervention in all other products except for table grapes, where there have been virtually no withdrawals in the last three marketing years.

The quantity of apples withdrawn was 586.500 t, equivalent to 8% of Community production. The largest withdrawals were in France (308.200 t), but as a proportion of the harvest Greece had a higher percentage (19,4% or 65.000 t).

Provisional figures indicate that withdrawals of citrus fruit in Italy accounted for 25.600 t of oranges, 9.200 t of mandarins and 53.700 t of lemons, representing 1,4%, 4,8% and 7,5% respectively of Italian output. In Greece, none of these products was withdrawn in the 1984/85 marketing year.

Withdrawals of peaches amounted to 256.300 t (138.600 t in Greece) but this represented only 11,5% of Community production. Withdrawals in Greece accounted for 27,8% of the harvest. Withdrawals of other products in relation to Community output were not as high: 2,2% in the case of cauliflowers, 0,3% in the case of tomatoes, 0,06% in the case of apricots and 2,9% in the case of pears. Aubergine withdrawals in 1984/85 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 1984/85.

Greece    Other Member States

12,08	15,38 ECU per 100 kg net for oranges of the Moro, Ovale calabrese, Belladonna, Navel, and Valencia late varieties;
10,37	13,20 ECU per 100 kg net for oranges of the Sanguinello variety;
6,83	8,69 ECU per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;
10,20	12,95 ECU per 100 kg net for mandarins;
3,21	3,21 ECU per 100 kg net for clementines;
5,30	5,89 ECU per 100 kg net for lemons.

Compared with 1983/84, the financial compensation was increased by the total percentage fixed for the increase in the basic and buying-in prices of oranges and mandarins, i.e. 0,5%. In accordance with the Act of Accession, Greece received only about 78,5% of the premium granted in other Member States. The premium for lemons and clementines under the amended "acquis" is gradually disappearing.

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 1984/85 at the levels shown in the table below.

Type of product	Minimum price		Financial compensation	
	(ECU per 100 kg net)		(ECU per 100 kg net)	
	Greece	Other Member States	Greece	Other Member States
Oranges of the following variety:				
<u>Biondo comune</u>				
Class I )				
Class II )	11,49	11,92	6,68	7,11
Class III )				
Class III or mixed oranges of the following varieties:				
Moro and Tarocco	17,85	18,51	13,04	13,70
Sanguinello	16,57	17,18	11,76	12,37
Sanguigno	14,01	14,52	9,20	9,71

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 1984/85 in both the Community of Nine and in Greece was fixed at 17,74 ECU per 100 kg net and the financial compensation payable to processors at 10,82 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, which amounted to 619,9 million ECU in 1984, is provisionally put at 488 million ECU in 1985 and is estimated at 433 million ECU for 1986, i.e. 3,3%, 2,4% and 2,4% respectively of total EAGGF Guarantee Section expenditure. The figure of 619,9 million ECU can be broken down into 50,8 million ECU for refunds, 446,1 million ECU for intervention, 19,4 million ECU for penetration premiums in the citrus fruit sector and 103,6 million ECU for financial compensation to assist the processing of citrus fruit.

## B. PROCESSED FRUIT AND VEGETABLES

### 1. Introduction

In 1984, production of processed fruit and vegetables increased by about 29% over the 1983 figure.

In the Community of Ten, Italy is by far the largest producer of processed fruit and vegetables and since 1982/83 Italy's lead has increased particularly in terms of products receiving production aid.

In the case of peaches and processed tomatoes, Italy accounted for 45% and 72% respectively of all fresh products used by the Community processing industry in 1983/84. In second place, Greece accounted for 34% (peaches) and 22% (tomatoes).

In 1982/83, Italy processed 34% and Greece 43% of the Community's production of peaches in syrup. In the same year, Italy accounted for 68% and Greece 22% of all the fresh tomatoes processed in the Community.

### 2. Production

In the Community of Ten, the volume of products receiving aid for processing was as follows:

(tonnes of fresh product used)

PROCESSED PRODUCTS	1982/83	1983/84	1984/85	Percentage change 1984/85 1983/84
<b>1) Tomatoes</b>				
. tomato concentrates	2.991.119	3.487.005	4.900.468	40,5
. whole peeled tomatoes	1.161.422	1.622.812	1.799.955	10,9
. other tomato products	268.567	452.397	737.247	62,9
<b>Total tomatoes</b>	<b>4.421.108</b>	<b>5.562.214</b>	<b>7.437.670</b>	<b>33,7</b>
<b>2) Fruits in syrup</b>				
Peaches in syrup	254.567	325.568	371.755	14,2
Williams pears in syrup	104.084	103.003	87.842	- 13,8
Bigarreau cherries in syrup	19.000	26.477	21.666	- 18,2
Morello cherries in syrup	11.005	63.837	50.940	- 20,9
<b>Total fruits in syrup</b>	<b>388.656</b>	<b>518.885</b>	<b>532.203</b>	<b>2,5</b>
<b>3) Dried fruit</b>				
Prunes	36.420	26.650	27.000 *	1,3
Dried grapes of which:	141.961	174.766	146.000	- 16,5
Sultanas	74.934	102.783	78.000	- 24,2
Currants	67.027	71.983	68.000	- 5,6
Dried figs	29.954	25.500	28.000 *	9,8
<b>Total dried fruit</b>	<b>208.335</b>	<b>226.916</b>	<b>201.000</b>	<b>- 11,5</b>
<b>4) Pineapples</b>	<b>21.700</b>	<b>20.000</b>	<b>24.039</b>	<b>20,1</b>

Source: DG VI - Agriculture

\* estimated figure

Processing of tomato products rose by 33,7% between 1983 and 1984. Only whole peeled tomatoes showed a more modest increase (10,9%) than concentrates and other processed tomato products.

In the case of fruit in syrup, only peaches in syrup showed an increase in production between 1983 and 1984. Production of other fruit in syrup for which Community aid is limited to certain quantities decreased over the same period: -13,8% in the case of Williams pears and -20,9% in the case of morello cherries.

Dried fruit production in 1984 fell overall by 11,5% but increased in the case of prunes and dried figs. Production of dried grapes decreased by an average of 16,5% compared with 1983 levels despite the fact that their guarantee thresholds were fixed at the same time as those for tomato products.

This can be accounted for by the fact that the basic product is grown specially for processing and therefore production of the processed product is dependent upon the fresh fruit harvest. Since this is a perennial crop, harvests fluctuate in the short term according to the weather.

Production of pineapples rose by 20% between 1983 and 1984.

It should be noted that Greece produces nearly all the Community's dried grapes and dried figs whereas processed pineapples are produced almost entirely in the French overseas departments (Martinique).

### 3. Consumption and trade

Generally speaking, intra-Community trade in processed fruit and vegetables increased by about 7% between 1982 and 1984.

Imports of processed fruit and vegetables into the Community of Ten rose by 1,7% between 1982 and 1983 and by 4,5% between 1983 and 1984. Over the same two periods, Community exports to non-member countries increased by 5,8% and 7,9% respectively.

Intra-Community trade in peeled tomatoes and tomato concentrates increased by 1,2% between 1982 and 1983 and by 9,9% between 1983 and 1984, whereas Community exports of these products to non-member countries rose by 2,8% between 1982 and 1983 but fell by -3,6% between 1983 and 1984.

Between 1983 and 1984 there was an increase in intra-Community trade in peaches in syrup (+2%), pears in syrup (+10,8%) and currants (+14,6%) and a remarkable increase in intra-Community trade in other dried grapes (+76,7%). Over the same period, there was an average fall of 9% in Community exports of, and intra-Community trade in, prunes.

A. The following table summarizes trade in processed fruit and vegetables for the Community of Ten.

('000 t)

PRODUCTS	1982			1983			1984		
	INTRA	EXTRA		INTRA	EXTRA		INTRA	EXTRA	
		IMP.	EXP.		IMP.	EXP.		IMP.	EXP.
Vegetables (whether or not cooked) preserved by freezing (07.02)	452,2	94,8	43,3	496,2	73,5	48,4	598,6	111,0	51,8
Vegetables preserved in brine (07.03)	18,6	17,5	7,3	18,8	20,7	5,1	20,2	24,1	5,0
Dried vegetables (07.04)	17,3	31,9	4,7	16,3	33,3	4,8	17,6	37,1	5,0
Sub-total	488,1	144,2	55,3	531,3	127,5	58,4	636,4	172,2	61,8
Fruit (whether or not cooked) preserved by freezing (08.10)	67,1	118,9	4,7	71,7	130,7	3,5	78,9	150,3	4,9
Fruit provisionally preserved (08.11)	21,4	42,4	7,9	22,4	33,5	9,3	22,1	38,9	8,8
( Dried fruit (08.12) ( and ( peel of citrus fruit (08.13)	18,4	51,4	10,1	21,9	56,8	9,6	23,0	56,4	9,7
Sub-total	106,9	212,7	22,7	116,-	221,0	22,3	124,0	245,7	23,4
Vegetables prepared or preserved									
- 20.01	63,0	53,-	26,3	60,4	51,6	32,8	64,5	69,6	34,4
- 20.02	1.242,9	284,-	431,9	1.325,1	307,2	453,6	1.378,2	294,-	461,5
Fruit prepared or preserved									
- 20.03	0,4	0,6	0,4	0,3	0,4	0,4	0,5	0,2	0,1
- 20.04	23,7	1,1	2,8	24,5	2,1	3,-	25,7	2,1	4,-
- 20.05	89,3	10,5	27,6	89,1	9,5	28,2	94,2	9,9	32,3
- 20.06	488,4	614,7	35,3	496,1	564,8	35,1	519,3	569,2	65,-
Fruit juices									
- 20.07	566,-	468,7	109,6	623,9	536,2	119,4	661,-	539,3	131,-
Sub-total	2.473,7	1.432,5	633,9	2.619,4	1.471,6	672,6	2.743,4	1.484,2	728,3
TOTAL Processed fruit and vegetables (other than dried grapes and dried figs)	3.068,7	1.789,4	711,9	3.266,7	1.820,1	753,3	3.501,8	1.902,1	813,5

B. The general situation with regard to trade in a number of processed fruit and vegetable products for the Community of Ten is set out in the following table:

('000 t)

PRODUCT	1982			1983			1984		
	IMPORT	EXPORT	INTRA EEC	IMPORT	EXPORT	INTRA EEC	IMPORT	EXPORT	INTRA EEC
1. Tomato concentrates	13,9	234,8	169,6	23,-	255,2	180,6	25,6	254,9	209,-
Peeled tomatoes	11,4	103,-	301,7	12,4	92,3	296,7	7,7	80,3	316,-
Tomato juice	7,3	1,9	16,2	6,5	3,1	16,5	5,8	3,6	17,7
Tomato purée (20.02)	0,4	5,5	18,-	0,7	9,7	22,9	0,4	19,5	31,7
Tomato flakes (07.03)	0,4	0,1	1,2	0,4	1,7	0,8	0,4	1,8	1,2
2. Peaches in syrup (20.06)	61,7	8,8	138,5	44,7	9,9	150,8	32,5	30,4	153,9
Pears in syrup (20.06)	38,5	1,5	49,3	23,7	1,8	48,-	20,8	1,9	53,2
Cherries in syrup (20.06) (Bigarreau and morello)	ND	ND	ND	7,3	1,2	--	ND	ND	ND
3. Dried grapes:	1,1	1,1	45,5	1,3	2,2	42,2	1,4	1,5	48,4
currants (08.04)									
other (08.04)	148,2	25,3	35,5	134,8	23,6	55,-	114,7	25,9	97,2
Prunes (08.12)	31,4	5,6	6,-	27,4	4,7	7,8	30,6	4,4	6,9
4. Pineapples (20.06)	188,5	0,9	7,1	167,4	0,6	6,6	154,5	0,7	8,1

Source: EUROSTAT-NIMEXE

#### 4. Degree of self-sufficiency

The Community of Ten is highly self-sufficient in processed tomato products (135% in 1983/84 according to provisional data) and is 96,7% self-sufficient in processed peaches. The corresponding figures for 1982/83 were 132,1% and 84,1% respectively.

Per capita consumption of processed tomatoes in the Community has shown a steady increase over the past few years. Projected consumption until 1992 (1) in the Community of Ten, calculated on the basis of past data, shows that consumption is likely to stabilize in the medium term.

#### 5. Aids for production

The system of aids set up in 1977 for certain processed products was altered by the Council in March 1984.

In the light of experience, and in order to build on the positive results achieved, the Community made a number of changes to the way in which aid for processing and the minimum price payable to the producer are calculated. The improved competitiveness of Community producers over their non-Community counterparts was also taken into consideration.

##### a) Minimum price payable to producers

The annual change in the minimum price takes account of:

- the minimum price currently in force;
- changes in basic prices and buying-in prices for fruit and vegetables;
- the need to maintain a balance between the various uses made of the fresh product.

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(1) DG VI.01 - Agriculture

b) Calculation of aid

At present, aid is calculated on the basis of the change in the minimum price and, where necessary, a flat-rate adjustment of other processing costs.

The "third country prices" factor is taken into account when fixing the amount of aid in cases where considerable quantities are imported or where a minimum import price is fixed for the product in question.

Aid is fixed on the basis of the net weight of raw material used and is granted in respect of a finished product which complies with national or Community quality standards.

c) Limits to the guarantee

Limits to the quantities eligible for aid were set at the same time that a system of aid was introduced for bigarreau and morello cherries and Williams pears.

As early as 1982, the Council had fixed a guarantee threshold for concentrates and whole peeled tomatoes of 4.295.000 tonnes of fresh tomatoes used, but had not specified what steps should be taken if this threshold were exceeded.

In March 1984, the Council fixed the following guarantee thresholds:

- \* 2.987.850 t for the production of tomato concentrates;
- \* 1.307.150 t for the production of whole peeled tomatoes;
- \* 405.000 t for the production of other processed tomato products.

Thresholds for dried grapes were fixed at:

- \* 65.000 t for currants;
- \* 93.000 t for suitanas.

If the thresholds for tomato products are exceeded, aid for the next marketing year will automatically be reduced in proportion to the amount by which each of the quantities fixed has been exceeded. If the thresholds for dried grapes are exceeded, the minimum price payable to the producer is reduced proportionally for the next marketing year. In both cases, overruns are calculated on the basis of the average production figure for the three marketing years preceding the year for which the aid or the minimum price is to be fixed.

There has been a dramatic increase in the production of processed tomato products over the last two marketing years (1), so that the thresholds fixed have been considerably exceeded.

In May 1985, therefore, the Council introduced measures whereby, over the next three marketing years, aid is to be granted only in respect of the quantities laid down as thresholds. These quantities are allocated by producer Member State and by category of processed product.

d) Change in amounts of aid and in the minimum price (2)

On the basis of the provisions adopted by the Council, and in view of the impact of the provisions relating to guarantee thresholds, the aids for 1984/85 were fixed at lower levels than those for 1983/84. Aid for tomato products was down by between 17,1% (in the case of concentrate, where the reduction was partly due to the fact that the guarantee threshold had been exceeded) and 22,4% (in the case of San Marzano whole peeled tomatoes). Aid for other products was reduced, between 1983 and 1984, by 7,2% (peaches in syrup), 11,3% (prunes) and 53,2% (cherries).

Aid for Williams pears increased slightly (+5,1%) over the same period.

There was a sharp increase in aid for grapes and dried figs: however, storage aid in 1984 was paid only during the last two months of the marketing year rather than spread over the whole year as previously.

Aid for 1985/86 has again been considerably reduced in comparison with 1984/85.

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(1) 1983 and 1984

(2) Cf. Tables I and II.

Aid for tomato products is down by between 30,7% (concentrates) and 44% (tomato juice), largely as a result of the application of the rules concerning quantities in excess of the guarantee threshold. Aid has increased only in the case of processed cherries. The level of aid for Greek products also takes account of the rate of alignment laid down in the Act of Accession.

Aid for sultanas and dried figs is down 12,7% and 11,3% respectively in 1985, on account of the trend in world prices.

The minimum price payable for tomato products fell by 1% between 1983 and 1984 and by about 3% between 1984 and 1985.

