

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 10 final  
BRUG

Brussels, 27 January 1982

## COMMISSION PROPOSALS

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on the fixing of prices for certain agricultural products  
and on certain related measures (1982/83)

(presented by the Commission to the Council)

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VOLUME I  
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Explanatory Memorandum

COM(82) 10 final



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VOLUME I  
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Explanatory Memorandum

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PRELIMINARY REMARKS

1. This document contains the proposals concerning the fixing of prices for certain agricultural products for the 1982/83 marketing year, and related measures.
2. The Commission's proposals are based on the guidelines for agricultural policy set out in its report on the Mandate (COM(81) 300 of 24 June 1981) and more particularly in its memorandum Guidelines for European Agriculture (COM(81) 608 of 23 October 1981).
3. The proposals also take account of the Commission's communication and proposals concerning certain Mediterranean products - fruit and vegetables, citrus, olive oil and wine - in the context of enlargement of the Community (COM(81) 403, 402, 610 and 408). In addition, the Commission recalls its communication to the Council concerning the negotiation of framework agreements for the multiannual supply of agricultural products (COM(81) 429) which will soon be followed by formal proposals for negotiating directives with certain third countries.
4. The Commission has formulated its proposals in the light of the information gathered in its memorandum Guidelines for European Agriculture as well as in the 1981 Report on the Situation of Agricultural Markets (COM(81) 822) and in the 1981 Report on the Agricultural Situation in the Community, published in conjunction with the fifteenth General Report on the activities of the European Communities.
5. The present document contains three parts. Volume I includes the general explanatory memorandum and the explanatory memorandum for individual products, as well as the table of price proposals and agri-monetary measures. Volume II presents the financial implications. Volume III contains the legal acts concerning the prices and related measures.

INTRODUCTION

6. The beginning of 1981 was marked by the accession of Greece to the Community. In Greece thirty per cent of the labour force is engaged in farming and nearly half of its production consists of fruit, vegetables, olive oil, tobacco and wine.
  
7. During 1981 the Common Agricultural Policy has been the object of important discussions and reflections in the Community institutions. The European Parliament held a debate and adopted a resolution on 16 June on possible improvements to the agricultural policy. The Economic and Social Committee adopted an opinion on 26 November, and similarly most of the professional organizations have expressed their views. The Commission, in its report of 24 June on the Mandate, and more particularly in its memorandum Guidelines for European Agriculture of 23 October, has given a detailed analysis of the problems, and concrete indications for the reorientation of the Common Agricultural Policy. The Council and the Heads of State and Government, in their turn, have deliberated on these matters during recent meetings.
  
8. It is widely accepted that the agricultural policy must be adapted to the new realities both of general economic conditions and of the agricultural sector itself. It is now time for the Community to pass from the stage of reflection to the stage of decision and action.

9. That is why, in these proposals, the Commission includes a series of measures to adapt the common agricultural policy and integrate it more adequately into an overall policy for general economic recovery.

The measures are based on two principal considerations :

- a prudent price policy, taking into account both the income situation in agriculture and the problems of market equilibrium, and also the need to phase out monetary compensatory amounts;

- the modulation of the price guarantees through the introduction of production objectives in a multiannual framework, with measures for the participation of producers if these thresholds are exceeded.

10. The nature of agricultural production and markets requires that decisions be taken in a longer-term perspective, and for the reasons explained in its memorandum of 23 October 1981 the Commission suggests a time-horizon of five years, looking ahead to 1988. The Commission insists that the price adaptations should be intimately linked with the related measures concerning the market organizations, particularly so far as concerns the production thresholds beyond which the level of guarantee should be adjusted.

11. Once again the price package is presented in a period of serious economic difficulties. Inflation is still very high although it is decreasing slightly. The number of unemployed, which exceeded 10 million at the end of 1981, has grown at an accelerating rate since the end of 1979. Economic growth has been negative in 1981, and substantial industrial capacity remains unused. In addition, the balance of payments on current account still shows a large deficit. For the third consecutive year, agricultural incomes are expected to increase at a lower rate than prices in general, and therefore to experience a decrease in real terms.
  
12. The Commission considers that the 1982/83 price decisions should be such as to ensure a satisfactory increase in agricultural incomes. An insufficient increase in agricultural prices, and therefore in incomes, would represent a danger for the future of the common agricultural policy. It would create the risk of additional national aids, leading to serious economic distortions between Member States. But the conflict between this objective of sustaining incomes, and the objectives of more balanced agricultural markets and acceptable budgetary expenditure, poses a dilemma. The Commission is convinced that this dilemma can be resolved by the adoption of the measures announced in its memorandum of 23 October 1981, on which these proposals are based.
  
13. Only with the modulation of the guarantees, with producer participation in budgetary cost resulting from the cost of disposal of production in excess of production thresholds, can a price fixing be achieved which is correct from the point of view of development of farm incomes and coherent with the Community's other objectives.

14. In this context it must be recalled that the budgetary situation as regards the Guarantee Section of the EAGGF has considerably improved. The growth rate in EAGGF Guarantee expenditure in 1980-82 has fallen to around 9.5% a year, whereas the annual growth rate of the Community's own resources is about 11%.

As regards 1982, the situation on the world market in several important products is continuing more favourable than could be foreseen when the 1982 budget was drawn up. If this state of affairs continues, all the measures proposed could be financed from existing appropriations. As regards the trend of agricultural expenditure in the medium and long term, the Commission's aim is that agricultural expenditure should grow at a slower rate than own resources. This objective applies to a multiannual period because of the erratic nature of the factors determining agricultural expenditure, in particular world prices.

Average growth in EAGGF expenditure over the period 1979-82 was less than the growth in own resources, taking into account the enlargement of the Community in 1981. On the basis of the hypothesis concerning the trend of world prices explained in Volume II, expenditure over the period 1979-83 should continue to grow at a slower rate than own resources.

15. Moreover, the Commission considers that the Community should ensure a tightening up of supervision of the implementation of agricultural legislation, and includes proposals for that purpose in this package. The conclusion of long-term export contracts would also help to sustain the orientation of the common agricultural policy as presented in these proposals. As regards the rules concerning national aids to agriculture, the Commission considers that stricter discipline is necessary, and intends to propose shortly to the Council a regulation specifying which aids are to be notified, which are prohibited, and which are authorized. Finally, the Commission considers that the application of the 1972 socio-structural directives should be renewed and adapted.

A. GENERAL SURVEY

Economic background

16. The Community still faces very serious economic difficulties, partly linked to the consequences of the second oil crisis. The Community's gross domestic product, having increased in real terms in 1980 by 1.1%, contracted in 1981 by 0.5%. At the same time the rate of unemployment has considerably increased so as to reach a level of 8% as compared to 6% in 1980. More than 10 million workers in the Community now are unemployed, and the crisis is affecting nearly all economic activities. The rate of inflation, illustrated by the implicit index of private consumer prices, slowed down only slightly (11.5% in 1981 against 12% in 1980) : thus inflation is still very high and still shows substantial differences between Member States. Inflation could continue to decelerate in 1982. The deficit in the Community's balance of payments on current account remained very high (about 28.7 milliard ECU in 1981).
17. Economic activity revived slightly in the second half of 1981 : this recovery should continue and probably gain momentum in 1982, when gross domestic product could grow by 2% in volume terms. However, even if present performance forecasts were fulfilled in 1982, this would be insufficient to reverse the trend of unemployment recorded over the last few years.

18. In these circumstances and despite the low growth rate, the continuing inflationary climate justifies keeping to the policies of restraining prices rises and strictly controlling public expenditure, which means that Community resources must be used effectively.
  
19. The state of the general economy is also influencing agriculture. The outlook for the development of food consumption in the coming years will be lower than in the 1970's especially for certain animal products such as beef. Lack of alternative employment outside agriculture seriously hampers the necessary structural adaptations and implies that any drift from the land is economically inopportune. At the same time the lower rate of outflow of agricultural manpower tends to depress agricultural incomes per active worker. Finally the high rate of interest and of inflation in general is seriously affecting the economic situation in agriculture.
  
20. Prices paid by farmers for their inputs show yearly rates of increase which are high. Inputs in this context include the cost of goods and services used in agricultural production, but exclude wages, depreciation, rents and interest payments. In 1978, for the Community as a whole the rate of increase was only 2.2%, followed by an increase of 9.2% in 1979, 12.1% in 1980, and is expected to reach 12.8% in 1981. Thus in 1981 cost inflation in agriculture will probably have slightly exceeded the rate of inflation in the economy as a whole.

21. Increases in input prices in 1981 differ substantially between Member States: 4% in Luxembourg, 8-9% in Germany, the Netherlands and Belgium, 10% in the United Kingdom, 13% in France, 15% in Ireland, 17% in Italy, 18% in Denmark and 23% in Greece.

22. This unfavourable development has been partly counterbalanced by a substantial improvement in the farmgate prices. Whereas in 1980 these rose by 7.9%, in 1981 they are forecast to increase by 11.3%. This development shows the influence of the price increases decided for the 1981/82 marketing year, including the agri-monetary changes. A part of the increases in common prices has come into effect in the later part of 1981, so that a favourable impact on incomes will also be felt in 1982. Market prices for beef and pigs have shown a marked improvement in the second half of 1981.

23. Producer price increases in 1981 also show substantial differences between Member States. They have been lowest in Luxembourg and Germany (5-7%), highest in Italy and Denmark (12-13%), Ireland (18-19%) and Greece (22%), whereas France, the Netherlands, Belgium and the United Kingdom (9-10%) show a more moderate increase in output prices.

24. In 1981 agricultural production in the Community is expected to increase, in terms of value, in a proportion similar to 1980. This is the result of a higher increase in the price of agricultural products than the previous year, but a slight reduction in volume. It is crops (especially fruit, wine and to a lesser degree cereals) whose production volume has decreased, while all livestock production (except beef) is increasing; milk production in 1981 shows a small increase compared with the big increase in deliveries in 1980.