In the case of fruits in syrup, the minimum price payable in 1984 was down 1% for peaches, 2% for pears and 25% for cherries. Prices for 1985 remained at 1984 levels for cherries but fell by about 1,5% in the case of peaches and pears.

The minimum price for dried fruit has been maintained at 1983/84 levels, but the 1985/86 price for currants has been reduced by 3% in compliance with the rules concerning quantities of currants in excess of the guarantee threshold.

7. Measures to encourage the marketing of certain processed products within the Community

a) Minimum import price for dried grapes.

In 1982 a safeguard clause was introduced to ensure a minimum Community import price for sultanas in view of the market difficulties caused by low-price imports.

A special system was set up for 1985/86 authorizing imported sultanas to be released for free circulation within the Community provided that their price is greater than 1.232 ECU per tonne. If the price falls below this limit a countervailing charge, varying according to the price recorded, is levied by the customs authorities along with any customs duties payable.

b) Protective measures

In 1985, protective measures were applied to imports of certain processed morello cherries in response to an appreciable deterioration of the Community market caused by massive imports at very low prices from non-Community countries.

8. Special arrangements for disposing of dried grapes and dried figs

Provided these products meet the required quality standards and are suitable for storage, the Community will bear the storage and disposal costs arising from purchases made by storage agencies during the last two months of the marketing year.

9. Budgetary expenditure

EAGGF Guarantee Section expenditure on processed fruit and vegetables amounted to 835,6 million ECU in 1984 and 868,- million ECU in 1985 and is estimated at 580,- million ECU in 1986, or 4,5%, 4,3% and 2,8% respectively of total expenditure by the Guarantee Section. Of this total, 556,- million ECU was accounted for, in 1984, by aid for the processing of tomato products, 264,9 million ECU by aid for processing fruit (1) and 6,- million ECU by the special arrangements for processing pineapples.

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(1) Including dried grapes and dried figs.

PROCESSED FRUIT AND VEGETABLES

TABLE I

CHANGES IN AID

PRODUCT	Aid for processing ECU/100 kg 1/2 gross		ECU/100 kg net				Percentage change 1985/86 1984/85	
	83/84		84/85		85/86		EUR 9	Greece
	EUR 9	Greece	EUR 9	Greece	EUR 9	Greece		
Tomato concentrate	47,-	30,78	38,98	30,87	27,-	23,88	-30,7	-22,7
"San Marzano" whole peeled and whole peeled frozen tomatoes	19,60	15,01	15,21	9,16	12,41*	8,31*	-25,2	-16,5
"Roma" whole peeled and whole peeled frozen tomatoes	14,07	10,28	11,21	6,68	9,08*	6,32*	-25,7	-13,2
Peeled and frozen tomatoes, not whole	6,89	5,04	7,06	4,21	4,79	3,32	-32,2	-21,2
+ 5 % (++)			9,77	9,77	5,48	5,48		
Tomato juice (CCT heading No 20.07) 3,5-5(++)	10,44	7,67	6,35	6,35	3,56	3,56	-44,-	
Tomato juice (CCT heading No 20.02) 7-8% (8-10% (10-12% (	15,98	10,33	10,58	8,38	6,85	6,05	-35,3	-27,9
	18,80	12,16	12,69	10,05	8,22	7,26	-35,3	-27,8
	20,12	13,-	15,51	12,29	10,04	8,88	-35,3	-27,8
Tomato flakes	172,02	112,65	136,10	107,78	88,08	77,93	-35,3	-27,7
Peaches in syrup	23,93	14,06	22,23	13,18	19,50	12,46	12,3	- 5,5
Prunes	66,90	66,90	59,36	59,36	52,11	52,11		-12,3
Williams pears in syrup	17,6	14,87	18,51	17,92	17,14	17,14	- 7,5	- 4,4
Cherries: Bigarreau	30,30	29,47	14,20	13,-	16,27	16,27	14,5	25,1
(1) Morello	30,30	29,47	14,20	13,-	16,27	16,27	"	"
Other	30,30	29,47	14,20	13,-	16,27	16,27	"	"
Sultanas	54,44	54,44	75,55	75,55	66,03	66,03		-12,7
Dried figs, quality C	23,56	23,56	39,95	39,95	35,46	35,46		-11,3

(1) Stoned

(++) From 1984.

(\*) For 1985/86 a different aid was fixed for whole peeled frozen tomatoes:

	EUR 9	"Greece"
a) San Marzano variety	10,38	6,94
b) Roma and similar varieties	7,59	5,28



C. LIVE PLANTS AND FLORICULTURAL PRODUCTS

1. Introduction

One of the features of this sector is the great variety of products : cut flowers and greenery, bulbs, and live plants including nursery products and pot plants. 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. However, production of roses and carnations in the Community is as follows :

in million units

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Roses	2,322	2,373	2,495	2,333
Carnations	4,082	4,069	4,178	n.a.

No data are available for 1984.

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, except in the case of roses; production of roses in terms of value is estimated to have been 373 million ECU in 1981 and 407 million ECU in 1982 (most up-to-date figures available). Nevertheless 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.

## 2. 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.

## 3. Trade

Intra-Community trade in 1984 rose by 11,2% (1983: 10,9%); imports from non-member countries over the same period increased by 11,4% (1983: 11,4%) and exports to non-member countries by 19,6% (1983: 15,1%).

### Trade by value (EUR 10)

Intra-Community trade	1.804 million ECU (+11,2% over 1982)
Imports from non-member countries	323 million ECU (+11,4% over 1982)
Exports to non-member countries	610 million ECU (+19,6% over 1982)

Exports, at 610 million ECU, exceeded imports at 323 million ECU.

Thus exports exceeded imports by 287 million ECU, as against 220 million ECU in 1983.

## 4. 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 1984 was 46 217 tonnes or 36% of estimated world production, from an area of 26 247 hectares or 28% of the total estimated world area of some 92 200 hectares. The average yield in the Community, 1.76 T/ha, was somewhat below both that of the previous year, 1.79 T/ha, and the 1979-83 average of 1.80 T/ha. As the depression of world markets continued since their downturn in 1981 so the acreage was cut back further in 1984 in virtually all producing countries operating free market economies. Conversely several of the Communist countries extended their areas under production. The area in the Community was reduced by 790 hectares. World area was reduced by 1976 hectares. During the campaign September '83 to August '84 Community net exports of hops amounted to some 10 370 tonnes, compared with 11 900 tonnes and 13 200 tonnes respectively for the two previous campaigns. This is indicative of the way in which international markets have tightened up in recent years. Export markets nevertheless remain of primary importance to Community producers.

After having grown consistently in the 1970s at annual rates of 2% to 4%, and having grown at lower rates in 1981 and 1982, world beer output declined slightly in 1983. This decline continued in 1984. Production in developing countries, particularly those in Central and South America, was higher than might have been expected given the problems (especially foreign debt) affecting beer output in many of these countries experienced in 1983; in Mexico and Columbia output recovered strongly after the previous year's reversals. Output continued to grow in the Far East, particularly in China. The overall drop in world beer production was due to the growth in these areas being outweighed by cut-backs in the output of several of the largest producing countries, notably the U.S.A., the Federal Republic of Germany, Japan, the U.S.S.R., and France.

The average alpha acid content of the Community crop in 1984 was 6.84% compared with 5.09% the previous year. Thus it should be borne in mind that although the 1984 world and Community crops were smaller than in 1983 they represented a substantial increase in terms of total weight of bittering value produced. World and Community alpha acid production in 1984 were 8 575 T (est.) and 3 162 T respectively; the corresponding figures for 1983 were 7 765 T and 2 467 T. Whilst the low alpha acid content of much of the 1983 crop in Europe may have artificially inflated demand for hops for beer production in 1984, it must by the same token be recognized that the high alpha acid content of 1985 may have the opposite effect. The Commission estimates that stock levels in terms of bittering value will have increased yet further as a result of the 1984 harvest - amounting to some 11 months supply for breweries (both within the Community and for the world). Nearly four fifths of the 1984 Community harvest was sold under forward contracts. These provided a considerable degree of protection for growers from the continuing depression of spot markets.

Prices on the latter were on average even lower than in 1983/4 despite the smaller quantities of hops offered. The overall average spot price received in the Community was 70 ECU/50 kg compared with 92 ECU/50 kg, 65 ECU/50 kg and 225 ECU/50 kg for the 1983, 1982 and 1981 harvests respectively.

The level of producer income aid for the 1984 harvest was fixed at 300 ECU/50 kg for all three variety groups - viz. 'aromatic' varieties, 'bitter' varieties and 'other' varieties.

### 13. MILK AND MILK PRODUCTS

#### 1. Production and utilization of milk

The introduction of the quota system as from 2.4.1984 had a clear effect on the Community dairy cow numbers, production, yield and deliveries. To reach the total guaranteed quantity for deliveries to purchasers the producers were, in different ways, obliged to reduce their deliveries by 4.2 mio tonnes or 4.1%.

At the end of 1984, the Community dairy cow numbers were 24.9 mio, reflecting a decrease of 3.4% or 865 000 head compared to the end of 1983. This brings the cow numbers down to a little less than end-1981. Decreases were mainly noticed in France, Netherlands, United Kingdom, Denmark and Greece (by - 6.0%, - 3.3%, - 3.5%, - 4.0% and - 5.5% respectively), representing approximately 5,5% of the total dairy herd. Only Belgium and Ireland showed small increases. The decreases are not only linked to the introduction of the quota system, but also to the related national cessation schemes and the position on the cattle cycle.

The overall development during 1984 replaces considerable increases experienced between 1981 and 1983. In 1983, milk production continued to increase at a higher speed than in 1982, despite reduced price/costs ratio and unfavourable climatic conditions in spring and autumn. This tendency continued in most Member States in the first 3 months of 1984, showing an increase of 3% over 1983, reflecting the producers' expectations as to Community actions attempting to reduce milk deliveries.

A shift in the production pattern was experienced in most Member States immediately after the introduction of the quota system as from 2.4.1984. The rate of decrease in deliveries compared to the reference year 1983 necessary to reach the quota varied between Member States, depending on the increase in deliveries which actually occurred between 1981 and 1983. The required reduction was for Germany - 6.7%, Netherlands - 6.6%, United Kingdom - 6.2%, Denmark - 5.6%, Belgium - 2.7%, France - 2.0%, Italy 0%, while Luxembourg, Greece and Ireland could increase their deliveries by 3.5%, 3.7% and 3.5% respectively. Some Member States (Belgium, Denmark, Greece and United Kingdom) produced from the beginning under or at the quota level, while other Member States only reached their quota through large decreases in deliveries during the last 3 months of 1984 and the first 3 months of 1985. Only Netherlands and Ireland exceeded marginally their quota at the end of the first 12-month period (by 156 000 tonnes and 3 000 tonnes respectively) but for the Community as a whole the deliveries

were 0.3 mio tonnes below the quota. The tendency of a decline in deliveries continued also in the second quarter of 1985 when deliveries were only slightly above the quota level and it is expected that the global quota for the Community will be reached for the second twelve month period ending 31.3.1986.

In 1984, the average yield per dairy cow in the Community decreased by approximately 2% mainly due to climatic reasons and decrease in the utilization of concentrated feedingstuffs. After the first pattern of reaction, the yield and proportion of production delivered is expected to increase and management improvements and structural development are expected to continue.

Despite difficulties at both farm and administrative level, it can be concluded that the introduction of the quota system has been a successful means of reducing not only the milk deliveries but also the production of the two intervention products, butter and skimmed milk powder.

## 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 by 1% in 1983 and 0.3% in 1984.

The tendency of decline in consumption of drinking milk experienced in 1983 continued in 1984 mainly due to the development in Italy, United Kingdom and Germany. The general tendency of the last ten years to consume more semi-skimmed milk and less whole milk continued in 1984. In France, the general increase in consumption of drinking milk has continued while a switch in the consumption pattern towards stagnation or decline has been experienced in Germany, Belgium, Ireland and Denmark. Also, the total share of UHT milk (ultra heat treated) continued to increase. The total share of UHT milk of the Community consumption of whole and semi-skimmed milk increased slightly in comparison with 1983 (26%), with the highest levels found in France (67%) and Germany (45%).

### b) Butter

Total butter production in the Community decreased by 8% or 185 000 tonnes in 1984, compared with 1983. However, this positive development has not been able to neutralize the heavy increases in production in both 1982 and 1983 where, in total, an additional 345 000 tonnes compared to 1981 were produced. The increase in butter production continued in the first 3 months of 1984 (+ 2.4%) and only after the new marketing year and the introduction of the quota system did production

start to drop. This development is mainly due to the big decline in milk deliveries and certain increases of milk utilization for other dairy products, reflecting relatively favourable commercial sales possibilities for especially whole milk powder and cheese. The domestic consumption of butter at market price increased by 7% in 1984. However, the increase emerging from the global butter balance relates partly to retake of substitution effect from Christmas butter destocked end-1982 but actually sold in the beginning of 1983, partly to the effects of reduction in the intervention price (- 11%) and consequently in the market price for butter.

The extra nett sales relating to the Christmas butter scheme and price reductions have more than counterbalanced the previous year's general tendency of decline in consumption at market price, reflecting the impact of unemployment and other economic/social difficulties.

Sales of butter at reduced prices to food industries (bakeries, ice-cream, non-profit-making institutions, etc.) have increased by 4 000 tonnes or 1.7% compared to 1983, which again was 45 000 tonnes or 24% higher than 1982. An increase of approximately 15% is expected in 1985.

Commercial exports continued to decline and were, in 1984, 100 000 tonnes or 30% lower than in 1983, which again was 3.5% lower than in 1982. However, total EEC butter exports (including butteroil) increased 15% to 408 000 tonnes, mainly due to the increase in exports of butteroil relating to the food aid programme and exports to special destinations (USSR and the Middle East).

Between 1981 and 1983 the imbalance of the butter market increased considerably, mainly due to important increases in production, decline or stagnation in consumption and decline in exports. Stocks increased by 547 000 tonnes or 180% in 1983 to 853 000 tonnes at the end of the year. In 1984 the rate of increase in stocks has fallen to + 11% or + 96 000 tonnes due to decrease in production, increases in consumption linked to price reductions and special measures including the Christmas butter scheme and increases in total exports linked to special low price sales, especially to the Middle East and USSR. End-1985 stocks will largely depend on the use of current possibilities to sell butter from public stocks to the internal market and for exports.

c) Skimmed milk powder

Community skimmed milk powder production decreased by 15%, or 365 000 tonnes, in 1984 compared with 1983, which again showed an increase of 11.1% or 242 000 tonnes to 1982. This decrease is partly due to the decline in milk deliveries and butter production and the comparable relatively higher use of skimmed milk in the production of cheese. The other main uses of liquid skimmed milk for animal feed dropped by 50 000 tonnes and the introduction of special aid for powder to feed for pigs and poultry in July 1982 resulted in additional sales of 479 000 tonnes in 1983 and 612 000 tonnes in 1984. Until the suspension of this scheme in June, 258 000 tonnes had been destocked for this purpose in 1985.

The manufacture of skimmed milk powder in the Community far exceeds demand at market prices, which amounts to less than 11% of total production. This is the background for the aid given to skimmed milk powder incorporated in animal feed compounds.

Both the commercial and food aid exports increased in 1984 by 121 000 tonnes or 63% to 313 000 tonnes compared with the very low export level of 192 000 tonnes in 1983 which, however, were the lowest exports since 1976. In 1981 and 1982 the exports amounted to 501 000 tonnes and 351 000 tonnes respectively.

The heavy decline in production, increase in exports and especially in internal disappearance have resulted in a decrease in public stocks by 371 000 tonnes to 617 000 tonnes end 1984. The end stock for 1985 is expected to decline further reflecting the falling production.

d) Cheese

Community cheese production increased in 1984 by 4% against 1.2% in 1983 and internal cheese consumption increased by 2.2% against 2% in 1983. Thus, the upward trend in consumption continued, but at a slightly higher 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 tonnes of cheese from third countries. On the other hand, the Community is the world's biggest cheese exporter, exporting 468 000 tonnes in 1984. The increase of these exports in recent years - in 1982, 1983 and 1984 exports increased by 38 000 tonnes, 25 000 tonnes and 63 000 tonnes respectively - has decisively influenced the total level of Community production. However production and consumption are expected to increase in 1985 at a lower rate than in 1984 while exports are expected to decline.