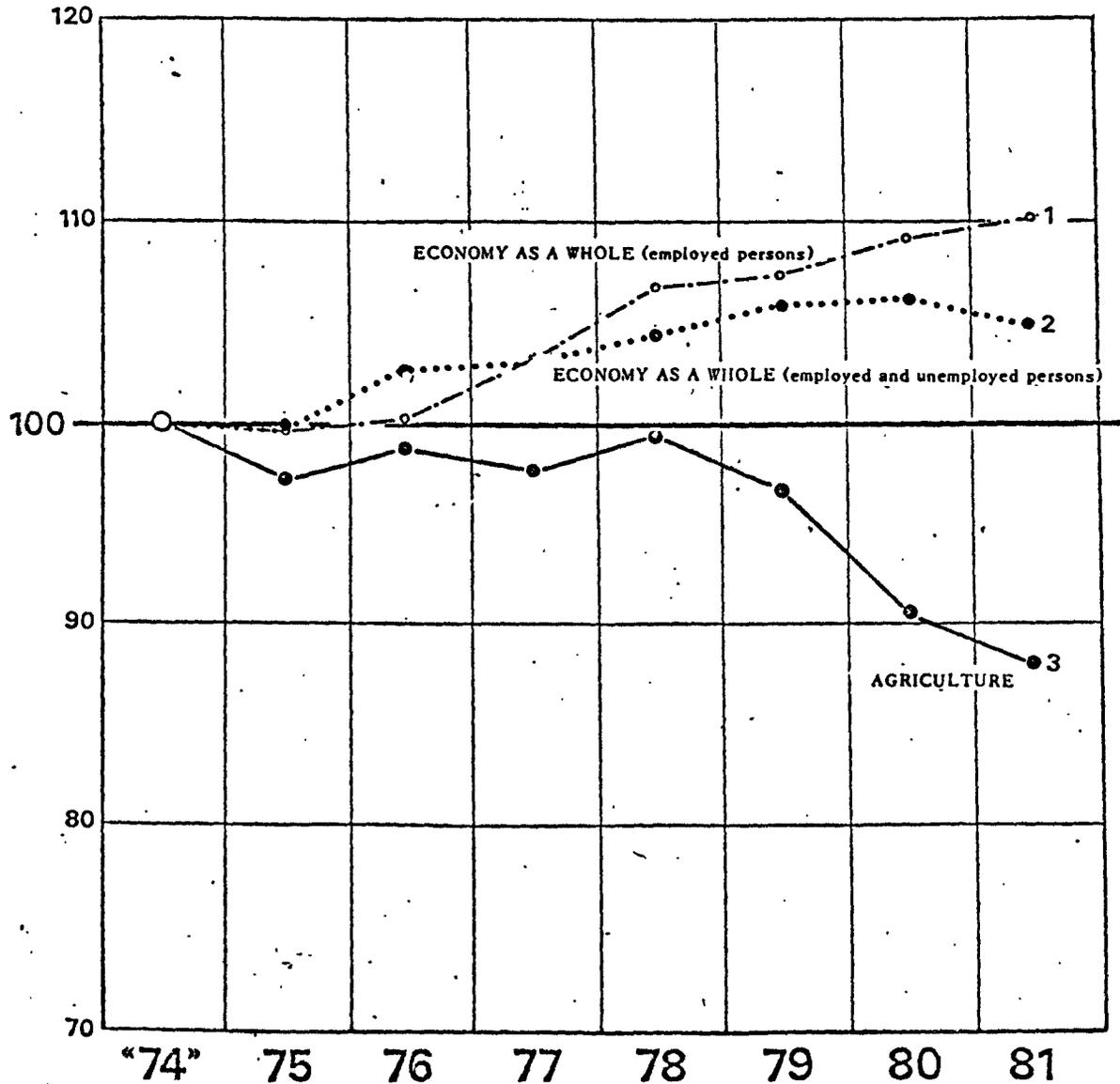
AGRICULTURAL INCOMES

25. The statistic used as an indicator of agricultural incomes per head is the net value added per unit of labour employed. For the third successive year, this indicator has increased less rapidly than inflation (as measured by the implicit price of GDP) and has therefore decreased in real terms. In 1979 the reduction in real terms was 3% and in 1980 7%. In 1981, better prices for farm products led to an improvement in money terms, currently estimated at 8-9%, but nevertheless after account is taken of inflation there is still likely to be a reduction of 2% in real terms. The loss in purchasing power of agricultural income since 1978 mainly results from a moderate price policy due to the imbalances in agricultural markets, against a background of high rates of inflation.
26. The income progression in agriculture is therefore falling further behind income progression in the economy as a whole. In spite of the serious economic crisis, domestic product per head of the working population (excluding the unemployed) increased in 1980 and again in 1981 by 0.8% in real terms. However, since a growing number of workers are becoming unemployed, one should also take account of the development of domestic product per head of the total work force (including the unemployed) which increased slightly in 1980 by 0.3% but fell in 1981 by 1.2%. The development of these indicators is shown in Graph 1.

### TREND OF REAL INCOME FOR THE ECONOMY AS A WHOLE AND IN AGRICULTURE ( 1973,1974;1975 = 100 )

- 1 ECONOMY AS A WHOLE (employed persons)  
Income in the Community is represented by the trend of net value added at factor cost less the GPD price deflator and expressed as an index per person employed.
- 2 ECONOMY AS A WHOLE (employed and unemployed persons)  
Income in the Community is also represented by the trend of GDP less the GDP price deflator and expressed as an index per person gainfully employed or unemployed.
- 3 AGRICULTURE  
Income in the agricultural sector is represented by the trend of net value added at factor cost less the GDP price deflator and expressed as an index per work unit.

Mise à jour au 14 décembre 1981



SOURCES: 1973 - 1980 EUR 9 Eurostat, 1981 EUR 10 Commission estimates.

DG VI - A2 - 8111.

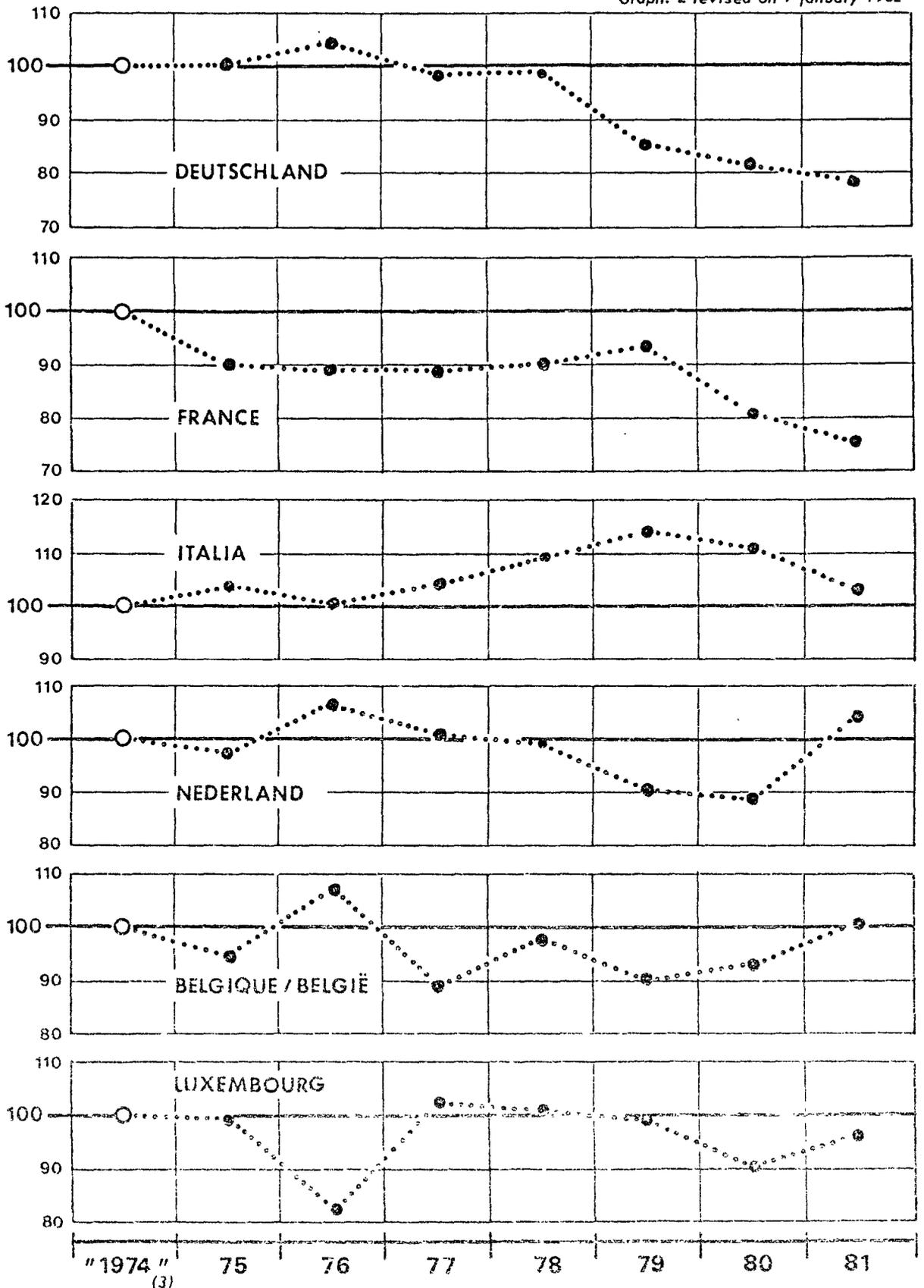
Graph.1

27. The development of agricultural incomes in Member States has not been uniform. In 1981, according to the latest official estimates, established by the Statistical Office of the European Communities on the basis of information provided by the national authorities, incomes per head (in the sense of net value added per unit of labour employed) improved markedly in real terms in the Netherlands (+ 17.2%), Belgium (+13.1%), Denmark (+ 15.7%) and Luxembourg (+ 6.3%) and more modestly in Greece (+1.8%), Ireland (+0.3%) and the United Kingdom (+0.4%), while they decreased in real terms in Germany (-3.2%), France (-6.8%) and Italy (-6.9%). This is in contrast to 1980, when they decreased in real terms in all nine Member States. However, the development in 1981 must also be placed in a longer-term context, as shown in Graph 2, from which it appears that the development over a period of years has followed different configurations for different Member States.

28. It should be noted that agriculture for its part, has made a contribution to the restraint of inflation in recent years. Agricultural producer prices between 1978 and 1981 rose at a yearly rate of 8.7%, food prices at a yearly rate of 10.1% and consumer prices in general at a yearly rate of 12.2%.

TREND OF NET VALUE ADDED (1) PER PERSON EMPLOYED (2)  
IN AGRICULTURE

Graph. 2 revised on 7 january 1982



(1) at factor cost in real term (adjusted by the GDP price deflator)

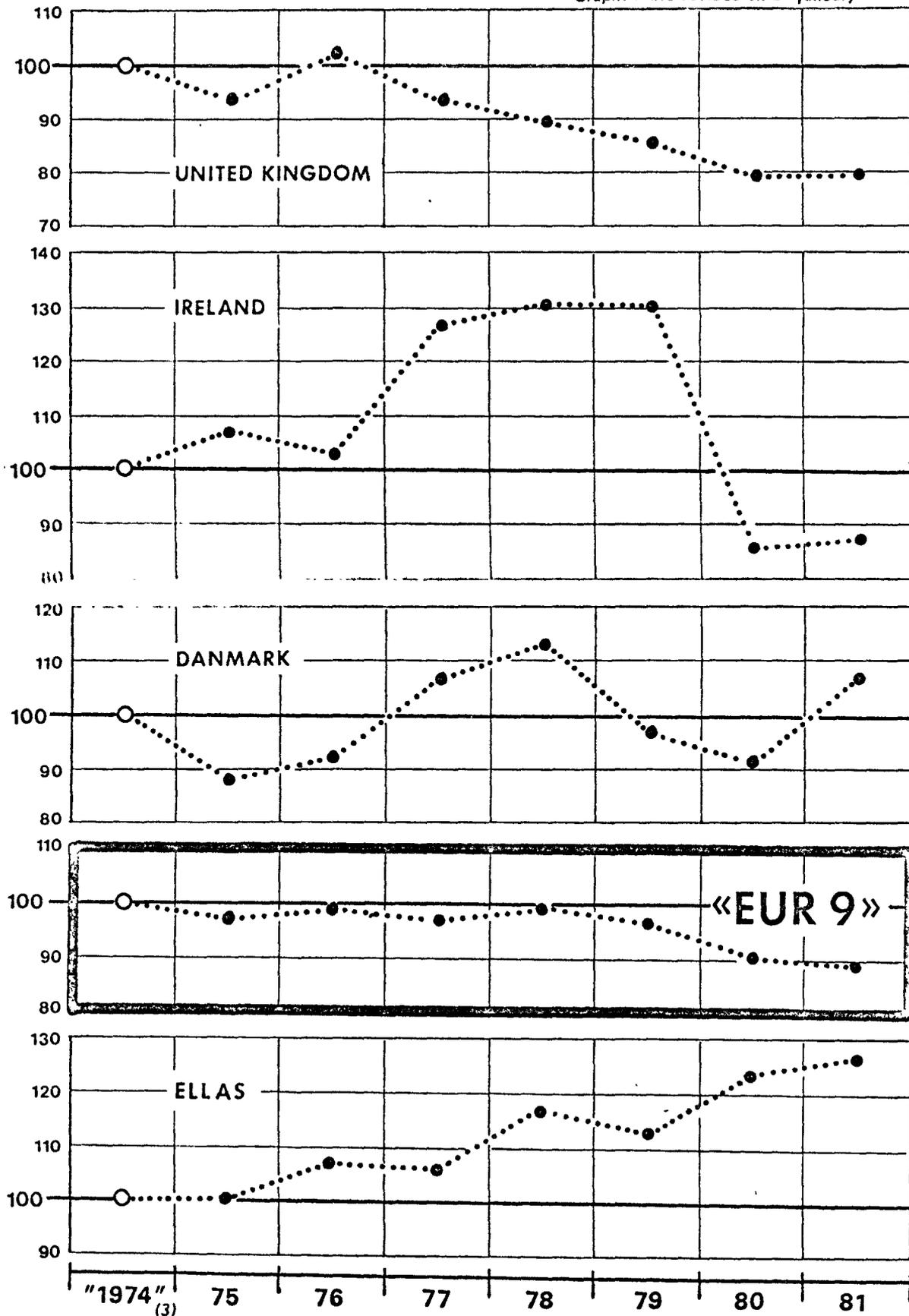
(2) measured in work units

(3) Base: average 1973-1974-1975 = 100

SOURCE: Eurostat - Index of sectoral income

DG VI . A2.82.820101

Graph. 2 bis revised on 21 january 1982:



(1) at factor cost in real term (adjusted by the GDP price deflator)  
 (2) measured in work units  
 (3) Base: average 1973-1974-1975 = 100

SOURCE: Eurostat - Index of sectoral income

DG VI.A.2.820101

Market situation and outlook

29. In its memorandum of 23 October 1981 the Commission has provided an assessment of the agricultural market situation and prospects in a long-term perspective, including forecasts for the period up to 1988. That assessment suggested that, in many cases, on present trends production will continue to increase more rapidly than Community consumption.
  