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% both in 1982 and 1983. In 1984 the export possibilities improved resulting in increased exports of 100 000 tonnes or more than 25%. Community production decreased in 1982 and 1983 by 11% and 8% respectively while production in 1984 increased by more than 20%.

f) Condensed milk

The decline in EEC production of 91 000 tonnes or 6% in 1983 came to a halt and exports remained constant at 521 000 tonnes. However, the diminution of total international demand of 100 000 tonnes in 1983 was replaced by an increase of 60 000 tonnes in 1984 and consequently the EEC share of the world market has declined.

g) Casein

EEC production of casein is linked to 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. The production increased in 1982 by 24 000 tonnes and further by 13 000 tonnes in 1983. However, in 1984 production has stagnated, due to lower production levels during the second half of the year.

3. World Market Situation

International Developments in Production and Trade

a) Milk production and policies

International milk supplies peaked in 1983 and started to decline in 1984 as a consequence of several policy measures introduced to bring milk production under control. However, not all of the important milk producing countries have applied equally efficient measures, and further amendments of existent milk policies are still under consideration in 1985. The impact of the Community quota measures described earlier in this chapter has given the most consistent and important change to the international supply picture. Short-term measures in the USA in 1984 have already lost their efficiency in 1985, and other countries seem content with a supply stabilization policy.

In Eastern Europe and USSR plans are made for continued expansion of milk production. Thus, in the short-term, a stabilization in the Western world is more than offset by increases in the East Block:

	1983	1984	1985	1986
Milk deliveries (mio tonnes)			(prel. est.)	(forecast)
OECD (22 countries)	213.4	210.6	210.3	209.8
. of which EEC	103.8	101.4	99.7	99.4
Eastern Europe	40.9	42.4	42.9	43.5
USSR	96.4	97.6	99.0	100.6
<b>Total (29 countries)</b>	<b>350.7</b>	<b>350.6</b>	<b>352.2</b>	<b>353.9</b>

Some further details on milk policies in certain countries are set out below:

In the United States the present support price policy, in force since 1983 and linking support price amendments to the quantities of butter, SMP and cheese bought in by the intervention institution (CCC), remains in effect only until end-September 1985. Unless new legislation is passed, the former provisions of the Agricultural Act of 1949 will enter into force and could thereby increase the actual price level by no less than 40% (!). Through seven months of 1985 US milk production increased by 3%, thus heading for new record levels in 1986. Therefore, the US Government has introduced new proposals to the Congress called "The Agricultural Adjustment Act of 1985". Under the present rules, the support price has been reduced by 11% from October 1983 to July 1985 with important reductions of the product prices as a consequence (butter minus 8%, SMP minus 14%, Cheddar minus 12%). However, as the average producer price for all milk results from the combination of support price level, producer levies in operation 1984/85 and the market prices, the levelling out of producer levies in 1985 resulted in slightly higher producer prices actually obtained through the first 5 months of 1985 compared with same period 1984. But in July 1985 the support price fell by 4%, which was not neutralized through producer levy regulations and, hence, should affect producer prices with its full impact. Nevertheless, these price amendments will have no reducing impact on production because of a structural improvement of the dairy herd and due to the improved milk-feed price relationship. Against this background, the US Government has proposed a new legislation for the period until the year 2000.

For the dairy sector, the new bill proposes:-

- 1) To continue with the current legislation until 30 September 1987 with producer support through prices related to the volume of CCC purchases. Under the current legislation, manufacturing milk prices are supported at levels set by the Secretary of Agriculture through purchases by the CCC of unlimited quantities of butter, American cheese and skimmed milk powder.
- 2) To end the mandatory federal purchase programme from the fiscal year 1988 onward and to provide for a deficiency payment (payment rate) if the price of milk falls under a basic support price related to a three-year moving average of market prices. This basic support price will be 85 per cent of the relevant three-year average for fiscal year 1989. The percentage will be 80 per cent for fiscal year 1990 and to 75 per cent for fiscal year 1991 and subsequent fiscal years. There are transitional provisions for fiscal year 1988 (October 1987 to September 1988).
- 3) To establish a task force which will have as a duty to review and evaluate the milk marketing orders and to recommend regulatory and legislative changes in the Milk Marketing Order Programme.

In Canada the national milk support policy is based on the fixing of "target returns" (actually CAN\$ 44.65/hl) and intervention prices for butter and SMP, combined with a quota system for the production of "industrial milk". The quota system has been in operation for several years and has proved effective at times when over-quota levies were important. However, certain limited variations of the quota quantity basis have been allowed, depending on the possibilities for exports. Furthermore, the Canadian liquid milk market is based on an independent regional quota system (per state). Thus, the total Canadian milk deliveries may vary according to changes in these factors. In 1983, deliveries fell by 4.6% compared with 1982 but increased again in 1984 by 4.1% over 1983. Hence, in January 1985 the over-quota levy was increased from approximately 77% of the target price to approximately 84% of the target price. Milk deliveries in 1985 are therefore foreseen to fall by 1.3% in comparison with 1984. In comparison with 1983, however, this represents an increase of 2.7%, and Canadian milk deliveries are expected to stabilize at this higher level. New target price levels were decided for the milk year 1985/86 which started on 1 August 1985, indicating an increase of 2.3% in comparison with the previous year.

In Australia a milk quota arrangement (two-price system) has been under consideration at professional levels for some time, but could not obtain the necessary political support. Hence, the Government has proposed new marketing arrangements based on the present system of price policy, with certain adaptations and amendments. Under present arrangements, producer prices are guaranteed for five groups of dairy products (butter, certain cheeses, SMP, WMP, casein) as guarantee levels reflecting weighted 3-year average prices. These are implemented through application of levies on production, representing the difference between average national prices and estimated export returns. The proposed new marketing arrangements have recently been announced for the Australian Dairy Industry; however,

legislation to implement the arrangements has still to be passed by the Parliament. They are aimed at further increasing exposure to world market signals, increasing the efficiency of resource allocations, significantly reducing the level of support to the industry and simplifying the administrative arrangements. Most of the key features are to be implemented immediately with some being phased in over a number of years. Considerable rationalisation and structural adjustment is anticipated under the new arrangements and hence the Government plans to provide adjustment assistance for the industry.

It should be noted that a number of the details of the scheme are still to be fully developed.

Australian milk supplies were up by more than 3% in 1984 compared with 1983. According to existing Australian milk production forecasts, the possible price impact of changes in policy will not produce any significant decrease of the milk supply before 1986 or 1986/87. It also remains doubtful whether the amendments can be implemented during the 1985/86 milk year (July - June). In the first place the Australian Senate has rejected the Government's proposals and the 1985/86 milk year in Australia started without fixed guarantee levels for milk products. However, on 23 July 1985, the Government implemented underwriting at 90% of a three-year average of export returns, and changed production levies in order to maintain existing support levels.

In New Zealand milk producer prices have been increasing substantially over recent years. Thus, the basic payment price (exclusive of end-of-season distribution) of 381 cents/kg milk fat for 1984/85 was almost 34% higher than in 1981/82. In 1983/84 the total pay-out price to farmers decreased exceptionally by 3% but showed a nett increase of 13% for 1984/85. Consequently, prices seem well ahead of the inflation rate, which for 1985 is forecast at 9.5%. In 1984 farmers compensated for lower returns through important increases of milk deliveries (+ 15%). New Zealand provisions for 1985 show a marginal decrease compared with 1984, based on more dairy cows (+ 2%) but less favourable

climatic conditions anticipated at the end of 1985. Nevertheless, prospects for 1985/86 are reported to be favourable. The New Zealand pricing system has therefore not yet produced any clear sign of production limitation impact. New Zealand has announced that measures are "in place" which will result in important reductions of the milk support policy. It remains to be seen which measures will be taken in order to affect the level of milk deliveries in New Zealand in the short term.

Switzerland has used a quota system for milk since 1977. At the start, the arrangement did not cover the mountain regions, and the levy applied to over-quota production amounted to approximately 67% of the so-called "basic" milk price (price before deducting specific levies or adding specific subsidies). When making the quota arrangement more countrywide by including certain mountain zones, the weight of the over-quota levy for a period only amounted to 53% of the basic price. Today, the over-quota levy of 60 centimes per kg is back at a level of approximately 65% of the basic price. However, the real "burden" of this levy must be viewed against an increase of the basic price of nearly 28% between 1977 and 1985. At 92 centimes per kg this basic price being almost 80% higher than the EEC target price, is probably one of the highest producer prices for milk in the world. The quota system is applied alongside other measures to influence the milk market balance, such as, for example, incentives for growing feed grain, premiums for non-marketing of milk, quota restrictions and surcharges on imports of feedingstuffs and producer co-responsibility levies to contribute to marketing costs. Swiss authorities conclude that milk deliveries have not declined since the introduction of the quota system. The actual problems are described as follows:

"During the last two financial years, production of milk increased sharply: deliveries during the year 1983/84 rose to a record level of 31.27 million quintals, an increase of 5.7 per cent over 1981/82. This trend is worrying the authorities and the agricultural organisations. It was mainly due to very favourable weather and production conditions which enabled producers to make full use of all the available quotas. Moreover, it would seem that the levy of 60 centimes per kilo of milk delivered in excess of quota is insufficient and a growing number of producers do not observe their quota limit. The agricultural organisations have urged the Federal Council to use its powers to prevent surplus deliveries."

Due to the increasing difficulties in operating the system successfully, the Swiss authorities are now reviewing the provisions of the milk quota arrangement. This also reflects the increased expenditures to the Swiss "Dairy Account", which is the total account for the cost of all Swiss dairy policy measures. For the year 1983/84 a total figure of SF 818 million has been registered.

Austria: Over recent years, Austria has increased milk production at an annual rate of 1 - 2%. Based on forecasts given recently by the Austrian authorities, one can assume that the increase will continue at a steady annual rate of close to 1%. This has happened and continues to happen in spite of the introduction in 1978 of milk production quotas (regulation on individual quotas).

The fact that the price guarantee remains in force for "any quantity", that milk production remains on smallholdings, that farmers in arable regions are more interested in stepping up fattening of cattle and that the milk delivery ratio (deliveries relative to production) in Austria is very low - about 66% - leads to the conclusion that the quota system in this country has not yet been of significant importance as a limitation measure to milk production. The element which is perhaps more important for the understanding of the relatively slow development within the Austrian milk production is the low producer price level, only slightly above the EEC price level. In this respect, there is no comparison possible with the high Swiss prices. The average price for 1984 of 4.35 ÖSch/kg was less than one per cent higher than the comparable EEC price in 1984/85. Against this background of moderate price level and slow development of production due to structural conditions, it is not evident that Austria will strengthen its system of supply control.

In 1983, Norway introduced a system of milk production quotas based on high over-quota levies (penalties) which intend to reach a quota target of 1.8 mio tonnes. Available statistics and previsions show that the Norwegian milk deliveries have stabilized at 1.9 mio tonnes. Thus, the quota approach adopted has been more efficient than any of the earlier two-price or bonus systems which were tried out through 1980 - 1982. Nevertheless, it is doubtful whether the new quota system is intending a reduction of milk deliveries. Traditionally, the Norwegian policy has only aimed at limiting the expansion of production. The price policy aims have been primarily "strategic", i.e. to support a settlement policy for the waste areas along the eastern border, and to support a self-sufficiency policy as a defence measure. The Norwegian milk price to producers differs substantially according to region and structure. However, the average price level in 1984 is approximately 25 - 30% above the comparable Community price.

Finland introduced a milk quota system as from January 1985, provisionally voted in the Parliament for one year, but it is very likely that the scheme will be continued for the next few years. The production quota for each farm is determined according to the higher annual production level in one of the two base periods, 1st September 1981 - 31st October 1982, or 1st September 1982 - 31st October 1983. All dairy farmers may however produce freely 30 000 litres of milk per year. The whole producer price will be paid for the quota and the

world price approximately will be paid for over-quota production. In 1985 the price for over-quota production will be 1.60 mk/l lower than the whole producer price. The act provides for exceptions for dairy farmers who have recently invested and for farmers who have reduced their production in agreement with the Government since 1980. It is not expected that the quota scheme would lower dairy production during the first year. It may however restrict its expansion.

Hence, according to available information on Finnish milk producer prices, the abovementioned over-quota levy would range at about 72% of the actual price.

The actual in-quota milk price in Finland amounts to FM 2.216 per litre corresponding to approximately 65% above the EEC target price level.

In Sweden, an effort to limit the steadily growing milk supplies was made in January 1983 by the introduction of a prepension scheme available for milk producers aged between 60 and 65, who ceased milk production. At the end of 1984 the number of milk producers being paid under this scheme was 1 195 or close to 3% of all Swedish dairy farmers. However, the quantity covered has been limited. Hence, milk deliveries in Sweden increased by 100 000 tonnes or approximately 3% in 1984 and will only return to a moderate decrease in 1987 and 1988. Against this background, Sweden has also introduced an optional quota scheme with effect from July 1985. Each producer adhering to the scheme would be allocated a quota representing 92 per cent of his production in either of the two reference years, 1982 or 1983. The price of milk for in-quota deliveries would be subject to an annual revision and the price for over-quota deliveries would be only one-third the price of in-quota deliveries. Milk producers not participating in the scheme would be paid a price of 10 öre per litre lower in 1985 and 20 öre per litre lower in 1986. This scheme would be applicable throughout the Swedish territory except the northern region which accounts for 10 per cent of national production and which has no other production alternative. Producers in that region would be paid the in-quota price but would not be authorised to increase their output.

Recent developments of dairy cow numbers indicate that milk deliveries could continue to go down. However, as the over-quota penalty of two-thirds could prove to be insufficient in comparison with the high Swedish producer price level (more than 30% higher than in the EEC) it remains to be seen how milk deliveries will develop in the longer run.

In Japan, milk for liquid consumption represents about 62% of milk production. No support prices are established for the drinking milk sector, whereas guaranteed prices are in operation for milk contracted by the industry for predetermined processing and, at a lower level, for further quantities of milk sold by producers to the industry. These prices were stable through the period 1977-1981 and increased in 1982 and in 1983 by less than one per cent compared with the previous year. In 1984 and 1985, the guarantee price was fixed at an unchanged level in order to avoid a surplus situation. The actual guarantee price level in Japan is about 67% higher than the EEC target price. The implementation of the guarantee (deficiency payment) has been limited to fixed quantities which, in 1982 and 1983, amounted to 81% of the milk used for processing, i.e. 1 930 000 tonnes and 2 150 000 tonnes respectively. Whereas the average deficiency payment has been slightly reduced, the quantity covered by the guarantee has been slightly increased reflecting the expectation of some increase on the demand side. Japanese milk production has increased by 3-4% annually over the most recent years, and the accumulation of surpluses will mainly depend on the continuation of increased utilization for liquid milk consumption. An increase of 5% for 1985 is expected. Japanese consumption of cheese increased in 1984 by 13% to 98 000 tonnes (natural cheese equivalent) and imports increased from 71 000 tonnes in 1983 to 79 000 tonnes in 1984. Japanese production increased by 3 000 tonnes only. Butterfat imports are only of marginal importance whereas total domestic butter consumption is estimated at about 78 000 tonnes.

b) International Trade

(i) World market exports

In total milk equivalent, world exports of milk products in 1984 (excluding casein and fresh products) increased by approximately 14%, reaching their highest level since 1980. However, whereas the skimmed milk part of the exports in fact saw a new record, 6% higher than in 1980, the exports of milk fat were still 8% below the 1980 level. Thus, the product composition of world exports has changed, and in particular in favour of cheese and SMP (skimmed milk powder) at the expense of butter and condensed milk. In this context, the importance of SMP in food aid and in concessional trade should be underlined. In general, food aid exports from all sources were estimated to have risen to at least 14% of world dairy trade in 1983. It is likely that this share increased further in 1984. This development contributed, together with increased US Dollar values, to a further weakening of the world market prices expressed in Dollars. In average terms, SMP prices in 1984 fell by 10 - 15% in comparison with 1983, and by 30 - 35% in comparison with 1981 price levels. The corresponding butter prices fell by 20 - 25% below 1983 levels and by 40 - 50% below 1981 price levels. In the course of this development, significant changes have taken place in the distribution of market shares. Thus, for butter and

SMP, the EEC market shares in 1980 - 1981 amounted to approximately 60% and decreased thereafter to levels around 50% and 30% respectively, calculated for 1984. Over the same period, the US market share for butter increased from zero to 7%, and that for SMP from 10% to 26%. The New Zealand market share for butter expanded slightly from 24% (1980) to 27% (1984) and remained at about 16 - 17% for SMP. Australia, however, expanded its market share for butter from 2% to 5%, and maintained approximately 7% of the SMP market through the period in question. In global terms (milk equivalent) the EEC world market share for dairy products fell from 60% in 1980 to 43% in 1983 and increased only slightly in 1984 to approximately 48% of the market.

(ii) EEC Exports and Imports in 1984 (see Table M.13.11 A and B)

As part of the reduced Community exports in 1983 was due to delayed food aid shipments, the return to normal deliveries in 1984 contributed to the overall amelioration of EEC exports from approximately 13 mio tonnes of milk in 1983 to approximately 15 mio tonnes in 1984. However, the relative increase of exports of skimmed milk was twice as important as that of milk fat. This was not only due to SMP for food aid, but also the fact that Community exports of cheese and whole milk powder (WMP) increased in 1984 by 63 000 tonnes or 15% and 101 000 tonnes or 25% respectively, whereas exports of condensed milk and casein remained relatively stable. Total butter imports by the Community in 1984 amounted to 89 000 tonnes of which 83 000 tonnes to the United Kingdom from New Zealand in accordance with the special arrangement following the Protocol 18 of the Treaty of Accession. Thus, EEC imported nearly 12% of the total world butter trade, and remained the second biggest butter importer, next to the USSR (26%). As to cheese, EEC imported 104 000 tonnes, 4% more than in 1983, and amounting to 12% of the world cheese trade, thus remaining the second biggest cheese importer, next to the USA (16%).

4. Milk Price Decisions

With effect from 27 May 1985, the target price for milk in the Community was fixed at 27.84 ECU/100 kg, corresponding to an increase of 1.5% in comparison with the previous year. It was estimated, at the time of price fixing, that the resulting increase of milk prices in national currency would amount to 2.8% on average - hence, well below the rate of inflation. It was also decided to reduce the rate of the coresponsibility levy from 3% to 2% of the target price. Further to the change in the fat/skimmed milk ratio of the target price to 50/50, decided in 1984, the Council adopted the new fat/skim ratio of approximately 48/52. This, together with abovementioned change of the target price resulted in a decrease of 2% of the intervention price for

butter and an increase of 4.9% of the intervention price for skimmed milk powder. Consequently, the fourchette for aids to skimmed milk powder for animal feed was amended to 60 - 90 ECU/100 kg. The Council also adopted minor adjustments to the quotas for milk deliveries/direct sales, decided upon in April 1984, and prolonged - for one year - the possibility of transferring non-utilized quota quantities, from one region to another. Certain adaptations of the repartition of quotas for deliveries and for direct sales would be allowed, based on objective statistics, provided the total sum of these quotas was not exceeded. It was also decided to replace quarterly payments of over-quota levy by one payment at the end of the 12-month period. The Council further agreed to consider a Commission proposal on a common scheme on cessation of milk deliveries, to be presented before 1 November 1985. As far as support to butter consumption is concerned, a general authorization was given to Member States to grant a national aid of maximum 50 ECU/100 kg, until the end of the 1987/88 milk year. The Council also asked the Commission to examine the problem resulting from the freedom to develop certain milk substitutes while milk production is subject to quotas, and to submit to it any appropriate additional proposals, so that it can take a decision before 1 April 1986.

#### 5. Market Prospects

As indicated above under paragraph 3, the international milk supply situation is influenced by the policies introduced in certain countries to control the development of milk deliveries/milk production. In this respect, the Community quota scheme is the most important and consistent policy measure, with its price impact, time horizon and the expected lasting results of national and common cessation schemes. Most other countries with quota schemes do mainly aim at stabilization of their milk supplies. In the US, however, no policy has yet (September 1985) been decided on, to avoid the forecast increase of milk production in the coming years. According to preliminary figures, the US milk production could increase by 4 - 5% in 1985. In Oceania, the official forecast of supply development in both Australia and New Zealand presumes a certain slowdown of the rapid production increases in recent years. However, no significant changes of milk policies including price policies have as yet been decided upon in these countries which could justify lower output in 1986 than in 1985, especially not under favourable climatic conditions. It is therefore a matter of concern that the total milk output in OECD in 1986 is forecast to be less than 4 mio tonnes lower than in 1983 in spite of an EEC reduction of nearly 5 mio tonnes over the same period. In addition, USSR and the countries in Eastern Europe in continuation of their expansion in 1984 and 1985 will probably produce 6 - 7 mio tonnes of milk more in 1986 than in 1983. In this latter case, the degree of concern is linked to the possibility of East Block consumption not keeping pace with production expansion and/or the intentions of these countries to expand world market exports of dairy products in order to gain convertible currencies.

Whereas policy changes in certain countries have contributed to slightly less pressure on international markets through lower production levels of butter and SMP, the non-decision on policy changes in other countries (see above) and the general level of international stocks will probably maintain a situation of imbalance on the international milk market also in 1986. This imbalance due to the rising dollar, which by reducing demand in developing countries, has resulted in a decrease in the volume of commercial exchanges in dairy products. The coordinated international efforts to reduce the "over-value" of the Dollar will not - if they succeed - necessarily lead to immediate expansion of the dairy trade. This is because an increasing part of this trade - not including food aid - has taken place with OPEC countries having an evident advantage of high and increasing Dollar values. In general, the lower burdens of debts on a number of developing countries, which would benefit from a lower Dollar value, could in the course of time stimulate the dairy trade.

Within the Community, the continuation of the quota system for milk deliveries is assured at least until 1988/89 and is foreseen to be reinforced through the application of a Community cessation scheme for milk production. It is therefore possible that milk deliveries in EEC(10) can be reduced to less than the actual quota level (approximately 99 mio tonnes). In the actual situation of production/external trade/internal consumption, it is likely that the persisting market imbalance at given prices is of the order of 2 - 4 mio tonnes of milk, without counting the impact of existing stock levels. Adaptation to actual milk quota levels will by end-1986 have resulted in a disappearance of more than 2 mio dairy cows, compared with the situation end-1983. The corresponding reduction of Community milk deliveries over this period is foreseen at 4.5 - 5 mio tonnes of milk, indicating that the majority of the culled cows are significantly below the average level of milk yield/cow. Thus, the remainder of the dairy herd will continue to improve its level of productivity in the short-term. If this tendency is maintained in the longer term, depending on structural displacements of milk production, the Community dairy herd necessary to fulfil actual quota targets would have to decrease by a further 300 - 400 000 head per annum.

The short-term consequences on the Community dairy products market of the milk quota arrangement is a continued reduction of the production of butter and SMP. However, whereas butter production is forecast to fall by 5% (or 110 000 tonnes) in 1985 compared with 1984, the further decrease in 1986 will probably be less significant, due to a moderate decrease only in milk deliveries. Consequently, the SMP production which fell by 8% or 170 000 tonnes in 1985 according to updated forecasts, will perhaps be reduced in 1986 by a further 100 000 tonnes or 5 - 6%, depending on the possibilities for maintaining high production levels of cheese, whole milk powder and casein. At end-September 1985 Community butter and SMP stocks at 1 220 000 tonnes and 490 000 tonnes respectively were about 40 000 tonnes (butter) and 380 000 tonnes (SMP) below the respective levels in 1984. For butter, eventual decisions on new internal

sales measures in 1985 should reduce the level of butter stocks, as could a realization of eventual export orders for old butter, according to the special derogation granted by the GATT dairy arrangement in June 1985. However, none of these possibilities have materialised as of now. An important impact of these measures cannot be excluded in the course of 1985 - 1986. For SMP, the suspension of the aids for pigs and poultry feed in July 1985 did cause a certain stabilization of SMP stocks at their new, lower levels. However, through the winter 1985/86 a further decrease of stocks is expected as well as a relative stability through 1986, in consequence of lower SMP production.

## 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 1985/86 milk year, the threshold prices were adapted in order to reflect the further change of the value ratio of butterfat/skimmed milk in the target price for milk. Under the existing trade agreements between the Community and various non-member countries, the minimum import prices were adapted accordingly.

In July 1984 the Council decided that imports of butter into the United Kingdom from New Zealand in accordance with the special arrangement following Protocol 18 of the Treaty of Accession should be fixed at 83 000 tonnes in 1984, 81 000 tonnes in 1985 and 79 000 tonnes in 1986.

### b) Exports

As mentioned above under paragraph 3, international prices weakened further in the course of 1984/85. In June 1985 the GATT minimum export prices for butter, butteroil and WMP were amended to take account of the increased value of the US dollar. Refund levels were adapted accordingly.

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

When adapting the value ratio milkfat/skimmed milk, the Council changed the aid fourchette for SMP to 60 ECU/100 kg - 90 ECU/100 kg. However, maximum aid for the pigs and poultry scheme was limited at 110 ECU/100 kg. At the beginning of the 1985/86 milk year, aids for the use of skimmed milk had been fixed as follows:

- skimmed milk powder for animal feed 80 ECU/100 kg
- liquid skimmed milk for calf feed 7.27 ECU/100 kg
- liquid skimmed milk for other animals 11.0 ECU/100 kg
- SMP for pigs and poultry 110 ECU/100 kg
- liquid skimmed milk for the manufacture of casein 8.55 ECU/100 kg.

Compared with 1983, the use of liquid skimmed milk in animal feed in 1984 showed an increase of 13%; the use of SMP decreased by 3%, while the quantities of skimmed milk transformed into casein and caseinates decreased by 1%. Due to stock and market developments, aids to pig and poultry feed have not been granted since June 1985.

d) Storage - Butter

In 1984, 507 000 tonnes of butter were bought in by the Intervention Agencies. In the same year, 190 000 tonnes of intervention butter were sold within the Community in connection with special measures, while 50 000 tonnes were allocated for food aid. At the end of 1984, public stocks of butter were 842 000 tonnes. During 1984, private storage aid was granted for 226 000 tonnes of butter. At the end of 1984, 108 000 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. In 1984, 162 500 tonnes were sold with aid directly from the market, not including 19 300 tonnes of fresh butter for the end-year sales action.

Storage - Skimmed milk powder

In 1984, 390 000 tonnes of skimmed milk powder were bought in by the Intervention Agencies, while 755 000 tonnes were removed from storage, of which 656 000 tonnes for internal EEC measures and 99 000 tonnes for food aid.

Public stocks at the end of 1984 amounted to 617 000 tonnes.

Storage - Italian cheeses, long-keeping cheeses

Private storage aids for certain long-storage cheeses have been applied regularly in 1984.

e) Food aid

The Community supplies a certain part of its food aid in the form of butteroil and SMP. The quantities annually set aside for this purpose have been 45 000 tonnes of butteroil and 150 000 tonnes of SMP. For 1984, the Community food aid commitments amounted to 32 760 tonnes of butteroil and 122 500 tonnes of SMP. However, actual shipments reached 48 630 tonnes and 167 091 tonnes respectively, due to the catch-up on delayed 1983 deliveries. Quantities decided for 1985 are 35 000 tonnes of butteroil and 108 000 tonnes of SMP which, together with delayed shipments from 1984, will approach traditional annual levels. The Commission's proposals for 1986 include 35 000 tonnes of butteroil and 120 000 tonnes of SMP. In general, it must be taken into account that actual shipments during a calendar year also depend on shipping possibilities and the ability of the recipient countries to receive the quantities requested.

7. Financial Expenditure

Expenditures in the milk sector increased in 1984 by 24% compared with 1983. The total guarantee amount increased to 5 442 mio ECU, corresponding to 30% of total Guarantee Section expenditure. Of this total, 60% or 3.281 mio ECU have been allocated for internal Community measures including surplus disposal measures and intervention storage costs. Receipts from the coresponsibility levy represented 700 mio ECU in 1984. The estimated (preliminary) expenditures for the milk sector for 1985 amount to 6 602 mio ECU and receipts from the coresponsibility levy to 632 mio ECU.

## 14. BEEF/VEAL

### 1. Introduction

Beef/veal production accounted for about [15%] of the value of final agricultural production in 1984.

About 2.48 million farms, or roughly half the total in the Community, raise cattle. Between 1977 and 1983, however, the number of cattle farmers declined at an average annual rate of 2,9% and the average number of head per farm in the Community is now about 33. 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 16% of world production, is second among world producers ahead of the USSR but lags well behind the United States.

### 2. Production

#### (a) Cattle numbers

In 1984 a slaughtering phase began, particularly of dairy cows, due partly to the cyclical rise in slaughterings but mainly to the measures taken in the spring of 1984 to limit milk deliveries, which led to 1,4 million more cows being slaughtered in that year than in the previous year.

The survey of cattle numbers carried out in December 1984 gave a result of 78,5 million head, including 31,1 million cows, down 1,2% and 1,9% respectively on the previous year.

Similarly, the number of calves (cattle less than one year old), was down about 0,8% in December 1984. The number of beef cows, on the other hand, was up at 4,7%, totalling about 6,2 million head.

The medium-term rate of increase in cattle numbers has been falling in recent years.

#### (b) Production of beef/veal

In 1984 beef/veal production in the Community went up sharply by 8,4% as a result mainly of cow slaughterings, which rose by 15,1%.

### Slaughterings

In 1984 about 22,7 million head of adult cattle were slaughtered, an increase of about 8,4% compared with 1983; in the first half of 1985 there was a considerable slackening in the rate of slaughterings compared with the first half of 1984.

Given the trend in the Community cattle population, the number of adult cattle marketed in 1985 will probably fall by 3 to 4%.

After the high number of slaughterings of females (cows and heifers) recorded in 1984, figures for the second half of 1985 should show a reduction of about 10%.

The medium-term 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 1984 the figure for calf slaughterings (7,3 million head) was also very much higher (6,5%) than in 1983; but during the first half of 1985 the number of calf slaughterings should be slightly down on that for the first half of 1984.

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

After having been relatively low both in 1981 and 1982 and after picking up in 1983, the slaughtering coefficient for adult cattle rose sharply in 1984. The slaughtering coefficient for calves, which was also low in 1981, 1982 and 1983, was relatively high in 1984.

### Average slaughter weight

Owing to the large number of slaughterings of females, the average slaughter weight of adult cattle, which was 292,3 kg in 1984, showed no increase on that for 1983; in keeping with the trend recorded in recent years, the average slaughter weight of calves in 1984 (118,9 kg) showed a sharp rise of about 2,0%.

### Production of beef/veal

Production increased for two consecutive years following the cyclical low in production in 1982, by 3,9% in 1983 8,4% in 1984. In 1984, it reached the record level of about 7,5 million tonns.

In 1984 beef production rose by 8,4% in the Community; this sharp rise in production was mainly due to the slaughterings of dairy cows following the measures taken to limit milk deliveries. During the first half of 1985 beef production rose by only about 1,0%.

Veal production was 8,6% up in 1984, with the average slaughter weight up by 2 kg. In the first half of 1985 veal production fell by about 3% compared with the figure for the first half of 1984.

Production of beef/veal has been increasing at a lower average annual rate than previously in response to 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 roughly 3% per year, mainly through the elimination of small farms, and
- a slight increase in the number of animals 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 (bullocks),
- 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 of the economic and employment situation in the Community (industrial production stagnant and a sharp increase in unemployment) consumption of beef/veal remained stationary in the early part of the decade.

Because supplies were so plentiful, consumption rose to about 6,8 million tonnes in 1984.

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 1984, per capita consumption was about 25,0 kg, of which 22,0 kg for beef and 3,0 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 rate of increase has dropped sharply.

b. Because population growth slowed down, the overall consumption of beef/veal expanded more slowly than before and, because of the unfavourable economic and employment situation, in the early eighties total consumption of beef/veal declined. It picked up, however, in 1984.