30. In 1981 production is expected to increase for some products at a slightly lower rate than in previous years, for example in the milk, beef and cereals sectors; sugar is an exception to this, an increase of 22% being expected. This trend has been paralleled by an increase in productivity per man employed resulting from structural adjustment in the agricultural sector leading to larger farming units and improved technical management.
  
31. Consumption in the Community is not increasing significantly for most temperate products. Consumption of cereals, sugar, certain milk products and beef is in fact hardly growing at all.

32. As a result of rising production and a lack of consumption growth in most Member States, intra-Community trade has tended to stagnate in most sectors between 1978 and 1981, in marked contrast to the considerable increase in the period 1973-78 after the accession of the United Kingdom, Ireland and Denmark. This trend is particularly noticeable in the sugar sector, where the two major importing Member States (the United Kingdom and Italy) have increased their domestic production.
33. As a result of good market management and an active export policy combined with good conditions for exports, public intervention stocks for products such as butter and beef have decreased while exports have been at record levels for most products. The Community is the world's leading exporter of livestock products and a considerable exporter of sugar and cereals. It should be noted that, owing to the underlying trends of production and consumption, the Community is becoming increasingly dependent on the external markets. As a main supplier of certain products on the world market, the Community has a responsibility and an interest in keeping world prices at a stable level.
34. In the short term the trends are likely to continue unabated. Although cereal production is expected to decrease slightly in 1981/82, the Community will still be a net exporter. An important factor in the Community's cereals balance is the level of imports of cereal substitutes. While such substitutes provide a cheap base for animal feeds, the cost of exporting an equivalent amount of cereals is a considerable burden to the EAGGF. Actual export levels in the medium term will depend on decisions taken by the Council in the context of the prices decisions as well as external factors such as the dollar value and the level of world demand.

35. Although the prospects for sugar are not very reassuring, since the international market is expected to remain depressed during most of 1982, it should be noted that producers must bear the full cost of exporting sugar in excess of internal demand in the Community other than the equivalent of about 1.3 million tons imported from ACP countries. This is of fundamental importance because it has reduced the budgetary cost of the support arrangements for sugar.
36. Turning to milk and milk products, the increase in domestic consumption in 1981 is not likely to exceed 0.5% in milk equivalent terms since the growth in the markets for cheese and fresh milk products has slackened. Although the decline in butter consumption should level off in the short term, the balance on the market will still largely depend on the continuing demand for milk products from oil-producing countries as well as Eastern European countries, particularly the USSR.
37. A similar picture can be drawn in the beef and veal sector where only a low increase in consumption can be expected : the current situation of over-supply, however, would be alleviated in the short term by a cyclical fall in production, expected to be 1-2% in 1982.

38. As far as Mediterranean products are concerned, such as fruit and vegetables, wine and olive oil, the Commission has recognized that the entry of Spain and Portugal into the Community will not only change the market situation for most agricultural products but will require changes in the common agricultural policy itself. To this end proposals for modifying the existing regulations in the product sectors are already on the table of the Council for decision before the accession of these two countries to the Community becomes effective.

Structural policy

39. The socio-structural directives adopted in 1972 expire on 19 April 1982. Given that, in 1981, the Council adopted a number of amendments to these Directives and that further modifications may be necessary in the light of experience, the Commission proposes that the life of these Directives be extended until 31 December 1983. In the meantime, the Commission will submit appropriate proposals to the Council, including a proposal for applying in Greece the same rates of reimbursement as applied in Italy.
  
40. The Commission has completed its study of the financial conditions attached to loans for investment purposes and has made proposals to increase the levels currently set out in Directive 72/159/EEC on interest rate subsidies for farm modernization.
  
41. Following the memorandum Guidelines for European Agriculture and the action programme for Mediterranean agriculture in the context of the Mandate of 30 May 1980, the Commission is studying the problems of the least favoured regions of the Community. It will make proposals to the Council, before the end of 1982, involving the use not only of the EAGGF but also of the other structural funds of the Community.

Price proposals and related measures

42. As a result of its analysis of markets and incomes, the Commission proposes appropriate prices and measures for each product. The present systems of support need to be adapted in order to ensure that the increasing production volume available can be disposed of, either internally or externally, at reasonable cost while taking account also of the situation of farmers' incomes. As the Commission emphasized in its memorandum of 23 October 1981, "in the present conditions and prospects for agricultural markets, the limitation of the guarantees to a certain desired volume, and the introduction of producer participation beyond that point, is a precondition for the maintenance of a sound agricultural policy responding to the principles of the Treaty".
43. In making its price proposals, the Commission has taken account not only of the development of agricultural incomes in recent years, but also of the factors which are likely to affect them in the coming year. It has also taken account of the situation and prospects of agricultural markets, within and outside the Community.
44. The development of incomes in recent years, taking account of agricultural prices and the costs of inputs, is outlined in earlier paragraphs. In this context the Commission has felt that the so-called objective method was one of the elements to be taken into account in its price proposals, but in recent years it has been increasingly difficult to use this method because of the effects of movements in exchange rates and in the representative rates used in the CAP.

- Depending on the length of the period under consideration, monetary or agri-monetary fluctuations may be taken into account or not, which appreciably affects the outcome of the calculations.
- Similarly, depending on whether the calculation is made on a point-to-point basis or on the basis of two annual averages.
- Lastly, the results will differ depending on whether one takes into account the potential trend of representative rates resulting from the movement in exchange rates during the period considered, or the actual trend of representative rates during the same period.

45. Use of the objective method thus gives rise to considerable problems of integration in calculating the monetary fluctuations and the agro-monetary adjustments, and may produce results which vary greatly depending on how these factors are taken into consideration. The following table summarizes the results obtained for 1982/83 using different methods of calculation, in terms of the "need for price increases":

<u>Method of calculation</u>	<u>Period of reference</u>			
	1 year 1981	2 years 1980-81	3 years 1979-81	Cumulative 1973-81
(a) Calculation of changes in exchange rates on point-to-point basis	7%	9%	13%	6%
(b) Calculation of changes in exchange rates on basis of annual averages	9%	10%	15%	7%
(c) Calculation based on actual changes in representative rates (equals average of needs by Member State)	8%	7.5%	4%	5%

These widely divergent figures show that the results of the objective method must be interpreted with great caution.

46. The factors which are likely to affect agricultural incomes in 1982 include:

- the general rate of inflation, which is expected to continue to decrease
- the positive effects of the 1981/82 price decisions, which will have their full impact only in 1982
- the potential for improving productivity in agriculture, which is continuing to increase
- for livestock farmers, the lower rate of increase in cereals prices which will reduce their feed costs in real terms.

47. Taking into account these considerations, the Commission has decided to propose an increase of 9% in common prices for the majority of products with increases of between 6% and 12% for other products. In proposing an increase of 9% in prices for the majority of the main products, the Commission wishes to give effective support to the maintenance of producers' incomes, and thus to avoid not only the risk of a proliferation of national aids, but also to allow their disappearance, because their development in recent years poses in fact a grave risk to the cohesion of the Community. In order to control such aids, the Commission intends to apply the Treaty rules in a strict manner. A central feature of the proposal is the improvement in the hierarchy of prices resulting from a lesser increase in the price of cereals, designed as a first stage in the programme to reduce the gap between Community cereals prices and those prevailing in its main competitors. In the beef sector, special prudence as regards prices is dictated by the need to avoid a decline in consumption, which is affected by the general economic situation and by competition from other meats. As regards the related measures, the Commission includes in its proposals the main elements announced in its memorandum of 23 October, particularly the adjustment of the level of guarantee when production in an individual sector exceeds an agreed guarantee threshold, and the participation of producers in the cost of disposal if such a threshold is exceeded. These measures are more fully described later in this volume in the explanatory memorandum for each product, and details of the price increases are given in the table at the end of this volume.

48. The principal features of the Commission's proposals for the different products may be summarized as follows:

- Cereals
- Increase of 6.58% in common intervention price for wheat, barley, maize, in reference price for common wheat, and in intervention price for durum wheat
  - Increase of 5.3% in the price for bread-wheat of minimum quality
  - Adjustment of quality standard for intervention barley
  - Production threshold for 1982/83 of 119.5 million tons for all cereals (excluding durum wheat). If production exceeds this level, intervention prices in 1983/84 will be reduced
  - Cereal substitutes : completion of negotiations for limitation of imports of manioc, examination of appropriate measures to be taken to keep imports of other substitutes under control, and adjustment of import levy for brans
  - Durum wheat : increase of 9% in aid, with limitation of the aid to the first 10 hectares for each farm
- Rice
- Increase of 10% in intervention price
- Sugar
- Increase of 9% in minimum price for sugar beet
- Olive oil
- Increase of 9% in prices and aids, with reinforcement of control measures
  - Adaptation of intervention

- Oilseeds - Colza - Increase of 7% in target price
- Production threshold for 1982/83 of 2.15 million tons. If production exceeds this level, intervention price in 1983/84 will be reduced
- Other oilseeds - Increase of 9-12% in target prices and other elements

- Protein products - Increase of 9-12 % in guide prices and other elements
- Extension of aid for dried peas and beans to include those for human consumption

- Textile fibres - Increase of 10% in prices and aids

- Wine - Increase of 9% in guide price
- Reinforcement of control measures

- Fruit and vegetables - Increase of 8-10% in basic prices
- Inclusion of certain products in support system
  - Adaptation of penetration premiums
  - Reinforcement of control measures
  - Fixing of production threshold of 4.5 million tonnes for processed tomatoes.

Tobacco - Increase of 8-11% in guide prices

- Adaptation of intervention prices and premiums

Milk - Increase of 9% in target price.

- Adaptation of aids for human and animal consumption.

- Maintenance of co-responsibility levy at the same rate (2.5%) and the same conditions as in 1981/82.

- Introduction of production thresholds from now until 1988. For 1982 this threshold will correspond to an increase in milk deliveries of 0.5% as compared with 1981.

- Introduction of an income support measure costing about 120 Mio ECU, to take account of the situation of small milk producers.

- Beef
- Increase of 9% in guide price (6% at beginning of 1982/83 season and 3% on 6 December 1982)
  - Adaptation of intervention
  - Maintenance of existing premiums for 1982/83 season
  - Examination during 1982/83 of possibility of a more uniform system of income aid for specialized beef producers, in replacement of existing premiums

Sheepmeat - Increase of 9% in basic price

Pigmeat - Increase of 9% in basic price

Agri-monetary measures

49. Compared to the mid-1970's exchange rates between Community currencies have been relatively stable since the introduction of the European Monetary System in 1979. In its price decisions for 1981/82 the Council made an important contribution to the re-establishment of the unity of the market by adapting green rates, taking account of the adjustment of central rates in the EMS which took place in March 1981. The adjustment of central rates during the month of October 1981, however, led to the introduction of new MCA's for the Netherlands and an increase in existing MCA's for Germany and Italy. However, the Council decided a devaluation of the green rate for France, which avoided the introduction of negative MCA's and resulted in an increase of 1.5% in prices in national money in that country. The Council subsequently decided a devaluation of the green rate for Italy so as to partially dismantle its MCA, resulting in an increase of 2% in prices in national money in that country.

50. The MCA's effectively applied during the past year have been:

Member States	MCA's		
	31.12.1980	6.4.1981 (after the 1981/82 price fixing)	31.12.1981
Germany	8.8	3.2	8.3
Belgium/Luxembourg	1.7	0	0
Netherlands	1.7	0	4.3
Denmark	0	0	0
Ireland	0	0	0
France	0	0	0
Italy	- 1.0	- 1.0	-1.8 (1)
United Kingdom	12.1	12.9	8.0
Greece	.	0	0

(1) - 4.4 for eggs, poultry, cereals and sugar.

51. The Commission considers that the 1982/83 price fixing should allow the Community to make another significant step towards re-establishing the unity of the agricultural market in order to avoid distortions in competition in trade and to achieve a more equitable situation between farmers in the different Member States. Therefore the Commission proposes adaptations of green rates such as to lead to :

- for Germany, a substantial reduction in the positive MCA (reduction of 4.5 points)
- for the Netherlands, a substantial reduction in the positive MCA (reduction of 3.0 points)
- for Italy, whose currency fluctuates within wider margins in the EMS, elimination of the negative MCA (reduction of 2.5 points)
- for the United Kingdom, whose currency is floating, a substantial reduction in the positive MCA (reduction of 4 points) or elimination of the MCA if at the time of the price decisions it does not exceed 4.0%.

Details of the green rates of Member States, the proposed revaluations or devaluations, and the consequences in national money, are given in the table at the end of this volume.

Conclusion

52. In these proposals, the Commission has devised an integral package of measures that will permit the common agricultural policy to fulfil the objectives of the Treaty, and to respect the guidelines for the future development of the policy.
53. On the one hand, the price increases should contribute to a more satisfactory development of incomes for the more than 8 million persons occupied in agriculture. Taking account of the rate of inflation, and the continued increases in agricultural productivity, the Commission therefore proposes an increase in common prices of 9% for the majority of products, with increases of between 6% and 12% for other products. This modulation of price increases for certain products will permit an improvement in the hierarchy of agricultural prices, particularly for cereals where the Community's prices should come progressively closer to those of the main competitor countries. Adjustments of green rates should also be made in such a way as to reduce the monetary compensatory amounts, and to modulate the price increases in national currency.
54. On the other hand, measures must at the same time be taken to integrate the annual price decisions into a longer-term framework, including the introduction of production thresholds, and the participation of producers if these thresholds are exceeded. In this way the support which the Community gives to its agricultural production should be more related to the quantities which it is in its interest to produce within its frontiers, taking account of consumers' needs, international trade, and the effort to combat hunger in the world. The Commission considers that, without such measures, the increases in prices could aggravate the difficulties of market balance for several important products.

55. As regards Mediterranean agriculture, the Commission recalls that a programme of structural action is already engaged in favour of these and other less-favoured regions, and that proposals for integrated programmes will be submitted before the end of 1982. Meanwhile, in the present proposals the Commission has modulated the price increases certain Mediterranean products, taking due account of the market prospects in these sectors; and it has already submitted proposals for the improvement of the market organizations for several Mediterranean products in the perspective of enlargement.
56. The persistence of different rates of inflation in Member States poses a real threat to the common agricultural policy, and the Commission has undertaken to study this matter and report by 1 March 1982.
57. The impact of the Commission's proposals on consumer prices for food in the Community is estimated at about 3%, which corresponds to about half a per cent on the cost of living.

58. The impact of the Commission's proposals on the Community budget are set out in Volume II. The Commission's aim is that agricultural expenditure should grow at a slower rate than own resources. This objective applies to a multiannual period because of the erratic nature of the factors determining agricultural expenditure, in particular world prices.

Average growth in EAGGF expenditure over the period 1979-82 was less than the growth in own resources, taking into account the enlargement of the Community in 1981. On the basis of the hypothesis concerning the trend of world prices explained in Volume II, expenditure over the period 1979-83 should continue to grow at a slower rate than own resources.

CEREALS

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1. 1. CONTEXT OF THE 1982/83 PRICE PROPOSALS

The Commission's proposals for cereal prices and associated measures for 1982/83 have to take account of six major factors this year

- in the light of the income situation in agriculture generally, the proposals must bear a reasonable relationship to the general level of price increases in other sectors
  
- the proposals must be based on the policy orientation set out for this sector in "Guidelines for European Agriculture" (COM(81) 608 final) and, in particular, must represent an improvement in the hierarchy of prices for the various agricultural products within the Community, and a step towards the narrowing of the gap between Community support prices and the prices received by producers in other major producing countries, which compete with the Community in export markets.
  
- the proposals must implement the agreement of the Council of Ministers of 2 April 1981 which stated that  
  
"The Council agreed in principle to the application of co-responsibility measures in the cereals sector but decided that any adjustments of the intervention and reference prices would not apply during the current marketing year but would be postponed until 1982/83 ."
  
- the proposals must be accompanied by positive steps to correct the anomalies resulting from the growing use of "cereal substitutes", in the period in which the cereal price policy makes these imports commercially less attractive. In particular, for manioc it is essential to finalize the voluntary restraint agreement with Thailand, the establishment of a GATT tariff quota for other suppliers and

the modification of the binding permitting a variable levy to be charged on quantities exceeding those covered by the voluntary restraint agreement and the tariff quota; for cereal brans the variable levy will be established at a level consistent with the levies on the basic cereals; and for other "cereal substitutes", including maize gluten feed, the Commission is examining appropriate measures to be taken to keep imports under control

- the policy of favouring quality cereal production is to be reinforced both through the price policy itself and through the establishment of a quality control service
- the proposals must be in accordance with the Commission's objectives and proposals for the progressive dismantling of monetary compensatory amounts and the maintenance of the unity of the market.

1. 2. The Commission's proposals are set out below under two headings
  - the price proposals and the associated measures, including action to improve high quality production
  - measures of producer financial participation in accordance with the Council agreement of 2 April 1981.

### 1. 3. THE PRICE PROPOSALS

In formulating its price proposals the Commission has taken account of the objective of narrowing the gap between the prices of the Community and those applied by its principal competitors. In 1980/81 the gap between the Community's intervention price and the prices received by producers in the U.S.A. was of the order of 40 ECU/tonne, or about 20% of the Community price; however, the measurement of this gap in monetary terms depends on the rate of exchange between the \$ and the ECU, which has varied considerably in recent years, and remains an element of uncertainty. In this context it should also be noted that the annual average increase in support prices for cereals in the U.S.A. since 1974/75 has been about 12%.

1. 4. It appears that a reduction of 20 ECU/tonne in the gap between Community prices and those of competing countries would begin to have a significant effect on the volume of imports into the Community of some cereals substitutes, and would improve the possibilities for the use of Community cereals in animal feed on the Community's own market. However this improvement of the competitive position of the Community's cereals must be a gradual process over a period of years. Taking account of the proposed price increase of 9% for the majority of other products, and of the rate of increase of cereals prices in competing countries in recent years, the Commission proposes an increase of about 7% in the target prices for feed grains and wheat, with a corresponding adjustment of the reference price (average quality) and intervention price :

	<u>ECU/tonne</u>	<u>increase %</u>
target price (feed grains)	224.59	6.95
common intervention price (feed grains)	176.10	6.58
target price (common wheat)	246.81	7.05
reference price (common wheat, average quality)	205.40	6.58

1. 5. COMMON WHEAT

In view of the very large volume of common wheat which satisfies the minimum quality requirement and the fact that a considerable quantity of Community wheat is unlikely to be used for breadmaking, the Commission considers that it is in the long-term interest of this sector if the difference between the price of common wheat of minimum quality and the common intervention price for feed grains is reduced. This proposal takes account of the following elements :

- the production of common wheat is currently the most profitable in the cereal sector
- the Community is in growing surplus for wheat of lower quality and this product can find an outlet in animal feed

- the search for improved quality should be encouraged by a limitation of the increase given to the price of minimum quality which allows users, in a market characterized by a wider margin between wheats of high and low quality, to pay a higher price for the qualities which they need
- the budgetary cost would be reduced if and when lower quality wheat were taken into intervention or exported.

1. 6. The present differential between the price for wheat of minimum quality and the common intervention price for feed grains is 19.61 ECU/tonne. It is proposed to reduce the differential by 1.07 ECU/tonne, giving an increase in the price for wheat of minimum quality of 9.8 ECU/tonne or 5.3%.

1. 7. FEED GRAINS

The Commission considers that in the feed grain sector also - particularly for barley - there would be important long-term advantages for the Community in strengthening the policy of quality production. If this were applied to barley the results would be as follows :

- the price of good quality barley would be maintained and there would be an incentive to produce this quality
- the price of low quality barley would fall and the use in animal feed
- the budgetary cost would be reduced if and when lower quality barley were taken into intervention or exported.

1. 8. The Commission therefore proposes, by an amendment of Regulation (EEC) No 2731/75, that the specific weight of the reference quality barley should be increased to 69 kg per hectolitre, thus almost aligning the reference quality with the feed unit. During 1982/83 the Commission intends to apply only a modest abatement of the price for the lowest quality, i.e. an abatement of 1% of the intervention price for barley with a specific weight of more than 63 and less than 64 kg per hectolitre. In successive marketing years the Commission would intend to apply some abatement progressively, first, to barleys of less than 66 kg per hectolitre specific weight and, later, to barleys of less than 68 kg per hectolitre specific weight.
  
1. 9. The Commission also informs the Council that it is its intention to discontinue the derogations now provided for in Article 2 of Regulation (EEC) No 1569/77.
  
- 1.10. For rye the Council has already decided to bring this cereal within the support system by an alignment of the intervention price with the common intervention price from 1 August 1982 (Regulation (EEC) No 1870/80). It is proposed to maintain the premium for rye of breadmaking quality at its current level of 5.44 ECU/tonne.
  
- 1.11. The Commission is reviewing the present support for sorghum, which appears to have some prospect of expansion in non-irrigated areas in the south of the Community, and intends to ensure that, by the appropriate decisions following management committee procedure (e.g. on export refunds), the production in 1982/83 can be effectively marketed.

1.12. DURUM WHEAT

The Commission proposes to increase the intervention price for durum wheat by 18.09 ECU/tonne; this is the same percentage increase as proposed for common wheat. The target price would be increased by 7.05%, which is also the same increase as proposed for common wheat.

1.13. The Commission proposes to apply a 9% increase to the aid for durum wheat. Although the aid for durum wheat is an integral part of the market organization for this product, it is in the light of the risks to the income of small producers that the Commission proposes this increase this year. At the same time, in line with the approach already set out in COM(81) 608 final, the Commission proposes that, in order to direct the funds towards the needs of the smaller producers, the aid should be paid on the first 10 hectares of durum wheat produced on a farm.

1.14. MONTHLY INCREMENTS

The monthly increments throughout the cereals sector will be increased by 9%.