(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. Since then the Community has been more than self-sufficient in beef/veal.

In 1984, the self-sufficiency rate rose to 110,3% owing mainly to the measures to limit milk deliveries which gave rise to large-scale slaughterings of dairy cows.

#### 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:

412.000 t in 1979  
 356.000 t in 1980  
 364.000 t in 1981  
 440.000 t in 1982  
 448.000 t in 1983  
 414.000 t in 1984

Many of these imports enter the Community on special terms.

#### The Community's external trade

('000 t)

Period	1979	1980	1981	1982	1983	1984
Trade						
<u>Imports</u> from non-member countries:						
Beef/veal	412	356	364	440	448	414
of which: live animals ('000 head)	73 (451)	59 (361)	50 (310)	66 (488)	64 (505)	54 (428)
fresh or chilled meat	63	61	55	72	87	85
frozen meat	141	114	121	164	153	128
preserves	135	122	138	138	144	147
<u>Exports</u>	338	642	662	480	603	790
of which: live animals	36	65	100	88	103	96
fresh or chilled meat	97	249	184	118	146	187
frozen meat	135	298	340	236	316	463
preserves	70	30	38	38	38	44
Net trade balance	74	- 286	- 298	- 40	- 155	- 376

In 1984, exports of beef/veal to non-member countries rose to 790.000 t (carcase weight). The Community's external trade surplus in beef/veal thus amounted to 376.000 t in 1984.

The main suppliers of beef/veal to the Community in 1984 were:

- Latin American countries, especially Brazil (accounting for more than one third), 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 nearly two thirds of imports of live animals, mainly from Poland;
- Australia and New Zealand, supplying about 2% of total imports;
- Yugoslavia, supplying around one fifth of imports of live animals and of the fresh and chilled meat;
- Austria, supplying about 15% of imports of live animals and more than two fifths of imports of fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar and Zimbabwe), supplying about 8% of total imports.

The Community's main customers in 1984 were:

- Mediterranean European countries, in particular Yugoslavia, taking about 10% of total exports;
- East European countries, taking about one fifth of total Community exports, the USSR accounting for about 10;
- North African countries, taking about 10% of total exports, with Libya taking one fifth of the Community's exports;
- Middle East countries, taking upwards of 45% of total exports, with Egypt accounting for about 24%.

## 5. Prices

### (a) Common prices

For the 1985/86 marketing year the guide price for adult cattle was fixed for the whole Community, from 27 May 1985 onwards, at 205,02 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 184,52 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. In 1983, however, the increase was only 0,5% and in 1984 the average Community market price fell by 3,6%. Average prices for adult cattle remained below the Community intervention price.

In September 1985 the Community market price for all qualities of adult cattle was running at about 154,77 ECU/100 kg liveweight, i.e. at about 75,5% of the guide price.

After rising appreciably for two consecutive years, the Community market price for calves went up by only 0,6% in 1983 and fell by 4,6% in 1984.

Prices for adult cattle

(ECU/100 kg liveweight)

Period	1980/81	1981/82	1982/83	1983/84	1983/84	1985/86	% change
							(85/86)/
							(84/85)
Guide price	160.76	172.82	191.87	207.09	205.02	205.02	=
Intervention price	144.68	155.54	172.68	186.38	184.52	184.52	=
Market price							
- in money terms	132.58	149.93	161.00	161.09	155.76	158.75*	+32%**
- as % of the guide price	83.0	86.1	84.2	78.4	76.0	77.4	
Import price	84.75	90.67	92.00	92.00	85.25	80.67*	-6.7%**

\* From April to September 1984.

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

(c) Import prices

In recent years, as a result of the world-wide economic recession, the prices of beef/veal expressed in USD have fallen on the world market; this fall in prices, however, has often been 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, although more stable, have flagged in recent months, in particular in the case of frozen meat.

(d) Consumer prices

In past years consumer prices for beef/veal expressed in national currency rose at an average rate comparable to the Community inflation rate. In 1984, however, their rate of increase was on average smaller.

(e) Cost of animal feed

Since the sharp rise in mid-1983 of prices for protein-rich products used in animal feed, prices for commercial cattle feeds and feed grains have shown a downward trend.

6. Outlook

- (a) At the end of 1983 the number of breeding females was down by 2%. The slaughtering of females, and in particular of dairy cows, following the measures taken at the end of March 1984 to limit milk deliveries, has accentuated the trend of breeding herd slaughterings.

In 1985, therefore, we can expect to see a reduction in beef production, the estimate being about 7,2 million t against about 7,5 million t in 1984. A further reduction of 2% is expected in 1986.

In 1984 total beef/veal consumption and consumption per head went up again to about 6,8 million t and 25,0 kg.

In view of the drop in market prices and the increased competitiveness of beef/veal with other meats, consumption is expected to increase again in the Community in both 1985 and 1986.

Given the outlook for production and consumption and the size of the present stock of intervention meat to be disposed of in coming months, the Community market will continue to be well supplied with beef/veal.

The rate of self-sufficiency will probably be above 100% in the years to come.

Market prices are very low, in particular compared with the guide price, and market prices for 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 both adverse weather conditions in the stockfarming areas (drought in Australasia and floods in Latin America) and a sharp rise in domestic prices, in some cases in excess of the rate of inflation. This price rise in real terms has led to a reluctance to send cattle for slaughter and in the short term to a reconstitution of beef production potential.

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

Accordingly, the quantity of beef/veal available for export, in particular in the major exporting countries in the southern hemisphere with the exception of Brazil, will still be small in 1986, about 500 000 t down compared with the early eighties.

The economic recovery now taking place in certain countries such as the USA and Japan, combined with the still reduced export capability of the southern hemisphere countries, may well lead to an increase in world market prices in the medium term.

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:

330 000 t in 1979

410 000 t in 1980

280 000 t in 1981

268 000 t in 1982

445 000 t in 1983

496 000 t in 1984 (representing 7,3% of Community beef production).

- . up to 1 September 1985, 216 000 t had been bought in, a rise of about 20 000 t on the corresponding period of 1984;
- . granting of private storage aid with provision for boning and/or export after a minimum period of storage of two months;
  - in the autumn of 1984, for about 175 000 t of beef carcasses, forequarters and hindquarters,
  - in April 1985, for about 72 000 t of beef carcasses, forequarters and hindquarters,
  - in the autumn of 1985, measure in progress, involving carcasses, forequarters and hindquarters of adult male cattle.
- 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 year.
- 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. Since 9 April 1984 the Community scale for the classification of beef carcasses has been used for intervention buying.

(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 at the rate of 4%, other than animals intended for slaughter;
- 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,

and to import a tariff quota 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 an annual maximum of 38.100 t (in terms of boned meat) of beef/veal from Botswana, Swaziland, Kenya, Madagascar and Zimbabwe. The agreement provides for exemption from customs duties and the reduction of other import charges.

In the forward estimates for 1984, the Community provided for the possibility of importing:

50.000 t (in terms of unboned meat) of frozen beef/veal for processing;  
190.000 head of young male cattle for fattening (164.300 for Italy, 25.100 for Greece and 600 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-bred breeding animals (duty-free) and to preserves (at the rate of 26%).

#### 8. Budgetary expenditure

EAGGF Guarantee Section expenditure on beef/veal was 2 546,8 million ECU in 1984 and it is provisionally put at 2 460,0 million ECU in 1985 and estimated at 2.256 million ECU in 1986, i.e. 13,9%, 12,3% and 12,3% respectively of total Guarantee Section expenditure. The figure of 2 460,0 million ECU breaks down into 1 148,0 million ECU in refunds, 1 079,0 million ECU in intervention expenditure for public and private storage and 233,0 million ECU in premiums, mainly the calf premium and the suckler cow premium.

## 15. PIGMEAT

### 1. Introduction

The Community is the second-largest pigmeat producer in the world, after China. In 1984 pigmeat accounted for a larger percentage (41,7%) than any other meat of the total tonnage produced in the Community and for 11,1% by value of gross final agricultural production. In December 1984 there were in the Community altogether 79,5 million pigs, including 8,95 million sows, on about 1,862 million farms.

The importance of the pigmeat sector derives from its own dynamism, which is reflected in the increasing trend towards large production units requiring little or no farmland and in the concentration of production, irrespective of the size of the Member States, along the North Sea and English Channel and in northern Italy. The resulting structural change has meant a drop in the number of pig farms, with the gradual disappearance of the small farms keeping fewer than 200 pigs or 10 sows and an increase in the pig herd per farm. Herd size varies greatly from one Member State to another: in December 1983 it averaged 283 pigs per farm in the Netherlands, 277 in the United Kingdom, 179 in Denmark, 152 in Belgium, 114 in Ireland, about 50 in Germany, France and Luxembourg, 16 in Greece and only 10 in Italy. The Community average was 42 pigs per farm.

### 2. Production

In 1983 the Community produced 10,46 million t of pigmeat, 2,8% more than in 1982. Despite this sharp increase, production continued to rise in the first six months of 1984. It then began to fall off, so that in 1984 as a whole production was 10,55 million t, that is 0,8% higher than in 1983.

Successive increases have taken the pig population to record levels. The overall figure for December 1984 was 3,5% up on December 1983. Account being taken of divergent trends in pig numbers at national level, it is estimated that Germany has 29,5% of the Community population, the Netherlands 14,8%, France 13,8%, Italy and Denmark 11,3% each, the United Kingdom 9,8% and Belgium 6,7%.

### 3. Consumption

Although consumption rose from 10,21 million t in 1983 (37,5 kg per capita) to 10,29 million t in 1984 (37,8 kg per capita), it failed to keep pace with production, so that the degree of self-sufficiency rose from 102,4% in 1983 to 102,6% in 1984. However, consumption is expected to rise by a further 1,7%, reducing the degree of self-sufficiency to 102,0% in 1985.

Annual per capita consumption varies considerably from one Member State to another, ranging from 57,4 kg in Germany to 26 kg in Italy, 24,7 kg in the United Kingdom and only 21,9 kg in Greece. The degree of self-sufficiency shows an even greater variation: from over 300% in Denmark to around 75% in Italy, Greece and the United Kingdom.

### 4. Trade

Contrary to the trend over the past ten years, intra-Community trade decreased by 1,34% in 1984, when the quantities traded totalled 2,442 million t, as compared with 2,476 million t in 1983. These figures account for the bulk of world trade, including some two thirds of world exports.

INTRA-COMMUNITY TRADE IN PIGMEAT IN 1984 (1)

(tonnes)

From	To	BLEU	DENMARK	GERMANY	FRANCE	GREECE	IRELAND	ITALY	NETHERLANDS	UNITED KINGDOM	EEC
BLEU	X		533	71.362	176.105	5.005	507	64.456	27.104	20.225	365.297
DENMARK	632	X		79.508	46.119	10.145	789	42.747	419	262.870	443.229
GERMANY	27.118	619	X		17.799	20.091	-	43.275	11.475	16.292	136.651
FRANCE	13.942	93	9.294	X		522	23	18.108	369	2.461	44.812
GREECE	-	-	-	-	X		-	1	6	-	7
IRELAND	114	38	5.427	9.024	-	X		1.089	-	25.695	41.387
ITALY	2.324	27	20.875	9.933	208	13	X		1.775	1.335	36.490
NETHERLANDS	107.302	200	323.705	171.339	33.698	631	206.646	X		94.771	938.292
UNITED KINGDOM	562	133	25.647	3.552	70	38.042	163	1.515	X		69.684
EEC	151.994	1.634	535.818	433.871	69.739	40.005	376.485	42.645	423.649	2.075.849	

(1) Excluding fats and offal.

The above table shows that, in intra-Community trade, the smaller Member States (Netherlands, Denmark and Belgium) are the suppliers to the larger Member States (Germany, France, United Kingdom and Italy).

The trade balance with non-member countries has altered to the Community's advantage. In 1984 Community exports to non-member countries were 27,5% up on 1983, totalling 417.000 t as against 327.000 t. At the same time imports from non-member countries increased by 49% to 219.000 t, as compared with 147.000 t in 1983. Thus, in terms of quantity, the surplus of exports over imports increased by 10% in 1984, totalling 198.000 t as compared with 180.000 t in 1983.

The breakdown by type of product shows that the trend was less favourable in terms of value:

Tonnes	EXPORTS			IMPORTS			BALANCE		
	1983	1984	%	1983	1984	%	1983	1984	84/83
Live pigs	431	273	0,1	5.392	13.112	6,0	-4.961	-12.839	+159%
Meat and fats	107.764	169.896	41,4	48.386	91.377	41,6	59.378	78.519	+32%
Lard	23.789	10.053	2,4	29.610	50.490	23,0	-5.821	-40.437	+595%
Offal	24.039	29.180	7,1	50.146	50.665	23,1	-26.107	-21.485	-18%
Sausages, prepared and preserved meats	170.831	201.281	49,0	13.382	13.722	6,3	157.449	187.559	19%
TOTAL	326.854	410.683	100,0	146.916	219.366	100,0	179.938	191.317	+6%

Under the two headings which are by far the most important in terms of value, the Community further strengthened its position as a net exporter of both processed products, which account for nearly a half of all exports, and of fresh, chilled and frozen meat and fats.

The main market for preserved products is the United States whilst Japan is the largest buyer of meat. A huge range of processed products is exported to many different countries.

As in the past, the East European countries, led by Hungary, are the Community's main suppliers but mention should also be made of Sweden and, for offal and fats, Canada and the United States. Incomplete returns for 1985 show a rise in imports, which should return to their 1982 level, and a slight increase in exports, which could total 400.000 t.

## 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.

For 1983/84 the basic price was raised by 5,5% to 205,39 ECU/100 kg. For 1984/85, acknowledging the need for a cautious policy on prices, the Council lowered the institutional prices for all types of meat by 1%, so that the basic price was set at 203,33 ECU/100 kg. This price will remain at the same level in 1985/86.

#### - Sluice-gate prices

The sluice-gate prices, which are fixed every quarter, are considered to be the offer prices which are applied at the Community frontier by the most efficient producers under world market conditions and at which products from non-member countries may be imported without undercutting the price levels aimed at by Community market regulations. The sluice-gate prices depend largely on the world market prices for feed grain. Continued low prices for feed grain have driven the sluice-gate price down from 153,46 ECU/100 kg in August 1984 to 149,92 ECU/100 kg in August 1985. The sluice-gate price has been set to an even lower level of 136,40 ECU/100 kg for the period after 1 November 1985.

### (b) Market prices

Prices fluctuated widely in 1984 starting from a 144 ECU/100 kg low in January and attaining, with the help of private storage aid in the first six months of the year, highs of 170 ECU/100 kg in mid-year and 173 ECU/100 kg at the start of October 1984. Prices have since declined and fluctuated in a narrower band between 154 and 164 ECU/100 kg.

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Pig carcass prices

	1.11.81 31.10.82	1.11.82 31.10.83	1.11.83 31.10.84	1.11.84 31.10.85	1.11.85 31.10.86
<u>Basic price</u>					
absolute value	176,18	194,68	205,387	205,33	203,33
% change	11,00	10,51	5,50	- 1,00	0,00
<u>Market price</u>					
absolute value	161,38	153,69	159,41	157,73	
% change	15,10	- 4,77	3,72	1,05	
as % of basic price	91,60	78,9	77,6	77,6	
<u>Sluice-gate price</u>					
absolute value	132,33	124,99	152,12	152,58	
% change	0,60	- 5,55	21,71	0,30	

(c) Consumer prices

Consumer prices in 1984 have been less variable than producer prices. There has been a certain weakness in demand towards the end of the year as a result of increased supplies of cheap beef and of a beef publicity campaign. This interaction of the beef sector was due to changes in the milk sector resulting in an additional slaughter of milking cows.

6. African Swine Fever in Belgium

In the Spring of 1985 numerous outbreaks of African swine fever occurred in Belgium resulting in the destruction of 35,000 pigs and in 40,000 tons of meat to be stored, all originating from a limited area in Flanders. This meat, which might have been affected in certain cases by this extremely dangerous virus (very contagious for pigs and no vaccine available) cannot be marketed before it has undergone heat treatment in order to prevent further spread. Although the virus is harmless to humans, psychological barriers have made difficult the marketing of this meat.

7. The pig-market in non member countries

Of the "market economy" non member countries, the largest producers are in North America. In the United States, pig herds have fallen over the last two years after a peak level in 1983, which was quite near to the highest pig numbers recorded in the period 1979 to 1981. Consequently the output in pigmeat started to decrease slightly as from 1984 and pig prices moved up, although less than expected. In Canada, production has continued to increase at a moderate rate of 1 to 2% per annum since the beginning of the 80's and has caused some pressure on prices.

Of the countries with state run economies, China is the world's largest pig producer with an estimated yearly production between 12 and 16 million tonnes, according to various sources, indicating nevertheless that production has steadily grown since the end of the 70's. However, because of the huge internal demand, China is a marginal trader on the world market, except sales to Hong Kong. In Eastern European countries, the setback of pig supply in the early 80's seems to be overcome with an increasing offer in Poland, which remains the main producer after USSR, but still reluctant on the export side, and in the German Democratic Republic and Hungary, which are the main exporting countries to the Community.

### 8. Production costs

Production costs other than feed represent about 30% of the total cost of producing pig carcasses. As in previous years, these costs have been influenced by the general level of inflation and interest rates. Feed costs, on the other hand, have been moving towards lower levels since the middle of 1984, when the new harvest of Community grain and US soyabeans became available.

#### Variations in pigmeat and feed prices

: Member : State	: December 1984/1983		: September 1985/1984	
	: Pig carcasses	: Feed	: Pig carcasses	: Feed
: France	: 6 %	: - 10 %	: 0 %	: - 8 %
: Belgium	: 6 %	: - 6 %	: - 3 %	: - 6 %
: Netherlands	: 3 %	: - 12 %	: - 4 %	: - 9 %
: Germany	: 1 %	: - 8 %	: - 7 %	: - 4 %
: Italy	: %	: - 6 %	: %	: - 5 %
: United Kingdom	: 15 %	: - 11 %	: - 8 %	: - 1 %
: Denmark	: 15 %	: - 12 %	: - 6 %	: + 1 %

As can be seen in the table above 1984 has been on the whole very favourable for pig farmers with prices for feed falling and pig prices increasing. This improvement has slowed down in 1985 but has kept favourable conditions in absolute terms. It is expected that such favourable conditions will continue to encourage fast expansion in production resulting in lower market prices for pigmeat.

## 9. Outlook

Production of pigmeat in 1984 arrived at a level slightly above the high level of 1983. The year 1985 is expected to be a third consecutive year of elevated level of output about 1% above. A favourable and improving trade balance and some periods of low prices have prevented the creation of surpluses. However, these favourable conditions have resulted in high expectations on the part of pig farmers who have been increasing their reproduction herd at a rate which could lead to a 4.0% expansion of production for 1986.

Since the trade situation is tense at present and consumption does not seem to be able to absorb such strong increases, a reduction in pigmeat prices is forecast for 1986. However, its consequences on the profitability of pig farms might possibly be mitigated by low feed prices.

## 10. 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. From 55,8 ECU/100 kg in January 1984 they fell to 38 ECU/100 kg in February and again rose to 40 ECU/100 kg in August. After a year of stability and following fluctuations in the world feed grain prices levies increased to 41 ECU/100 kg in August 1985 and to 51 ECU/100 kg since 1 November 1985.

Additional amounts were generally reduced but maintained on certain products and countries of origin throughout 1984 and 1985 to date.

A general decline in export refunds since the beginning of 1984 was felt not to be sufficient for adjusting trade evolution. It was therefore decided to institute differentiated lower rates of refunds for certain products exported to the United States, Canada and Australia. This low level has subsequently further lowered, a consequence of the constant change of the value of the Dollar to the Community currencies. This measures has stabilized Community pigmeat exports although at a higher level than in previous years.

(b) Intervention

Private storage aid was reintroduced from 6 May to 19 July 1985. Such aid was granted in respect of nearly 35.000 t, thereby correcting a downward movement in price and restoring stability. Another 40.000 t had to be stored as a result of the outbreak of African swine fever in Belgium.

EAGGF Guarantee Section expenditure on pigmeat in 1984 totalled 195.9 million ECU, including 157 million ECU for export refunds and 38,9 million ECU for private storage aid, as compared with total expenditure of 145 million ECU in 1983 (refunds: 120,2 million ECU, private storage: 24,8 million ECU). For 1985 provision has been made for expenditure totalling 163 million ECU, i.e. 136 million ECU for export refunds and 27 million ECU for private storage aid.

The preliminary draft budget for 1986 sets aside 210 million ECU.

16. EGGS1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Eggs/livestock products	6,1%	5,3%	5,3%
Eggs/total agricultural production	3,5%	3,0%	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 76% 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, which in 1982 was the second largest egg producer in the world, after China and before the United States, was overtaken in 1983 by the Soviet Union. It remains the number one exporter, ahead of 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 1984 Community egg production (4,18 million t) was 0,3% down on the previous year. The very marked and repeated drop in prices in recent years in the period after Easter, led to a decrease of layer chick placings in 1983 and 1984. This began to have an appreciable impact on production from May 1983 onwards. During the first half of 1985, supply was slightly up on the previous year but during and after the summer it was distinctly down again.

Consumption rose slightly from 3,81 million t in 1983 to 3,85 million t in 1984. In most Member States this year there is a tendency for consumption to stagnate or to rise slightly. Favourable prices and advertising campaigns have not had the expected effect. Per capita consumption has remained unchanged for several years.

Intra-Community trade, accounting for one eighth of production, increased by 7,0% in 1984. Two thirds of this trade consisted of exports mainly from the Netherlands, Belgium and France to Germany. Italy was the second largest buyer in 1984.

The volume of trade with non-member countries in 1984 is estimated at 169.000 t: 133.000 t of exports and 36.000 t of imports. Exports of eggs for consumption were 23% down on 1983, not only to Middle East countries (Iraq, Saudi Arabia and Egypt), but also to Switzerland and Austria as these importing countries have been producing more eggs themselves. In 1985, exports have continued to decline, and a drop in the region of 13,5% on 1984 can be expected. Export of hatching eggs, on the other hand, are still showing an upward trend (+ 2,3% in 1984, + 15,2% in the first eight months of 1985).

Imports of eggs in shell, most of which enter the Community under inward processing arrangements (for re-export after processing), increased in 1982 and 1983. From 1984 onwards they have been falling by about 5,5% a year and the volume of these imports remains well below 0,5% of Community production. As regards hatching eggs (turkeys), purchases in non-member countries were well down in 1984.

### 3. Prices

In spite of the fall in Community supply in 1984, the egg market showed the traditional drop in prices after Easter. This was due primarily to the seasonal fall in demand and was accentuated by the decline in exports. Prices stabilized at the end of July, but during the second quarter the market situation remained unstable on account of a slight increase in supply in several Member States and the ever-present export difficulties. The tension eased somewhat as a result of the continued drop in feed prices. In the first nine months of 1985, the price situation improved progressively until Easter - although the price was about 17 ECU/100 kg below that recorded for the same month in the previous year - and then weakened without being able to pick up after the summer break. The situation therefore appears bleaker today than it did at the same time in 1984.

### 4. Outlook

Despite the disturbing market situation since Easter 1985, layer chick placings, which were declining at the beginning of the year, showed an upward trend this summer in some Member States. In the short term, Community supply can therefore be expected to expand very slightly or even stagnate, and persistent export difficulties could mean that the present crisis will not be overcome in 1986.

In the medium term, a very prudent production policy should be pursued, principally on account of declining per capita consumption in the Community and the limitations of the world market. The world market's absorption capacity is actually decreasing as production units are being set up in importing countries.

5. Measures taken under the common organization of the market

- (a) Sluicagate prices were reduced on 1 August 1984, 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.

Sluicagate prices and levies without changes since the 1st August 1984 were reduced again slightly on 1 August 1985 owing to the decrease in cereals prices on the world and Community market. On the 1st November 1985, sluicagate prices were reduced again..

- (b) Refunds on eggs in shell, were set at 15 ECU/100 kg on 21 September 1984 and at 20 ECU/100 kg on 1 November 1985 in view of the Community market situation.

Refunds on hatching eggs and egg products were adjusted in a similar manner on the same dates.

- (c) On 16 July 1985, a Commission Regulation, (EEC) No 1943/85 entered into force amending Regulation (EEC) No 95/69 as regards certain marketing standards for eggs. The new Regulation lays down detailed rules concerning the indication on small packs of the recommended selling date, the farming method used and the geographical origin of the eggs.

- (d) The Council continued its examination of the Commission proposal for a Community Directive on the protection of battery hens by the fixing of minimum standards common to all Member States.

6. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on eggs, all of which is for refunds, amounted to 20,4 million ECU in 1984 (0,2% of total guarantee expenditure). The figure entered in the 1985 budget is 35 million ECU and the estimate for 1986 is 36 million ECU.

17. POULTRYMEAT1. Introduction

The relative value of poultrymeat production is still fairly similar to that of eggs, i.e. together about 13% of livestock production and 7% of total agricultural production. The figures relating to poultrymeat are :

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Poultrymeat/livestock products	7,8%	7,8%	7,5%
Poultrymeat/total agricultural production	4,5%	4,4%	4,3%

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 1983, with 14% 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, ahead of Brazil, the USA and Hungary.

2. Production, consumption and trade

In 1984, total Community production (4,29 million t) fell for the second consecutive year since 1973 by roughly 0,4% compared with 1983 when a fall of roughly 2,6% had already been recorded compared with 1982. This decrease occurred mainly in France and Italy whereas production remained more or less stationary in the other Member States with the exception of Germany, the Netherlands and the United Kingdom, where it showed an increase.

Production of chicken meat showed a slight decline while the production of turkeys remained stationary and that of ducks rose by roughly 5,9%.

In 1984 the market in chickens continued to be affected by the fall in the demand for frozen chicken and the difficulties encountered by exporters on the world market.

In the majority of Member States slaughterhouses therefore continued to apply a cautious policy whilst disposing of a greater proportion of their output in the form of fresh products, cuts and preparations.

As regards consumption, a satisfactory increase of about 2,8% was recorded in 1984, which is expected to continue (+ 2,5%) in 1985. This trend, which was due mainly to the increasing success of fresh products as well as of new derived products (cuts and products processed from chicken and turkey meat), may have pushed up consumption per head of population by roughly 0,4 kg in 1984 and probably also in 1985.

Intra-Community trade in slaughtered poultry increased in 1984 but there was no change in the case of live birds. The decline in deliveries to Germany was offset by the continuation of trade with the United Kingdom.

Exports to non-member countries in 1984 totalled 337 000 tonnes, accounted for mainly by chickens (329 000 tonnes) for the Middle East and the USSR. This represents a very substantial fall (- 17%) compared with the previous year. The Community was able to maintain its position as world market leader but the overall volume, which had already fallen substantially in 1982, fell once again in 1984. In the first half of 1985, demand on the world market slackened again. As a result, exports from all the exporting countries decreased. As far as the Community is concerned, the loss of exports during the first eight months of 1985 probably amounted to 16%.

Imports represent 1,5% of consumption and comprise mainly geese and ducks from Eastern European countries (24 000 tonnes in 1984). Imports of turkey meat (including uncooked turkey preparations) decreased by 2 100 tonnes in 1984 as a result of increased offer prices for imported products.

In 1985 there was a further drop in turkey imports, particularly from the USA.

### 3. Prices

The trend in chicken prices in 1984 seems to have overcome the serious crisis on the market for frozen chickens, particularly in Germany, the Netherlands and Denmark.

After the fall in supplies in 1983 and 1984, satisfactory price levels were recorded again in the second half of 1984, a trend which continued and was even amplified during the first nine months of 1985. In particular, prices for fresh chickens and other birds showed appreciable increases between the end of 1984 and August 1985.

In 1984 consumer prices of chickens remained stable in the majority of Member States.

### 4. Outlook

Like 1983, 1984 was marked by a falling Community production, reflecting the change in consumer preferences which, for the last two years, have been shifting towards fresh products, cuts and preparations. This "revolution", which has been recorded with regard to turkeys and ducks, finally seems to have borne fruit. The increased supply of the new products seems to have adapted fairly flexibly to the pattern of demand, which has certainly contributed favourably to market stabilization.

The trend in 1985 seems to confirm a slight increase in supplies (+ 0,5%) and prices continue to be satisfactory given the low cost of feedingstuffs.

However, the fall in demand witnessed on the modern market (economic recession, rising domestic production in many importing non-member countries) and the negative impact of this phenomenon on exports is impelling slaughterhouses to show extreme caution as regards expanding their output.

This is particularly true for turkey, the increase in the prices of which has reduced its competitiveness with other types of meat, for which prices dropped. The turkey and chicken production should not show any increase in the short 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 reduced slightly on 1 August 1984 and 1 August 1985. Levies, which reflect the difference between Community and world market prices for feed grain, followed the opposite course.
- (b) In view of the Community market situation and the competitive situation on the world market, refunds for chickens remained unchanged at 13 ECUS/100 kg from 7 June 1984 until 1 November 1985, when they were raised to 18 ECU/100 kg.

6. Budgetary expenditure

Being limited to refunds, expenditure by the EAGGF Guarantee Section on poultrymeat amounted to 49,4 million ECU in 1984 (equivalent to 0,4% of total EAGGF Guarantee Section expenditure).

Expenditure provisionally stands at 89 million ECU for 1985 and is estimated at 90,0 million ECU for 1986.

## 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 1984 was 64 000 t, compared with 62 000 t in 1983 and 65 000 t in 1982. Silkworm rearing is virtually an Asian monopoly (58 000 t): China (35 000 t) and Japan (13 000 t) together account for 75% of world production.

Community production, which had been steadily declining in recent years due the fact that the rise in rearing costs had not been adequately offset one the market, experienced an upturn in 1984.

In 1984, 6 765 boxes were used compared with 5 460 in 1983 (+ 24%), 6 294 in 1982, 8 640 in 1981 and 11 100 in 1980. Cocoon production reached 208 t as against 143 t in 1983, 153 t in 1982, 224 t in 1981 and 308 t in 1980. The situation has improved both in Italy and in Greece.

For 1984/85 the amount of aid was fixed at 107,59 ECU per box (95,20 ECU in Greece), as against 106 ECU for 1983/84, a rise of 1,5%.

EAGGF guarantee spending on silkworms amounted to 0,6 million ECU in 1984.

19. SHEEPMEAT AND GOATMEAT1. Introduction

Sheepmeat and Goatmeat account for almost 2 % of the Community's final agricultural production. While sheep are raised on 600,000 farms throughout the Community sheep numbers are concentrated in just four of the Member States. The United Kingdom containing 39 % France and Italy 18 % each and Greece 16 % together make up 91 % of the Community sheep flock. Sheepmeat accounts for 42 % of all meat production in Greece 11 % in the United Kingdom and 7 % in both France and Ireland. For the Community as a whole the figure is about 3 %.

The Community with about 60 million head contains in the region of 7 % of the World sheep population. Its output of sheepmeat and goatmeat at approximately 730,000 t places it second after the U.S.S.R. (850,000 t) in terms of world production at 12 % of the total but before New Zealand (670,000 t) Australia (580,000 t) India (490,000 t) China (400,000 t) and Turkey (380,000 t).

The common organisation of the market in sheepmeat and goatmeat came into effect on 20 October 1980 (Regulation (EEC) No 1837/80 of 27 June 1980).

A report of the functioning of the common organisation of the market in sheepmeat and goatmeat (COM(83) 585 final) was presented to the Council by the Commission on 31 October 1983.

A special report of the Court of Auditors on the operation of the common organisation of the market in sheepmeat was published on 4 September 1984. (Special report No 2/84 of the Court of Auditors).

2. Production(a) Sheep and Goat numbers

The number of sheep in the Community has risen almost without interruption since 1972 (1) and reached 61 million in December 1984 including 42.9 Million ewes. The rate of increase at 1.0 % was lower than in 1983 and varied somewhat between the Member States. Numbers fell by 3.6 % in France but rose in all other Member States. Germany recorded a 6.7 % increase followed by Ireland 6.0 %, the Netherlands 4.0 %, Belgium 3.1 % and the United Kingdom 2.2 %. Ewe numbers on the other hand decreased by 0.3 % in 1984.