1.15. PRODUCER PARTICIPATION

In accordance with the agreement of the Council of Ministers of 2 April 1981 and with the Commission's statement of policy in COM(81) 608 final, the Commission now proposes that

- the Community production threshold for all cereals (except durum wheat) for the 1982 harvest should be set at 119.5 million tonnes, taking account on the one hand of the level of production of recent years, and on the other hand of the suggested threshold of 130 million tonnes for 1988;
- if production from the 1982 harvest exceeds this threshold, the common intervention price for feed grains and the reference prices for common wheat to which the price proposals for 1983/84 will apply will be reduced by 1% for each million tonnes by which the threshold is exceeded, within a limit of 5%.

1.16. "CEREAL SUBSTITUTES"

Simultaneously with these price proposals the Commission is ensuring that the negotiations of supplies of manioc are brought to a conclusion and is continuing with its examination of the appropriate measures which might be taken to regularise the supply of other cereal substitutes. It also proposes the necessary amendment of Regulation (EEC) No 2744/75 in relation to imports of cereal brans.

1.17. QUALITY CONTROLS

In the light of the Community's significant and long-term role as a supplier of cereals to world markets, the Commission gives notice of its intention to discuss in the Management Committee in the near future the means of enforcing quality controls on exported cereals in the interest of providing a consistent product of good quality to the Community's customers. This objective could be facilitated, for example, by setting specific quality standards for breadmaking wheat to which the export refund for such wheat would apply. In view of this and of the importance of ensuring surveillance of consistent and effective operation of the quality controls in relation to intervention, the Commission is proposing, as part of a wider proposal on quality control, that there should be a limited number of officers in the services of the Commission who would be concerned with the surveillance of cereal quality standards and with their application on a consistent basis within the Member States.

1.18.

PRICE PROPOSALS FOR 1982/83

	Prices 1981/82 ECU/tonne	Proposed increase in %	Proposal 1982/83 ECU/tonne
1. Single common intervention price (1)	165.23	+ 6.58	176.10
2. Target price for feed grains (maize, barley, rye)	210.00	+ 6.95	224.59
3. Reference price for medium quality breadmaking wheat (2)	192.72	+ 6.58	205.40
4. Target price for common wheat	230.55	+ 7.05	246.81
5. Intervention price for rye (3)	169.20	+ 4.08	176.10
6. Special price increase for bread rye	5.44	-	5.44
7. Intervention price for durum wheat	274.99	+ 6.58	293.08
8. Target price for durum wheat	311.48	+ 7.05	333.44
9. Durum wheat aid (limited to first 10 ha and to traditional regions)	85.18	+ 9.00	92.85
10. Basic monthly increase	2.24	+ 9.00	2.44

(1) This price applies to barley having a specific weight higher than 64 kg/hl. For barley of 63 to 64 kg/hl there is a price reduction of 1%.

(2) The price for minimum breadmaking quality: + 5.3% (= 194.64 ECU/t as compared with 184.84 in 1981/82).

(3) Application of Council Regulation (EEC) No 1870/80 of 15 July 1980 (OJ No L 184, 17.7.80, p. 1).

N.B. Transport costs used: 27.36 ECU/t, an increase of 9.7%.

2.

RICE

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2. 1 The 1981 rice harvest was about 6% down on 1980, continuing the trend begun the following year. The area sown is also declining; in 1981 the area under rice will have been about 5% less than in 1980. Even if genetic improvements in the seed used and technological progress in rice cultivation and milling result in an improvement in the quantity and quality of yields, the danger inherent in the above situation, which is particularly marked in France and Greece, should not be underestimated. An increase in the intervention price is fully justified by the need to curb the decline in rice cultivation.
2. 2 It is proposed that the intervention price for paddy rice be raised by 10%. This will in fact not increase budgetary expenditure because there is no likelihood of intervention in the short term. In accordance with Article 4 of Regulation (EEC) No 1418/76, the target price is derived from the intervention price taking into account specified technical factors, in particular the cost of processing paddy rice into husked rice and the cost of transport between the area of surplus (Vercelli) and the area of deficit (Duisburg). Updating these factors gives an increase of 8.2% in the target price for the 1982/83 marketing year.
2. 3 It is proposed that the monthly increases be similar to those for cereals, (9%).

3.

SUGAR

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3. 1. In 1981/82 sugar supplies in the Community have been boosted by a record level of production. The area under beet has been increased by growers by 11% for the Community as a whole, with the largest increases occurring in France (+17.1%) and Belgium (+14.2%); however, there is no change in Denmark and the United Kingdom. Thanks to the excellent weather up to mid-September, the sugar yield per hectare was 18% above the normal Community yield. Production thus attained 15 million t, compared with 12.3 million t in 1980/81, and exceeded foreseeable consumption by 5.4 million t. These figures point to a self-sufficiency rate of over 150%. The total quantity available for export, allowing for imports of 1.3 million t of preferential sugar, will be 6.7 million t, of which 3.4 million t of C sugar will be exported without refunds. This is due to a combination - occurring for the first time - of two factors: the increase in the area under beet - which was itself due, to a very large extent, to the sugar shortage on world markets in 1980/81, and resulted in prices well in excess of Community prices at sowing time - and the exceptionally high yields per hectare.
  
3. 2 During the two previous marketing years production at world market level fell well short of consumption. Stocks, after reaching their highest level of 31.5 million t - 35% of the world's annual consumption - on 1 September 1979, fell to 24.5 million t (27.6% of the world's annual consumption) at the beginning of September 1981. On the other hand in 1981/82 production is expected to reach 96 million t and consumption about 91-92 million t, leaving a surplus of 4 to 5 million t.

3. 3. In 1979/80 and 1980/81, two years which were marked by a shortage, world sugar prices rose very sharply. After overtaking Community prices in May 1980, they went on to reach their highest level in November of that year. There has been a reversal of this trend in 1981 and, in response to the prospects of an excellent harvest in 1981/82, prices fell from 43 cents/lb in November 1980 to 10.6 cts/lb in mid-September 1981. The International Sugar Agreement (ISA) mechanisms failed to check the collapse of prices.
3. 4. In this situation, and after noting that the imbalance between consumption and production, and between supply and demand on the world's free market applied both to white sugar and raw sugar, the Commission and the producers felt that some 2 million t of Community sugar should be withheld from the world market in 1981/82, and steps have already been taken to this effect. Under the storage programme concerned, Community exports (quota sugar and C sugar) would be held to about 4.7 million t, as against 4.43 million t in 1980/81. The Commission and the producers regard this programme as a major attempt to contribute to stability on the world market. This, and other measures taken by ISA members, in particular the rebuilding of special stocks, should make the attainment of such an objective possible. This rapid storage policy will be implemented as follows: two-thirds of the sugar will be made available by carrying over C sugar to the 1982/83 marketing year and one third by rebuilding the stocks of quota sugar. The carry-over will inevitably result in a decrease in the area under beet and hence in a decrease in production in 1982/83, since the quantities concerned are, under present regulations, regarded as having been produced in the course of that marketing year.

3. 5. In the light of the foregoing and of the fact that the new basic Regulation continues to restrict the price and marketing guarantee by means of production quotas, and since the producers themselves bear the full cost of finding outlets for Community production which is in excess of consumption, the Commission proposes:

a) that the basic price for sugar beet be fixed at 39.14 ECU/t, that is 9% more than the 1981/82 basic price for sugar beet;

b) that the intervention price for white sugar be fixed at 51.18 ECU/100 kg, that is 9% more than the 1981/82 intervention price;

c) that the intervention price for raw sugar be fixed at 42.44 ECU/100 kg, that is 10% more than the 1981/82 intervention price; this proposal is made on the assumption that the Commission's proposal in COM(81) 684 final is accepted by the Council;

d) that the reimbursement of storage costs be fixed at 0.63 ECU/100 kg/month;

e) that the threshold price for molasses be maintained at the same level as for the 1981/82 marketing year.

4.

OLIVE OIL

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Price and aid proposal

4. 1. The production target price is fixed at a level which is fair to producers, account being taken of the need to keep Community production at the required level. The Council fixed this price at 272.77 ECU/100 kg for the 1981/82 marketing year. It is proposed that it be fixed at 297.32 ECU/100 kg for 1982/83, an increase of 9%.
  
4. 2. Production aid, which is intended to contribute to the attainment of a fair income for producers, is fixed taking into account the effect which consumption aid has on only part of production. The Council fixed this aid at 60 ECU/100 kg for the 1981/82 marketing year. It is proposed that it be fixed at 65.40 ECU/100 kg for 1982/83. This represents an increase of 9%.
  
4. 3. The intervention price is the production target price minus the production aid and minus an amount which takes into account market fluctuations and the cost of transporting olive oil from production areas to consumption areas. The Council fixed it at 196.33 ECU/100 kg for the 1981/82 marketing year. The proposal for 1982/83 is 214.00 ECU/100 kg. This represents an increase of 9%.

4. 4. In view of the trend in storage costs and the need to ensure the smooth disposal of produce, it is proposed that the monthly increases be raised by the same percentage as the production target price, i.e. 9%.
  
4. 5. Pursuant to Articles 79 and 81 of the Act of Accession of Greece, it is proposed that the intervention price and the production aid applicable in Greece for 1982/83 be fixed at 206.35 ECU/100 kg and 25.35 ECU/100 kg respectively.
  
4. 6. In its communication to the Council on the Mandate of 30 May (Doc. COM(81) 608 final) the Commission stated that the problems encountered in the monitoring of production aid were still not solved and that it was essential to establish ways and means of improving the system. Consequently, the Commission's proposal to increase production aid for 1982/83 is subject to a satisfactory reinforcement of controls.
  
4. 7. Secondly, the Commission also considers that it is essential to compile the register of olive cultivation as soon as possible if the supervision of production aid payments is to be improved. The request for production aid should be accompanied by the information from the register. If controls are still not satisfactory after the register has been drawn up, the Commission will propose a modification of the production aid system so that the aid is granted to all, or at least to the smaller, olive growers on a flat-rate basis.

But, whether the present system of production aid is maintained or a flat-rate system introduced, the Commission feels that a register of olive cultivation must be compiled.

4. 8. On the question of such a register, Regulation (EEC) No 154/75 provides that the cost should be met from the proceeds of deductions from production aid. As the deductions made from production aid so far have not been sufficient to finance the cost of establishing the register of olive cultivation in France and Italy, it is necessary, in accordance with Regulation (EEC) No 154/79, to fix the percentage of production aid to be assigned to the coverage of outstanding expenditure. Taking into account the sums accruing from deductions to date and the sum still to be covered, it is proposed that the percentage of production aid to be deducted in France and Italy from 1982/83 until 1989/1990 inclusive be fixed at 2.5%. For Greece, the deduction has already been fixed at 0.96 ECU/100 kg; it applies to aid in respect of 1980/81 to 1983/84 inclusive. It is proposed that a deduction of 2.5% also be applied in Greece in respect of aid granted for the marketing years 1984/85 to 1989/1990 inclusive.

#### Intervention

4. 9. As stated in the communication concerning the Mandate (COM(81) 608 final), certain problems have been encountered in connection with intervention. Since the 1975/76 marketing year, despite the fact that generally speaking the Community is still not 100% self-sufficient in olive oil, substantial quantities of oil have been offered for intervention. Most of this oil has been of the extra virgin quality. For instance during the 1980/81 marketing year, purchases of extra virgin olive oil accounted for 67% of the purchases made in Italy and 36% of the purchases made in Greece.

Furthermore, during the last five marketing years purchases of extra virgin olive oil have totalled 150 000 tonnes and sales of that quality only 67 000 tonnes. The Commission regards this as an abnormal situation which must be remedied. The situation seems to be due principally to the level of the premium granted in respect of extra virgin oil bought in by the intervention agencies. It would seem that some of the extra virgin olive oil produced in the Community, especially in Italy, is solely intended for intervention. This state of affairs is confirmed by the fact that during the 1980/81 marketing year, when large quantities of extra virgin olive oil were being offered for intervention, the prices ruling on the market for that quality of oil were distinctly above the intervention price. In these circumstances the Commission is planning, pursuant to Article 12(4) of Regulation No 136/66/EEC, to put before the Management Committee for Oils and Fats a proposal to abolish the premium for extra virgin olive oil from 1982/83 onwards.

#### Producer groups

- 4.10. Article 5(2) of Regulation (EEC) No 136/66/EEC provides that aid for the production of olive oil will be granted to growers who are members of a producer group recognized under Regulation (EEC) No 1360/78. This provision has remained a dead letter since it was adopted because the rules for implementing Regulation (EEC) No 1360/78 have not yet been adopted by the Member States which are the main producers of olive oil. Special interim measures on producer groups for olive growers were adopted during the 1978/79 marketing year and renewed annually until 1980/81.

Because of the difficulties of implementing Regulation (EEC) No 1360/78 in some producer States and the consequent likelihood that the said Regulation will not be effectively implemented in the near future, and because of the fact that proper management of the system of production aid for olive oil requires a sophisticated system of organized production which is precluded by the provisional nature of the present measures, Regulation No 136/66/EEC must be amended to provide for a specific system of organized production in the olive oil sector, under which olive growers' producer groups must comply with special criteria to be laid down.

Limitation of production aid to olive trees planted  
before a given date

- 4.11. The second subparagraph of Article 5(2) of Regulation No 136/66/EEC provides that aid for the production of olive oil shall be granted "only in respect of areas planted with olive trees at 31 October 1978 and in Greece 1 January 1981." Problems of interpretation and application of this clause have arisen in the producer Member States. Criteria of application should be laid down in detail in a specific regulation, including the stipulation that each olive grower must individually comply with the clause, although the Member State in question may always authorize any olive grower to reorganize his holding provided that such reorganization does not entail any increase in the area planted with olive trees.

5.

OILSEEDS

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I. COLZA, RAPE AND SUNFLOWER SEEDS

5. 1. Colza, rape and sunflower seeds are covered by the same basic regulation (Regulation No 136/66/EEC on the establishment of a common organization of the market in oils and fats) and, with few exceptions, are subject in all respects (prices, aid, intervention, etc.) to the same arrangements and measures under the Community rules. Recently, however, differences have emerged between colza and rape seed, on the one hand, and sunflower seed, on the other, particularly as regards the markets for such products. The Commission takes the view, therefore, that colza and rape seed should now be treated differently from sunflower seed, at least where certain aspects of the Community rules are concerned. Since a balance must be maintained between the measures planned for cereals and those planned for the oilseeds in question, the Commission advocated, in its communication to the Council concerning the Mandate of 30 May 1980 (1), that colza seed should be included among the products for which production targets are necessary. As regards sunflower seed, on the other hand, the Commission saw no need for special measures to control production, which should, indeed, be encouraged.

Production threshold

5. 2. In 1980, Community production of colza seed totalled 2 031 000 tonnes; for 1981 it is estimated at 1 970 000 tonnes. Taking account of the guidelines given in the Memorandum of 23 October 1981, which envisaged that the level of production in 1988 should not exceed 3 300 000 tonnes, the Commission is of the opinion that the 1982/83 production threshold should be 2 150 000 tonnes. The Commission proposes that, should actual production exceed this level, measures to reduce the incentive for producers to expand production of colza should be applied from 1983/84 onwards.

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(1) COM(81) 608 final of 23 October 1981.

These measures would entail a reduction of the target price and the intervention price, depending on how far the production threshold had been exceeded. The Commission considers that the prices in question should be reduced by 1% for every 2.5% by which the said threshold is exceeded.

### Prices

#### 5. 3. Target price

For the 1981/82 marketing year the target price for colza and rape seed was fixed at 42.56 ECU/100 kg. To prevent any excessive increase in colza seed production (see the abovementioned Commission communication on the Mandate) and to take account of the price increases proposed for alternative crops such as cereals, the Commission recommends that the target price for colza seed should be increased by 7%. It is therefore proposed that this price should be fixed at 45.54 ECU/100 kg for the 1982/83 marketing year. The 1981/82 target price for sunflower seed was fixed at 47.75 ECU/100 kg. As a special incentive, it is proposed that the target price for sunflower seed should be fixed at 53.48 ECU/100 kg for 1982/83; this represents an increase of 12%.

#### 5. 4. Intervention price

By Regulation (EEC) No 1585/80, the Council decided that the basic intervention price and the regional intervention prices (which varied from one part of the Community to another) should be gradually replaced by a single intervention price system valid at all intervention centres throughout the Community, for each species of oilseed (colza and sunflower). The 1980/81 and 1981/82 marketing years have been a transitional period. The new system in its final form is to apply with effect from 1982/83.

Regulation No 136/66/EEC, the basic Regulation, also provides that the intervention price should be determined by reducing the target price to allow for market fluctuations and the cost of transporting the oilseeds from the production areas to the areas where they are used. It is therefore proposed that the intervention prices for 1982/83 should be fixed at 41.55 ECU/100 kg in the case of colza seed (+ 7%) and at 48.85 ECU/100 kg in the case of sunflower seed (+ 12%). Under normal circumstances, these intervention price levels should ensure the fluidity of the market for these oilseeds.

#### 5. 5. Monthly increases

The monthly increases are fixed to take account of average storage costs and interest charges in the Community. For the 1981/82 marketing year, the monthly increases were fixed at 0.452 and 0.535 ECU/100 kg for colza and sunflower seed respectively. For the 1982/83 marketing year, it is proposed that the monthly increases be raised to 0.493 ECU/100 kg for colza seed and 0.583 ECU/100 kg for sunflower seed, i.e. a 9% increase for both products.

#### "Subsidy of the day"

5. 6. Article 5a of Regulation No 115/67/EEC provides that, when the world market price for colza or rape seed is determined, the price adopted shall be adjusted by an amount not exceeding the difference between the price of 100 kg of colza or rape seed plus processing costs and the total price of the quantities of oil and oilcake given by processing these seeds. This measure, which is known as the "subsidy of the day", has applied since 13 November 1980 and has enabled the 1980 and 1981 colza-seed crops to be marketed without any major difficulties. It is proposed that this arrangement should continue to apply in 1982/83.

Use of untreated colza seed in the feeding of livestock

5. 7. The subsidy provided for in Article 27 of Regulation No 136/66/EEC has so far been granted only in respect of seeds processed to produce oil. For some time, however, experiments have been conducted on the direct incorporation of unprocessed colza seed into animal feedingsuffs. Colza seeds can be used to enrich feedingsuffs not only in proteins but also in fats. It is therefore proposed that the Community subsidy should now be granted for colza seeds of Community origin so that they can be bought for use in animal feedingsuffs at prices competitive with those of seeds imported from non-member countries.

## II. SOYA BEANS

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5. 8. Each year, pursuant to Article 1 of Regulation (EEC) No 1614/79 (1), the Council fixes a guide price and a minimum price for soya beans. It is proposed that for the 1982/83 marketing year the guide price for soya beans should be fixed at 51.35 ECU/100 kg, or 11% higher than the 1981/82 price, which was 46.26 ECU/100 kg. It is also proposed that the minimum price should be fixed at 45.38 ECU/100 kg, which represents 88% of the guide price. The fluidity of the market should thus be ensured.
5. 9. The general rules which the Community currently applies to soya beans are valid only for the 1981/82 marketing year. The Commission will propose definitive rules by 31 March 1982.

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(1) OJ No L 190 of 28.7.1979, p. 8.

### III. FLAX SEED

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5.10. Under Article 1 of Regulation (EEC) No 569/76 (1), the Council fixes a guide price each year for flax seed, in order to ensure a fair income for producers. For the 1981/82 marketing year, this price was fixed at 46.4 ECU/100 kg. It is proposed that the guide price should be increased for the 1982/83 marketing year to 50.58 ECU/100 kg. This represents an increase of 9%.

5.11. This increase, which is the same as that considered necessary for most other agricultural products, should give producers some incentive to continue growing seed flax.

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(1) OJ No L 67 of 15.3.1976, p. 29.

IV. CASTOR SEED

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5.12. Article 1 of Regulation (EEC) No 2874/77 (1) provides for a guide price to be fixed annually for castor seed at a level considered fair to producers, taking into account the supply requirements of the Community. Article 2 of that Regulation provides that a minimum price shall be fixed each year at a level guaranteeing sales for seed producers at a price as close as possible to the guide price, taking into account market fluctuations and the costs of transporting the seeds from the production areas to the processing areas. For the 1981/82 marketing year these prices were fixed at 59.81 and 56.96 ECU/100 kg respectively. Supplementary aid amounting to 12.09 ECU/100 kg was also granted for the 1979/80, 1980/81 and 1981/82 marketing years, to overcome the technical difficulties affecting the initial development of castor seed production in the Community (Regulation (EEC) No 1610/79 (2)). It is proposed that, for the 1982/83 marketing year, the guide price should be raised to 65.19 ECU/100 kg and the minimum price to 62.09 ECU/100 kg. This represents a 9% increase in both prices. It is also proposed that supplementary aid amounting to 12.09 ECU should continue to be granted during the 1982/83 and 1983/84 marketing years.

5.13. Although it is too early to draw any final conclusions, experience has clearly shown that excellent yields of castor seed can be obtained in the Community. It has also become clear, however, that production of castor seed, of which the Community required 166 000 t in 1980, will not expand (only about 10 hectares were sown to this crop in 1981) until certain harvesting problems of a technical nature have been resolved. If in future, the desired expansion of production does not take place, the Commission will consider the possibility of modifying the support arrangements in this sector.

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(1) OJ No L 332 of 24.12.1977, p. 1.

(2) OJ No L 190 of 28. 7.1979, p. 4.

In view of the progress achieved and likely to be achieved in this sector, the Commission considers that, pending the report which it is to submit to the Council by the end of 1982 on the effectiveness of the special measures for castor seeds and the arrangements to apply after 1983/84 (1), further efforts should be made to overcome the difficulties affecting initial development. Given the very satisfactory yields which have been obtained, the Commission considers that the guide price for castor seed should be increased by the same average percentage as most other products. Lastly, it is proposed that the minimum price should be increased by the same percentage as the guide price, so as to maintain the fluidity of the market.

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(1) Article 6 of Regulation (EEC) No 2874/77.

6.

PROTEIN CROPS

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I. PEAS AND FIELD BEANS

6. 1. Article 1 of Council Regulation (EEC) No 1119/78 laying down special measures for peas and field beans used in animal feed (1) provides for an aid-activating price to be fixed annually in this sector. This price is to be fixed for soya meal at a level enabling peas and field beans to be used in feed under conditions of normal competition with oilcakes. When the world market price for soya meal is lower than the activating price, an aid of 45% of the difference can be claimed by the feed manufacturer. Article 2 of the Regulation makes the aid conditional upon the producer having received a price not less than the minimum price. This minimum price is intended to ensure a fair return to producers of peas and field beans, allowing for market fluctuations and the cost of transport from producer to processor.

6. 2. For the 1981/82 marketing year, the minimum price was fixed at 24.47 ECU/100 kg and the aid-activating price was 41.83 ECU/100 kg. It is proposed that the minimum producer price should be raised by 10% to 26.92 ECU/100 kg. The aid-activating price is derived from the minimum price in the sense that once the latter is determined the former must be fixed at a level which ensures that the aid would be adequate for peas and field beans purchased at the minimum price to be transported to the areas of use and there to compete with oilcake purchased at the world market price.

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(1) OJ No L 142 of 30.5.1978, p. 8.

In order to maintain the necessary equilibrium, the increase of 2.45 ECU in the minimum price entails an increase of 4.95 ECU/100 kg in the aid-activating price. It is therefore proposed that the latter price be fixed at 46.78 ECU/100 kg (+ 11.8%).