Goat numbers reached 7.0 million in December 1984 a decrease of 9.0 % on 1983 due to decreases in Greece, France and Italy the three main producing countries.

(1) The only exception was in 1975. The annual rate of increase from 1973 to 1980, the period just prior to the common organisation of the market was 1.2 %. From 1980 to 1984 the rate of increase was 1.8 %.

(b) Production of sheepmeat and goatmeat

In 1984 production in the Community at 725,000 t was up 0.6 % on 1983. It dropped by 19.1 % in the Netherlands, 2.3 % in France, 0.7 % in the United Kingdom due to a large carryover of lamb into 1985. Rose by 8.4 % in Greece, 3.8 % in Italy and 2.5 % in Ireland but was static elsewhere. The underlying trend in production is upward since 1970 and the annual rate of increase in it from 1973 to 1983 was 2.4 %.

3. Consumption

Consumption in 1984 at 955,000 t was unchanged from 1983.

Average annual consumption per head in the Community in 1984 was 3,5 kg. Greece accounts for the heaviest consumption with 14,3 kg per head per year, followed by the United Kingdom 7,5 kg and Ireland 7,4 kg, France 4,2 kg, BLEU with 1,8 kg and Italy 1,5 kg. Consumption is less than 1 kg per head in other Member States.

The long term trend in consumption is unchanged at Community level. However, the trend is downwards in both the United Kingdom (although there has been a tendency for this to level out since the establishment of the common organisation of the market) and Ireland, but upward in the other Member States.

4. Trade

(a) Non Community Countries

In 1984 imports into the Community amounted to 247,300 t down 1.3 % from 1983. However imports from New Zealand at 200,400 t were up 3.1 % while imports from Australia and Argentina were down by 48,8 % and 7,5 % respectively. The United Kingdom with imports of 170,400 t accounted for 69 % of the total, while small increases in imports were recorded in Italy, Belgium, the Netherlands and Denmark. Imports into Greece were down by 18.6 % and into Germany by 14.4 %.

Exports from the Community reached 4,800 t in 1984 a rise of just 2.6 %. The United Kingdom despite suffering a drop of 8.6 % still accounted for 64 % of total exports.

(b) Intra Community

In 1984 intra-Community trade was 99,300 t an increase of 3.7 % on 1983. The United Kingdom with 52,300 t supplied 53 % while France with 63,500 received 64 % of the trade.

5. Prices

(a) Institutional prices

For the 1985 marketing year.

- The basic price was fixed at 428,04 ECU/100 kg thus remaining unchanged from 1984/85.
- The intervention price was fixed at 363,83 ECU/100 kg and the derived intervention price (Ireland) at 344,32 ECU/100 kg.
- The seasonal adjustment of the basic price was modified slightly to allow a better adaptation of the usual seasonal changes on the Community market to production costs. The scale of the seasonal variation remains at 12 % above and below the basic price. The minimum is now in August and September instead of July, August and September as was the case for 1984/85.

(b) Market

In 1984 the average Community market price increased marginally by 0.8 % to reach 372.741 ECU/100 kg. As the 1983 price was unchanged from 1982 the price has now remained virtually static since 1982. However there were very appreciable differences in both price and rate of price change in the various Member States as follows.

	<u>ECU/100 kg</u>	<u>Variation from 1983 %</u>	<u>National Currency Variation from 1983 %</u>
Germany	340.321	- 3.8	- 4.7
France	404.895	- 5.2	0.2
Italy	429.440	- 3.8	2.5
Netherlands	383.215	4.2	3.5
Belgium	422.238	- 0.2	3.7
United Kingdom	284.546	9.6	9.6
Ireland	323.925	- 5.5	- 1.2
Denmark	308.563	9.0	10.8
Greece	508.224	2.3	19.4

In 1984 there was a significant trend towards the alignment of prices between Great Britain and France compared to 1983 in response chiefly to changes in the seasonal scale of the basic price in the 1984/85 marketing year.

	1980	1981	1982	1983	1984	1985*
British price as a percentage of the French price.	63	70	69	60	70	77

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\* Preliminary.

## 6. Outlook

The following can be expected for 1985.

### (a) A further rise in the total number of sheep in the Community

To reach 61.6 million head, the rise is likely to be highest in Ireland and Germany at 7 % each followed by the United Kingdom 2.2 %, and Italy and Greece at 1 % each.

### (b) An increase in Community production (2.7 %)

Increases in production in Ireland (12 %), and also in the United Kingdom (4.0 %), are expected to result in a production level of 745.000 t in 1985. Production is expected to remain static in other Member States.

### (c) An increase in Community consumption (1.2 %)

(A rise of 12.000 t to 967.000 t). This is due largely to an expected increase in French consumption of 0.8 %.

### (d) A decrease in the Community's deficit

The balance in recent years has been as follows :

	<u>Deficit (consumption)</u> <u>less production) t</u>	<u>Self-sufficiency</u> <u>%</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	252.000	74,0
1984	237.000	75,6
1985 (estimate)	222.000	77,0

(e) No change in imports from non-Community countries

Under the 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 1985 the non-Community countries in Europe will be exporting amounts close to the agreed limits. On the other hand, Australia, Argentina, Uruguay and Chile will be well below the limits while New Zealand, the major supplier is expected to export 200,00 t of its 245.500 t quota. Total Community imports then are expected to reach 248,000 t in 1985.

(f) A decline in the average Community market price (- 1 %)

The Community average market price is expected to reach 369 ECU per 100 kg. The price thus remaining virtually static in the period 1982-1985. However prices are likely to rise by 6 % in Belgium, 5.5 % in Denmark, 3.5 % in Italy and 2.5 % in the United Kingdom while dropping by 7.5 % in Ireland, 6 % in France and 5 % in Greece.

7. Supply balance for 1985

For 1985 the supply balance is estimated as follows :

Gross indigenous production	745,000 t
Total consumption	967,000 t
Consumption/production deficit	222,000 t
Import/export deficit	243,000 t
- Imports from non-Community countries	248,000 t
- Exports to non-Community countries	5,000 t
- Changes in stocks	+ 21,000 t

8. Economic aspects of measures taken under the common organisation of the market

(a) Variable premium (Great Britain only)

The total paid under the variable premium scheme in the 1984/85 marketing year was 225 MECU, as against 283 MECU in 1983/84. This amounts to an arithmetic mean of 85.64 ECU/100 kg, a decrease of 6.7 % over the previous year and represents 29.02 % of the average market price in Great Britain in 1984/85.

In the week beginning 11 June 1984, the premium reached its maximum of 154.195 ECU/100 kg, thus equalling 68 % of the market price in the same week !

(1) Including 2.290 t granted under the autonomous quota for non-Community countries which have not concluded such agreements.

(b) Ewe premium

Changes introduced at the beginning of the 1984/85 marketing year divided the Community into a number of regions for the purposes of price formation and hence ewe premium calculation (1). Additionally ewemeat was excluded from the calculation of the premium, the contribution of ewemeat to total sheepmeat production being estimated at 15 %. Premiums were fixed for all regions and amounted in all to 258 MECU.

The amount of the premium payable in each region was as follows :

	<u>Premium, ECU per ewe</u>	<u>Total in MECU*</u>
Region 2	5.955	42
Region 3	14.312	18
Region 4	21.301	45
Region 5	7.570	105
Region 6	24.237	18

In Region 1 the same level of premium per ewe for ewes deemed eligible for premium, was payable as in Region 2. Total payments amounted to 30 MECU.

The principal beneficiaries of the ewe premium were the United Kingdom 123 MECU, Ireland 45 MECU and France 42 MECU.

By way of comparison the amount granted in 1983/84 was 220 MECU of which the United Kingdom received 167 MECU, Ireland 35 MECU and Germany 11 MECU.

On these bases the total cost of premiums (ewe premiums and variable premiums) can be summarised as follows :

1983/84 - 480 MECU  
1984/85 - 448 MECU

The variable premium clawback on exports from Great Britain to other Community destinations have been deducted from these totals (2).

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\* Estimate.

(1) Regions were made up as follows : Region 1, Italy and Greece. Region 2, France. Region 3, Belgium, Denmark, Germany, Luxembourg and the Netherlands. Region 4, Ireland. Region 5, Great Britain. Region 6, Northern Ireland.

(2) Clawback amounts : 1983/84 - 25 MECU; 1984/85 - 35 MECU.

## 20. Products not subject to common market organization

### 20.a. Alcohol

#### Introduction

There is still no market organization for agricultural alcohol in the Community.

#### Production

Production of agricultural alcohol in the Community in 1984 (or the 1983/84 marketing year) was still at a peak. As in the previous year, it was marked by a very high output of vinous alcohol resulting from large-scale Community wine distillation operations. Over the last few years, large stocks have accumulated in Italy, which pose a constant threat to the market.

#### Consumption

The same observations are to be made as for the previous year. Consumption is tending to level out as purchasing power in the Community stagnates. Human consumption remains stable or is showing a slight fall. Industrial use is not increasing.

#### Prices

Prices are becoming more and more erratic. Sales of French alcohol at low prices have destabilized the markets of the other Member States.

#### Trade

Trade consists mainly of exports of French agricultural alcohol to the other Member States and synthetic alcohol produced in the United Kingdom being sent to the other Member States.

#### Outlook

In the absence of a common resolve to establish a Community market organization, the Commission has had to introduce a countervailing charge on French agricultural alcohol. The effect of this charge has been to restrain trade in such alcohol, especially since its level was raised from 4 ECU/hl to 7,5 ECU/hl..

#### Expenditure

Still for the record, but it should be borne in mind that the cost of producing vinous alcohol is continuing to increase dangerously. The disposal of such alcohol is posing problems from the point of view of both quantities and prices. The Commission has proposed disposing of surpluses of vinous alcohol in the fuel sector but such a solution, which has not yet been applied, will require a not inconsiderable amount of additional aid.

## 20b. POTATOES

### 1. Introduction

There is no common organization of the market for potatoes. However, 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 early potatoes.

Products such as potato starch<sup>1</sup>, dehydrated potatoes<sup>2</sup> and products processed from potatoes<sup>3</sup> are already subject to a common organization. The marketing of seed potatoes is subject to a Council Directive<sup>4</sup>.

### 2. Production

According to FAO statistics, the world harvest in 1984 was 312 209 000 tonnes. Community production, at 34 746 000 tonnes in 1984, accounts for about 11% of world production. The average yield per hectare in the EEC is almost double the world average.

The value of potato production represented 2,7% 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 hectares in the Netherlands, 0.4 hectares in France and 0.3 hectares in Italy.

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<sup>1</sup> Regulation (EEC) No 2727/75, 29.10.1975, OJ L 281, 1.11.1975.

<sup>2</sup> Council Regulation (EEC) No 1117/78, 22. 5.1978, OJ L 142, 30. 5.1978.

<sup>3</sup> Council Regulation (EEC) No 516/77, 14. 3.1977, OJ L 73, 21. 3.1977.

<sup>4</sup> Consolidated version of the Council Directive of 14. 6.1966, OJ L 66, 8.6.1974, p. 35.

Since 1951/55 the total area under potatoes in the EEC has dropped by about 69%: from 3 512 000 hectares in 1951/55 to 1 083 000 hectares in 1984. Because of the increase in yields per hectare, however, production has fallen by only 44% (from 61 957 000 tonnes in 1951/55 to 34 746 000 tonnes in 1984).

The Community is basically self-sufficient but there have been supply problems following very dry years.

The area under early potatoes showed an increase in 1984 compared with 1983 (114 000 hectares as against 110 000 hectares) and production remained above 2 million tonnes. There continues to be a shortfall, about 380 000 Tonnes being imported into the Community every year.

The area under seed potatoes in the EEC in 1984 remained at around 100 000 hectares. About 2,6 million tonnes 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 4,6 million tonnes of 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 22% of total human consumption.

#### (a) Human consumption

Per capita consumption of unprocessed potatoes is more or less stationary. After a sharp drop in 1976/77 as result of the shortage caused by the 1976 drought (69.1 kg per capita) it climbed to 76.2 kg in 1982/83 and 73.5 kg in 1983/84.

(b) Animal consumption

The quantity fed to livestock ranges from about 2 million to about 7 million tonnes, depending on the volume of the harvest. In 1983/84 it was 1 962 000 tonnes: 974 000 tonnes in Germany, 200 000 tonnes in France, 184 000 tonnes in Italy, 310 000 tonnes in the Netherlands, 148 000 tonnes in the United Kingdom and 58 000 tonnes in Ireland.

(c) Products processed for human consumption

Consumption of products processed from potatoes (about 4.6 million tonnes in 1984) is continuing 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 maincrop and seed potatoes absorbs 8 to 10% of total production while for early potatoes the figure is around 20%. The net exporters are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports early potatoes. Italy exports early potatoes and imports seed potatoes and maincrop 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 other countries are importers.

Trade with non-EEC countries is mainly in seed potatoes and early potatoes. Seed potatoes are exported to South America, Africa and Asia and early potatoes are imported from the countries around the Mediterranean. Exports of seed potatoes stand at roughly 400 000 tonnes whereas around 380 000 tonnes of early potatoes are imported.

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 1984, the harvest was normal: 34.7 million tonnes as against 28.3 million tonnes the previous year. The 1984/85 marketing year therefore began with prices well below those of 1983/84: at Rotterdam 8.41 ECU/100 kg for Bintje + 50 mm (20.59 in 1983); at Arras 8.15 ECU/100 kg for Bintje + 35 mm (16.73 in 1983). During the autumn prices fell and in mid-January 1985, despite the freezing weather, prices were as follows: at Rotterdam, 7.85 ECU/100 kg for Bintje + 50 mm (25.14 in 1984); at Arras 10.98 ECU/100 kg for Bintje + 35 mm (20.07 in 1984). During the winter the fall in prices continued and the marketing year ended with extremely low prices: at Rotterdam 6.80 ECU/100 kg on 17 June 1985 for Bintje + 50 mm (37.81 in 1984); at Arras, the last prices were recorded on 17 June: 3.10 ECU/100 kg for Bintje + 35 mm (29.82 at the end of April 1984).

The modest prices for maincrop potatoes also caused a drop for early potatoes, which were sold at prices well below those of 1984. The trend in prices in 1985 has once again confirmed the close link between the marketing year for maincrop potatoes and the marketing year for early potatoes.

## 6. Outlook

The 1984/85 marketing year was therefore a year of abundant production, normal exports and very modest producer and selling prices. Provisional figures, however, indicate that the area under potatoes in 1985 has remained almost stationary: 1 083 000 hectares as against 1 073 000 hectares in 1984.

The harvest is satisfactory in all countries of the Community. The Rotterdam market began with prices even lower than those recorded last year: on 9 September 1985, 5.55 ECU/100 kg for Bintje + 35 mm (6.53 ECU in 1984); at Arras for Bintje + 35 mm 4.22 ECU/100 kg (8.15 ECU in 1984).

## 7. Economic aspects

On account of the very low prices, support measures were taken in some Member States last year. In France, for example, support was granted to producers of early potatoes because of the bad marketing year.

20.c. 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 1983/84, the Community produced 64.000 tonnes of honey and imported 110.000 tonnes. 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), rose again in 1983/84 in some Member States, particularly Germany and France.

The Community is only 38% self-sufficient but the situation varies widely among the Member States. Greece is the only 100% self-sufficient country. 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 (64% of the Ten's imports), followed by the United Kingdom (17%). Imports are mainly from Latin America, China, Eastern European countries and Australia.

3. Common measures to assist bee-keeping

The aid scheme for bee-keeping introduced by Council Regulation (EEC) No 1196/81 covered the three marketing years 1981/82, 1982/83 and 1983/84. Most of the aid was used to purchase feeding sugar and it was only in France that more than half of the aid was used for general measures to improve production and marketing structures.

The aid scheme was not reintroduced in 1984/85. In its report to the Council on bee-keeping at the end of 1984, the Commission suggested that there no longer seemed to be any justification for granting direct aids, particularly in view of their limited economic effect, but that bee-keepers should be assisted by means of the common measures already existing in the field of structural policy. The Council shared its conclusions by taking note of the report.

In order to combat a disease of bees which threatens all of Europe, an ad hoc research programme into varroasis was begun in 1984 on a European scale. Research into the disease will be continued under the 5-year programme for the coordination of agricultural research.

C. SURVEY OF CERTAIN GROUPS OF SECTORS

21. ANIMAL FEED

1. Supply and consumption of raw materials for feedingstuffs in 1984

The tasks and problems of animal feed within the framework of the CAP and its influence to it are becoming more and more important. It is not the sole reason why human consumption of cereals is stagnating over the last few years in all developed countries which means that the increased output of cereals, mainly wheat, could be absorbed only in the animal feed sector. But it is also a fact that :

- exports to third countries became increasingly problematic (balance of payments difficulties - developing countries - or ambitious export programmes of other exporters e.g. US Bicep Programme);
- steadily increasing harvests due to biochemical developments;
- large carry-over stocks and heavy burden of financing.

Speaking of animal feed it should be borne in mind that more than 50% is used for animal production in the form of non-commercial products i.e. green fodder (corn cob mixed etc.). No valuable statistical background figures or statistics exist concerning their commercial value.

The composition of the so-called commercial animal feeds (concentrate feed) can be put as follows : 51% cereals, 26% protein rich products, 23% substitutes and others, of which only 11% of the so-called cereal substitutes by definition of the EEC.

As far as development of imports in the Community from 1975 to 1984 are concerned, it can be recognized that :

- (a) imports of cereals decreased from 24 to 8 million t, = - 69%;
- (b) imports of protein rich products increased from 13 to 22 million t = + 72%;
- (c) imports of substitutes increased from 7,8 to 16,6 million t = + 113%.

Animal feed consists of three elements :

- (a) cereals, mainly coarse grains and feed wheat;
- (b) proteins, i.e. soyameal, rapeseed, beans, peas and lupins, etc.;
- (c) cereal substitutes of which manioc and corn-gluten feed (CGF) play the main role.

As far as the cereal element is concerned it must be taken into account that the Community is expecting another relatively large crop which will be more difficult to digest than 1984 since :

1. carry-over stocks are higher than ever before (about 18 million t);
2. additional absorption by animal consumption is very unlikely in view of the uncompetitiveness vis-à-vis substitutes and soyameal;
3. export possibilities decreased in view of the already abovementioned reasons.

Concerning protein products, it must be recognized that the usage of proteins in animal feed can actually be put at approximately 26%. Imported products rich in protein rose between 1976 and 1984 from 13 to 22 million t or by 72%.

Since 1974 the Community has steadily increased its own production, mainly in rapeseed, peas and beans, although the quantities imported went up much more than our home production.

The production within the Community developed as follows :

	<u>1974 (t)</u>	<u>1985 (t)</u>
1. Rapeseed	500.000	3.600.000
2. Peas	220.000	1.700.000
Beans		500.000
3. Sunflower	<u>700.000</u>	<u>1.700.000</u>
	1.420.000	7.500.000

The availability of protein feed grown in the EEC in 1985 will be about 7,5 million t, which means a considerable quantity in comparison with ten years ago, but the deficit in rich protein products remains about the same as imports increase accordingly.

As far as substitutes are concerned, it must be noted that the usage of cheap wheat in compound feed in 1984 by reason of attractive prices and high producer prices for manioc and soya products led to the first halt in the steady upward trend since 1974. However, in the meantime, up until July 1985, the situation changed again in favour of the so-called classical mixture soya products-manioc. The main reason for this development has been the relatively low prices for soya products and manioc.

## 2. Short-term outlook

World crop prospects are very favourable so that a record cereal output in 1985/86 is becoming increasingly likely. The FAO forecast of production has been put at 1,83 million t. This is 34 million t more than last year's harvest.

For development of world production within the last three years see Table 1 below :

Table 1 : World cereal production

	(millions t)			
:	: 1983	: 1984 (estimated)	: 1985 (forecast)	:
: Wheat	: 495	: 523	: 514	:
: Coarse grains	: 697	: 811	: 848	:
: Rice (paddy)	: 450	: 468	: 474	:
: TOTAL	: 1.642	: 1.802	: 1.836	:

Source: FAO, September 1985.

The forecast of cereals supplies in 1985/86 has been put to 1,98 million t. Compared with 1984/85, world supplies of wheat and coarse grains in 1985/86 are forecast to rise by 3 million t and 60 million t respectively, while the supply of rice would increase by 11 million t. The increase of coarse grains is remarkable.

World production of oilmeal proteins in 1985 is forecast to increase considerably also to 50 million t, 12% higher than in 1984, mainly due to an increase of soya bean production of about 12% in 1984, mainly in the USA but also in Brazil (+ 2 million t and Argentina, + 1 million t).

The so-called cereal substitutes utilization within the Community became more interesting within the last time due to favourable prices in manioc, corn-gluten feed and soyameal and on the fact that wheat and barley became too expensive for usage in most of the Member States of the Community. Even with recent price increases for manioc and corn-gluten feed the advantage of the mixture of manioc - soya is remarkable in comparison with the usage of cereals.

The highest increase can be recognized with coarse grain as shown in Table 2.

Table 2 : World coarse grain production

	(millions t)		
	1983	1984 (estimated)	1985 (forecast)
Asia	161,5	166,3	167
Africa	44,7	44,0	54
Central America	21,9	24,4	25
South America	42,5	45,4	49
North America	158,1	259,1	281
Western Europe	98,1	116,0	111
Eastern Europe	55,4	60,8	57
USSR	105,8	84,0	95
Oceania	9,2	10,5	9
WORLD	697,3	810,5	848
Developing countries	265,6	274,6	286
Developed countries	431,7	535,9	562

Source: FAO, Food Outlook, September 1985.

Early world trade estimates of the requirements of major importing countries in 1985/86 point to a sharp decline in global trade in grain. FAO's provisions forecast of world imports of wheat and coarse grains for the 1985/86 (July/June) season is 190 million t, 17 million t or 8% less than in 1984/85. However, this forecast is still tentative, reflecting current prospects of larger harvests in some importing countries, slow economic growth in industrialized countries and continuing constraints on the ability to import of many developing countries.

World trade in wheat in 1985/86 is currently forecast at 97 million t, 8% less than in 1984/85.

International trade in coarse grains in 1985/86 is presently forecast at 93 million t, 9 million t lower than in 1984/85, which mainly reflects the sharp decline in the imports of the USSR and some reductions in Africa and in Western Europe.

World stocks of cereals are expected to rise sharply to record levels in 1985/86 to 340 million t, over 11% above last year's level, and 5% above the previous peak reached at the end of 1982/83. At this level, stocks would be the equivalent of 20% of expected consumption in 1986/87. The rise in stocks this season is expected to be entirely in coarse grains.

The development of supply utilization of wheat and coarse grains within the major exporting countries is shown in Table 3.

Table 3 : Major exporting countries  
Supply/utilization

	(millions t)		
	1983/84	1984/85 (estimated)	1985/86 (forecast)
<u>WHEAT</u>			
Opening stocks	66	63	72
Production	186	200	185
Imports	3	3	3
<b>Total supply</b>	<b>255</b>	<b>266</b>	<b>260</b>
Domestic use	93	96	95
Exports	99	98	91
Closing stocks	63	72	73
<u>COARSE GRAINS</u>			
Opening stocks	108	37	53
Production	189	291	317
Imports	3	4	1
<b>Total supply</b>	<b>301</b>	<b>332</b>	<b>371</b>
Domestic use	184	201	207
Exports	80	79	75
Closing stocks	37	53	89

Source: FAO,

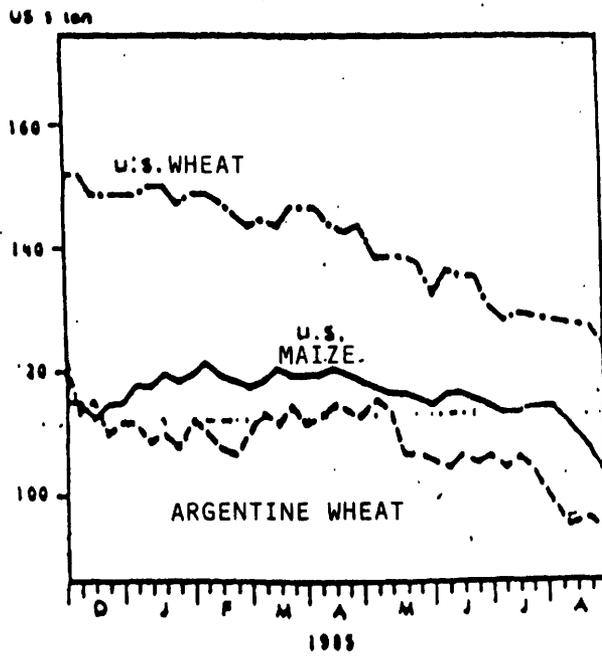
#### 4. Prices

Export prices of US wheat and maize continued to decline over the month, reflecting abundant supplies in major exporting countries and prospects for larger harvests in several importing countries. With ample global supplies of cereals anticipated in 1985/86, prices are likely to remain low in the months ahead. For development see Graphic 1.

Graphic 1

GRAPHIC 1

(weekly quotations)



Food Outlook, September 1985

## 22. MEAT

### 1. Introduction

In 1983, production of all types of meat accounted for 33% of final agricultural output and was thus the Community's major agricultural activity. Its importance is underlined by the fact that 60% of the cereals used are fed to animals, mainly for the production of meat, while only 25% go for human consumption;

On the world scale, the Community accounts for about one-sixth of total meat production, occupying third place among the world's leading meat producers, just behind China and the USA.

### 2. Production

In 1984, gross Community production of meat (all types, including edible offal) increased by a further 2% compared with 1983, thus exceeding the average for the previous three years (24.2 million tonnes) by 4.5%.

This increase is to be explained chiefly by a cyclical rise in beef/veal production (+ 8.7%) caused by the slaughtering of cows as a consequence of the measures to limit milk production taken in spring 1984. Whereas the production of pigmeat (+0.9%) and sheepmeat (+0.6%) increased slightly, production of poultrymeat fell by a further 0.5% in 1984 due to the difficult competitive situation on the world market.

For 1985, a further reduction of roughly 0.7% in gross overall production of meat in the Community can be expected. However, this general trend should result from a fall in beef/veal production (-4.7%) which is greater than the increase in production of all other meat together (pigmeat +1.1%, sheepmeat +2.8%, poultrymeat +1.4%).

The substantial reduction in supplies of beef/veal is due to the liquidation of breeding stock accentuated by the measures taken on the milk market. While the supply of pigmeat shows a cyclical progression, production of sheepmeat is also expected to increase, particularly in Ireland and the United Kingdom, whereas poultry production should pick up again after two years of decline.

### 3. Consumption

In the period 1981-83, meat consumption per head of population was below the level reached in 1980 mainly due to the economic recession. After a slight recovery in 1983, it rose again in 1984 to 90.5 kg (+2%), thus exceeding the 1980 level by almost 1 kg. The three main types of meat - pigmeat, beef/veal which recovered in 1984 as a result of the fall in market prices.

The further growth of consumption will depend above all on economic revival, which conditions the incomes of consumers and on the comparative prices of the different types of meat. The estimates currently available indicate that overall consumption could increase in 1985 and 1986. For 1985, the rates of increase will be between 1% and 2% for pigmeat and poultrymeat but consumption of beef/veal is also expected to increase again in 1985 and 1986.

### 4. Trade

Intra-Community trade in the various types of meat is conditioned first and foremost by the difference between Member States from the point of view of self-sufficiency, so that it is linked to the respective degrees of concentration of production and/or consumption. The volume of intra-Community trade is greater in the pigmeat and beef/veal sectors, where it accounts for 20% of total Community consumption, than in the sheepmeat (10%) and poultrymeat (9%) sectors.

Whereas for beef/veal and pigmeat the higher figure indicates more uniform levels of consumption (beef/veal: 23-33kg in all the big countries) and/or some specialization in production of specific types of meat (bacon, store cattle, high quality beef), for sheepmeat as well as for poultrymeat there is a high production level in the main consuming countries.

After 20 years of growth from the establishment of the EEC, intra-Community trade is, generally speaking, slackening off at about one-sixth of total consumption. This follows a period of more rapid expansion after the 1973 enlargement.

As regards trade with non-member countries, the situation in recent years has remained fairly balanced, with the EEC becoming a net exporter of meat for the first time in 1981. This situation could be attributed to the growth of poultrymeat exports, the stability of pigmeat exports, the emergence of beef/veal surpluses in 1980/81 and a simultaneous decline in sheepmeat and horsemeat imports.

After a more or less balanced situation as regards meat in 1982 (all types but excluding offal), an upward trend in the net export figures was to be seen in 1983 and 1984. This development was due mainly to the performance of the beef/veal and pigmeat sectors, where exports increased further. By contrast, poultrymeat exports showed a decline after 1981 caused by a drop in demand and the difficult competitive situation on the world market.

It should be stressed, however, that the EEC has not only become a major exporter of poultrymeat, beef/veal and pigmeat, penetrating new markets in the Middle East (poultrymeat, beef/veal) and the Far East (pigmeat) but also supplies poultrymeat, pigmeat and beef/veal to regions with a longstanding tradition of stockfarming which have become dependent on supplies from abroad owing to the in agro-economic difficulties. The fact remains though that the EEC is also one of the world's biggest importers of beef/veal and sheepmeat, with respect to which it has concluded various preferential agreement both with industrialized countries such as Australia and New Zealand and developing countries in Africa and South America.

23. OILS AND FATS1. 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 tallow 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 1983 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>	<u>1983</u>	
	<u>Quantity (1000 t)</u>	<u>(%)</u>
1. Vegetable oils and fats	4.413	59
2. Oils and fats of land animals	1.376	18
3. Oils and fats of sea creatures	378	6
4. Butter	<u>1.298</u>	<u>17</u>
TOTAL	7.465	100

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, lard for human consumption 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 accounted for about 64% of the quantity of oilseeds crushed in the Community in 1984. It is processed mainly into oilcake, which accounts for 80% of its volume. Soya oil is a secondary product which, with 1.352.000 t consumed in 1984, accounts for around 29% of Community vegetable oil requirements. Of our consumption of vegetable oils, 68% comes from oilseeds crushed in the Community, the remainder being imported in the form of oil. Of the total quantity of seeds crushed (14.627.000 t) in 1984, about 34% were of Community origin.

According to Fediol statistics, the production of vegetable oils in the EEC, not including olive oil, was 3.786.000 t in 1984.

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 - may be estimated at 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 was about 116.000 t in 1984.

Butter production between 1981 and 1983 increased by 345.000 t (18%) but after the introduction of the quota system as from April 1984 production in the first quota year dropped by 245.000 t.

### 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) decreased from 28 kg per head in 1977 to 23 kg per head in 1983.

Apparent human consumption of oils and fats of land animals has declined to 5 kg/head in 1983 from 7,5 kg/head in 1975. Consumption of oils and fats of sea creatures has decreased from 458.000 t in 1977 to 378.000 t in 1983.

The Community produces far more butter than it consumes. Nevertheless, it imports around 82.000 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. Total exports have declined over the last four years from 530.000 t in 1981 to 380.000 t in 1984. Normal commercial exports have declined from 467.000 t to 235.000 t over the same period.

Due to the relative negative development in production, consumption and exports since 1981, the public butter stocks have increased considerably from 137.000 t at the end of 1981 to 841.000 t at the end of 1984.

### 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 as compared to prices for vegetable oils, lard, tallow and oils of sea creatures. The price of soya oil tends to dictate the trend for the other products.

Table II

Selected oil prices (average Oct/Sept) (US\$/t)

	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>
Soya oil (Netherlands, FOB ex mill)	613	540	463	463	722	625
Lard (CIF UK)	671	601	601	504	555	583
Tallow (United States CIF Rotterdam)	503	474	443	408	509	465
Fish oil (all origins CIF n.w. Europe)	449	427	363	349	391	299