Peas and field beans for human consumption

6. 3. In May 1978, when the Council adopted special measures for peas and field beans used in the feeding of animals, the following statement was entered in the minutes of the Council's meeting:

"The Council noted the Commission's intention of keeping watch, in connection with the implementation of the Regulation laying down special measures for peas and field beans used in the feeding of animals, on the effects of that Regulation on trade in peas for human consumption and, if it found that competition was being distorted, of considering what measures might be taken to correct this and, if need be, making appropriate proposals to the Council."

6. 4. The Commission has noted that Community production of the peas and field beans in question is decreasing and that difficulties have arisen for the traders and processors who purchase these products. Producers seem to have been shifting from peas and beans to alternative crops which qualify for support; competition from peas and beans imported from non-member countries at low rates of duty has also been growing. In these circumstances, the Commission has examined the case for intervention at Community level. It feels that help for the interests concerned can be justified and that the disappearance of such traditional crops would be regrettable.

Moreover, the resulting cost to the Community budget would be little more than theoretical, since the crops which could replace peas and field beans grown for human consumption usually themselves qualify for support, the cost of which to the Community budget is, in most cases, no less than that which would be entailed by support for peas and field beans. This being the case, the Commission proposes that the existing support arrangements for peas and field beans for use in feed be extended to cover the same products when intended for human consumption. The level of the aid would, however, be varied according to the final use made of the product. Since the product is often harvested before any decision is taken on its use, common provisions should be laid down to cover inter alia the obligations of the parties concerned, inspections by the Member States, and producer prices. Where utilization is concerned, on the other hand, the products competing with the Community products are different and their prices therefore follow a separate pattern, which justifies the aid being calculated separately.

6. 5. Whilst the Commission understands the importance of safeguarding traditional crops in certain regions of the Community, it is anxious to prevent the incentives provided by the proposed support arrangements from leading to increased production of peas and field beans, disposal of which would then present problems. Thus, the Commission would point out that, should production exceed 100 000 tonnes, it intends to propose that the Council adopt appropriate arrangements.
  
6. 6. The Commission, which proposes that the scope of Regulation (EEC) No 1119/78 should be extended with effect from 1 July 1982, also intends to propose certain amendments to the general rules with a view to simplifying and improving the operation of the arrangements in question.

## II. DRIED FODDER

6. 7. Council Regulation (EEC) No 1117/78 on the common organization of the market for dried fodder (1) provides for a flat-rate aid to be fixed annually for the products concerned, with the aim of improving the supply of protein products to the Community. A guide price is also to be fixed annually, at a level considered fair to the producers. When the world market price is below the guide price, aid amounting to a set percentage of the difference between these prices is granted.
6. 8. For the 1981/82 marketing year, the flat-rate aid was fixed at 7.03 ECU per tonne. The guide price was fixed at 148.08 ECU per tonne for the Member States other than Greece and at 140.93 ECU per tonne for Greece. The flat-rate aid for dehydrated potatoes was fixed at 2.68 ECU per tonne for Greece at 13.41 ECU per tonne for the other Member States. The percentage of the difference between the guide price and the world market price was set at:
- 80% for dehydrated fodder and protein concentrates;
  - 45% for fodder products otherwise dried and ground.
6. 9. In the case of dehydrated fodder, energy costs represent a significant part of the costs of production. It is undeniable that the production of dehydrated fodder requires more energy than does the processing of most other agricultural products. In certain Member States, however, considerable efforts have recently been made to find ways of reducing fuel consumption in drying plants and encouraging results have already been obtained. Thus, various other aspects of this sector must be taken into consideration.

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(1) J No L 142 of 30.5.1978, p. 1.

Dried fodder is, after colza, the most important protein crop of Community origin. It provides the highest yield in protein per hectare and is the most efficient way, from the point of view of animal nutrition, to use lucerne, as well as involving the least wastage. Lucerne is a crop of particular interest to the producer agronomically, since it improves the quality of the soil, thus benefiting the crops which follow it. The dried fodder industry absorbs the produce of some 170 000 ha of lucerne and grass annually. It should also be mentioned that, contrary to what one might think, the cost of support for this product is relatively low and well below the cost of support for other crops.

- 6.10. The rules in force state that, with effect from 1 July 1982, the support system for dried fodder will no longer cover dehydrated potatoes. When this decision was taken, it was hoped that the Council would be able to approve the common organization of the market in potatoes in time for it to begin operating on this date. The Commission considers that, in view of the progress made so far with the discussions on this matter, the support system should include dehydrated potatoes for another year.
- 6.11. Several of the considerations outlined above suggest that more should be done for the dried fodder sector. If the guide price is fixed too low, the processor cannot pay a fair price to the producer, who may then stop growing fodder crops for this purpose. It is therefore proposed that the guide price should be fixed at 165.85 ECU/tonne and that the flat-rate aid should be set at 7.87 ECU/tonne. This represents an increase of 12%. It is also proposed that the percentages which determine the amount of the additional aid should be raised to 100% and 50% respectively. It is proposed that the aid for dehydrated potatoes should be raised to 14.62 ECU per tonne, which represents an increase of 9%.

6.12. Account being taken of the alignment criteria set forth in Article 104 of the Act of Accession, it is proposed that, for Greece, the guide price should be fixed at 159.85 ECU per tonne and the aid for dehydrated potatoes at 5.67 ECU per tonne.

7.

TEXTILE FIBRES

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I. COTTON

7. 1. Under paragraph 8 of Protocol 4 on cotton which forms part of the 1979 Act of Accession a guide price is to be fixed each year by the Council for unginced cotton so as to support the production of cotton in regions of the Community where it is important for the agricultural economy and to permit the producers concerned to earn a fair income. Under paragraph 9 of the same Protocol, each year there is to be fixed a quantity of cotton for which aid is granted without having a coefficient of reduction applied to it. This quantity is between 323 000 and 567 000 t. Lastly, under Article 9 of Council Regulation (EEC) No 2169/81 (1), each year a minimum price for unginced cotton is to be fixed at a level which enables producers to sell at a price as close as possible to the guide price. For 1981/82 the Council fixed the guide price at 76.00 ECU/100 kg, the minimum price at 72.20 ECU/100 kg and the quantity eligible for the full amount of aid at 430 000 t. For 1982/83 it is proposed that these prices be fixed at 83.60 ECU and 79.42 ECU respectively, an increase of 10%, and that the quantity eligible for the full aid be set at 450 000 t.

7. 2. A slightly higher increase in the price of cotton than is considered necessary for most other agricultural products should suffice to ensure that cotton is competitive. Since the gap between the guide price and the minimum price has not caused any problems it is proposed that the minimum price be increased by the same percentage as the

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(1) OJ No L 211, 31.7.1981, p. 2.

guide price so as to maintain the necessary market fluidity. As regards the quantity giving entitlement to the full aid, it should be noted that:

- the area sown in 1981 in Greece is estimated at 128 500 ha, with exceptionally high yields (estimated at 2 850 kg of unginning cotton per hectare); moreover, the price paid to producers was more than the guide price because of the high quality of the harvest,
- as a result of the return to producers, the area sown can be expected to increase considerably in 1982 and may equal the 165 000 ha reached in 1978,
- a yield of 2 600 kg of unginning cotton per hectare represents a realistic average for the Community,
- assuming an average yield, production can be expected to be 429 000 t in 1982/83.

7. 3. In view of the above and because it considers that a slight excess over the average yield should not be penalized, the Commission proposes that the quantity of production eligible for the full aid be fixed at 450 000 t. This is less than the maximum quantity which may be fixed by the Council in accordance with the criteria in Protocol 4.

II. FIBRE FLAX

7. 4. Article 4 of Regulation (EEC) No 1308/70 provides that every year a flat-rate aid for fibre flax is to be so fixed as to ensure an even balance between the volume of production required and the quantity that can be sold. For the 1981/82 marketing year, the aid was fixed at 296.48 ECU/ha for the Community of Nine, 14.82 ECU/ha of which were not paid to the beneficiaries but earmarked for the financing of the promotion and research provided for in Regulation (EEC) No 2511/80 (2). For 1982/83 it is proposed that the aid be increased by 10%, a percentage which is slightly higher than that considered necessary for most other agricultural products, to 326.13 ECU/ha. It is also proposed that provision should be made, for a further five marketing years, for measures to encourage the use of flax fibres and the search for new outlets, but that such measures should henceforth be financed solely by a deduction from the aid. The Commission proposes that this deduction be fixed at 21.80 ECU/ha for 1982/83.

7. 5. The Commission takes the view that an 8% increase in the aid actually paid to the producer, in addition to the rise which is under way in the prices of fibres and straw (as a result of the expected shortage caused by the total loss of about 30% of the area sown in 1981), should be sufficient to ensure producers a fair income and even to keep the area sown at its present level. This should result in market balance after the surpluses formed at the beginning of 1981 have been absorbed.

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(1) OJ No L 146, 4. 7.1970, p. 1.

(2) OJ No L 256, 1.10.1980, p. 61.

7. 6. However, since this balance is likely to be precarious, the Commission considers that the short but very promising experiment with measures to encourage the use of flax fibres and the search for new outlets should be continued for five marketing years. It takes the view that in future these measures should be financed solely by a deduction from the aid. Given an estimated area sown of 55 000 ha in 1982 and a deduction of 21.80 ECU/ha, the sum available for financing the use of flax fibres should be about 1 200 000 ECU.

However, the deduction referred to above would mean an increase in the aid actually paid to producers for 1982/83 which was smaller than that considered necessary. To avoid this situation the Commission proposes increasing the total aid by 10%, which has the effect of raising the aid paid to the producer from 281.66 ECU/ha to 304.33 ECU/ha, i.e. by + 8%. If the measures referred to in this paragraph are not adopted by the Council it is the latter amount which should be taken as the aid to be granted for 1982/83.

7. 7. Pursuant to Article 68 of the 1979 Act of Accession, it is proposed that the aid applicable for Greece should be fixed at 81.53 ECU/ha (25% of the aid applicable in the other nine countries) and that the part of the aid intended for promotion measures in Greece should be fixed at 5.45 ECU/ha, matching the percentage subtracted from the flat-rate aid in the other nine countries (6.7%).

III. HEMP

- 7.8. Article 4 of Regulation (EEC) No 1308/70 (1) provides that a flat-rate aid per hectare for hemp is to be so fixed as to ensure an even balance between the volume of production required and the quantity that can be sold. For the 1981/82 marketing year, the aid was fixed at 269.26 ECU/ha. For 1982/83 it is proposed to increase it by 10% to 296.19 ECU/ha.
- 7.9. The Commission takes the view that a slightly higher increase than that considered necessary for most other agricultural products, added to the foreseeable rise in the prices of hemp fibres because of the expected upturn in short flax fibres, should again make this measure as attractive as it was some years ago.
- 7.10. Pursuant to Article 68 of the 1979 Act of Accession, it is proposed that the aid applicable in Greece should be fixed at 74.05 ECU/ha (25% of the aid applicable in the other nine countries).
- 7.11. Because of the abuse of narcotics, the authorities of one Member State have considered prohibiting the cultivation of hemp on their territory. The Commission shares this concern and is envisaging measures, even though the varieties grown in the Community, unlike Indian hemp, contain at the most only very small quantities of psychotropic substances. It is therefore proposed that, from the 1983/84 marketing year, measures should be taken to prevent the cultivation in the Community of any hemp which does not meet certain conditions to be determined by the Council as regards the content of psychotropic substances.

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(1) No L 146, 4.7.1970, p. 1.

#### IV. SILKWORMS

- 7.12. Article 2 of Regulation (EEC) No 845/72 (1) provides that aid is to be fixed each year (per box of silk seed used) in such a way as to help ensure a fair income for silkworm rearers. For the 1981/82 marketing year, the aid was fixed at 85 ECU per box for the Community of Nine. For the 1982/83 marketing year, it is proposed that this should be raised to 93.50 ECU/box, an increase of 10%.
- 7.13. The Commission hopes that the aid thus increased, taking into account the current and foreseeable market situation for raw silk, will enable some interest in this activity to be maintained in the few regions involved, which are among the poorest in the Community.
- 7.14. Pursuant to the provisions of Article 68 of the Act of Accession of Greece, it is proposed that the aid applicable in Greece should be raised from 64.03 ECU to 71.40 ECU/box (alignment by one quarter of the difference of 29.47 ECU between the aid granted in the other nine countries for 1982/83 and the aid granted in Greece for 1981/82).

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(1) OJ No L 100, 27.4.1972, p. 1.

8.

WINE

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PRICE PROPOSALS FOR 1982/83

8. 1. In 1980 the Council adopted structural measures which constitute the "action programme for the wine sector 1980-86". As is the case with all structural measures, these were implemented fairly slowly and are only now beginning to have any effect.
  
8. 2. In formulating its price proposals in this sector for 1982/83, the Commission must therefore bear in mind not only the present market situation but also the first results of the application of the structural measures and the guidelines which it has recently presented to the Council under the Mandate of 30 May.
  
8. 3. As regards the present market situation, Article 2(2) of Council Regulation (EEC) No 337/79 of 5 February 1979 on the common organization of the market in wine provides for the guide price to be fixed on the basis of the average prices for each type of wine during the two wine-growing years preceding the date of fixing and on the basis of price trends during the current wine-growing year.

8. 4. Prices for wine in the EEC (on the basis of communications from Member States under Regulation (EEC) No 337/79) have moved as follows:

Year	R I ECU/°/hl	R II ECU/°/hl	R III ECU/hl	A I ECU/°/hl	A II ECU/hl	A III ECU/hl
1979/80	2.209	2.156	54.18	1.828	47.61	71.37
1980/81	2.239	2.083	68.35	1.708	63.81	83.28
1981/82(1)	2.393	2.350	n.a.	1.708	74.86	84.61

(1) Quotations from September to October 1981

8. 5. Price trends recorded for the different types of wine in 1980/81 were not the same as in the previous year. Prices for red wines of type R I rose very slightly (+ 1.4%) while prices for type R II fell (- 3.4%). Prices for white wines of type A I dropped sharply (- 6.6%). On the other hand, prices for all wines of northern types rose sharply: + 26.2% for R III, + 34.0% for A II and + 16.7% for A III. At present, market prices (average for September and October 1981) are at the following levels in relation to current guide prices:

<u>Type</u>	<u>% of guide price</u>
R I	89.3
R II	87.7
R III	n.a.
A I	68.0
A II	134.4
A III	133.0

8. 6. The changes in Community prices in 1980/81 compared with the previous year represent the average of the highly divergent trends in French and Italian prices (as the following tables show, in ECU/% vol./hl).

FRANCE	R I	R II	A I
1979/80	2 228	2 143	1 994
1980/81	2 302	2 112	2 612
Change	+ 3.3 %	- 1.4 %	+ 31.0 %

ITALY	R I	R II	A I
1979/80	2 072	2 207	1 810
1980/81	1 841	1 863	1 641
Change	-11.1 %	- 15.6 %	- 9.3 %

The different price trend in each of these Member States created a considerable disparity between the French and Italian markets. Average French quotations for 1980/81 were in excess of Italian quotations by: 25.0% for R I, 13.4% for R II and 59.2% for A I. The gap widened further during the first two months of the new marketing year (R I: + 37.7%; R II: + 24.8%; A I: + 64.0%).

8. 7. This situation arose partly because of the exceptionally high availabilities at the start of the 1980/81 marketing year, as the result of an above-average harvest (156 million hl) coinciding with very large stocks, and partly because of the uneven distribution of these availabilities between the two major producing countries. Indeed, while French production, at 69 million hl, was at an average level, Italian production (82 million hl) was almost a record (84 million hl in 1979/80). Therefore the Italian market, particularly at certain centres where wines which do not enter into international trade are quoted, suffered a decline which the French market was to some extent able to avoid.

8. 8. In these circumstances, producers' income should be increased. At the same time the medium-term objective, i.e. to prevent any increase in the disparity between production and demand must not be abandoned. Therefore, the Commission proposes that guide prices be increased by 9%. The Commission would like to emphasize that at present the Community's interests would best be served by bringing market prices up to the level of guide prices. Greater effort should therefore be concentrated on rationalizing the market as soon as possible, if necessary by means of selective measures.

#### RELATED MEASURES

8. 9. On 15 October 1981 the Commission forwarded to the Council a proposal for amending the basic Regulation in the wine sector, aimed at adjusting Community rules to take account of the enlargement of the Community to include Spain (COM(81) 408). This proposal is very important, particularly as regards the plan to rationalize the market by means of preventive distillation at the start of the marketing year.

8.10. The explanatory memorandum to the proposal also states the Commission's conviction that any progress in applying the rules will depend on stepping up control, and its intention of presenting a proposal on the subject in the near future. Also taking into account the approach announced by the Commission in point 52 of the memorandum to complement the report on the Mandate of 30 May (COM(81) 608 final), the Commission is now proposing that improved controls be introduced. These are an indispensable adjunct to the proposals already presented and a prior condition for the application of certain measures planned.

9.

FRUIT AND VEGETABLES

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FRESH FRUIT AND VEGETABLES

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Proposed prices and premiums

I. Basic and buying-in prices

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9. 1. Under Article 16 of Council Regulation (EEC) No 1035/72 of 18 May 1972 on the common organization of the market in fresh fruit and vegetables, the Commission is required to propose each year basic prices and buying-in prices for the products listed in Annex II to that Regulation, namely tomatoes and cauliflowers, apples, pears, peaches, table grapes, oranges, mandarins and lemons as well as for aubergines and apricots (COM(81)403 final of 14 October 1981).
  
9. 2. For the majority of products the Commission proposes an increase of 10%. For two products it would be prudent to adopt a less substantial increase. This is true, for instance, in the case of mandarins, where unduly high intervention prices might tend to discourage growers to switch to other crops, sustaining production of which a growing proportion is withdrawn from the market; it is also true in the case of tomatoes, for which there is a real risk of surplus owing to the short growing cycle and the processing aid available. For these two products, the Commission proposes a price increase of 9% for mandarins and 8% for tomatoes.

9. 3. The average increases proposed for each product will be spread on a linear basis over the entire period of application of the basic prices and buying-in prices, maintaining the relationship between buying-in prices and basic prices, within the range specified in Article 16(3) of Regulation (EEC) No 1035/72.
9. 4. The inclusion of aubergines and apricots in the list of products subject to the price and intervention system for which proposals are made to the Council means that for these products the duration of the marketing year and the limits within which buying-in prices are to remain in relation to basic prices must be fixed. The prices proposed for these two new products result from the strict application of Article 16 of Regulation (EEC) No 1035/72.
9. 5. The basic prices and buying-in prices to be applied in Greece have been drawn up in line with the provisions of Article 59 of the Act of Accession.

II. Marketing premiums for oranges, mandarins

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clementines and lemons  
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9. 6. For the 1982/83 marketing year, it is proposed under the provisions of Article 7(2) of Regulation (EEC) No 2511/69 that the marketing premiums be increased by 10% for oranges and 9% for mandarins and, on the basis of the Commission's proposal to the Council (COM(81)402 final), that the premium granted for clementines and lemons on 1981/82 be reduced by a quarter. At the same time Article 23(2) of Regulation (EEC) No 1035/72 will have to be amended so that the reference prices for the two products mentioned can be adjusted as the premiums are gradually phased out.

9. 7. The marketing premiums to be granted in respect of Greek products are brought closer to the levels applying to the same products in the Community of Nine in accordance with Article 68 of the Act of Accession.

### III. Improved monitoring

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9. 8. The Commission is presenting a separate proposal for a Regulation designed to ensure improved monitoring of the application of the various regulations in force, in line with its recent statement to the Council of its intention to do so.

9.

PRODUCTS PROCESSED FROM FRUIT AND VEGETABLES

Proposed prices and aid

9.9. The table below shows output in recent years of products processed from fruit and vegetables for which there is a system of aid to processing (separate figures for Greece and the Community of Nine).

('000 tonnes, including immediate pa

Product	1977			1978			1979			1980	
	GR	EUR 9	Total	GR	EUR 9	Total	GR	EUR 9	Total	GR	EUR 9
Tomato concentrate	95.0	182	277	172	296	468	180	432	612	240	392
Whole peeled tomatoes	25	752	777	26	863	889	30	1225	1255	40	1144
Peeled tomato pieces	-	55	55	-	30	30	-	44	44	-	41.5
Tomato juice 20.02	na	na	na	na	na	na	-	85.6	85.6	-	41.2
Tomato juice 20.07	12	59	71	11	35.2	46.2	15	47.3	62.3	20	36.3
Frozen tomatoes	-	7	7	-	8	8	-	9.5	9.5	-	11.3
Tomato flakes	-	0.5	0.5	-	0.3	0.3	-	0.3	0.3	0.1	0.3
Peaches in syrup	87	77	164	130	95.6	225.6	130	159.3	289.9	150	136
Williams pears in syrup	-	59	59	0.1	70.3	70.4	0.4	91.5	91.9	1	79.6
- Bigarreaux	0.1	16	16.1	0.1	25.5	25.6	0.1	40.6	40.7	0.1	32.4
- Morello	-	39	39	2.4	47.4	49.8	4	72.6	76.6	3.5	62.4
Prunes	0.2	7	7	0.2	23.1	23.1	0.2	25.2	25.2	0.2	17.5

9.10. The figures show that the biggest increase in 1977-80 occurred in production of tomato concentrate; growth in output in the Community of Ten has been 128%, resulting in difficulties in marketing tomato concentrate which are likely to get worse. The same holds for whole peeled tomatoes, although the production increase for this product has only been 52% of 1977 output. In the other products, where the quantity eligible for aid is not limited, the rises in production have not caused marketing problems; all peaches in syrup produced have found a market and no large structural stocks have been built up; the same applies to prunes, the production of which - in any case not large - is cyclical in nature, and it does not seem that production surpluses can be expected in the medium term.

9.11. Pears and cherries in syrup are already subject to a limit on the quantity eligible for aid in the Community of Ten and the Commission does not envisage any change to this limitation.

Related measures for tomato products

9.12. In the light of the figures given above, which show a marked growth in output of these products and a consequent marketing problem, consideration should be given to setting a production threshold; on the basis of past experience, this quantity could be put at the equivalent in finished products, including immediate packaging, of around 4.5 million tonnes of fresh fruit processed. This would be divided between the two main products as follows: in the case of tomato concentrate, the volume of tomatoes sufficient to produce 549 240 tonnes of concentrate including immediate

packaging, i.e. 2 987 850 tonnes of fresh tomatoes; in the case of whole peeled tomatoes, the volume of tomatoes sufficient to produce 1 156 770 tonnes including immediate packing, i.e. 1 307 150 tonnes of fresh tomatoes. If these figures are exceeded, the Council on a proposal from the Commission would decide the appropriate measures.

- 9.13 The introduction in this way of a production threshold for 1982/83 can have a useful role as a means of stabilizing production and helping to balance the market. The Commission considers, however, that if the aid scheme continues in its present form in later years, there could be advantage in applying the quantity limit not on the basis of a single year but as an average limit over three years. Thus, if production were below the quantity limit in a certain year, it could exceed the limit in a subsequent year, and thus permit seasonal and marketing variations to be taken into account. This system might be operated in such a way as to encourage the establishment of contracts between processors and producers' organizations early in the season, and thus stabilize production over a period at or about the planned level.

#### Other related measures

- 9.14. In connection with calculating aid, the Commission is proposing additions to the regulations currently in force so that account can be taken where necessary of the price at which Community products are sold on Community markets.

10.

TOBACCO

10. 1. Analysis of the state of the market in raw tobacco in the Community and worldwide enables the Commission to work out broad guidelines for its future action. The prices proposed for the 1982 harvest will encourage marketing of raw tobacco and make intervention a last resort, the aim being to improve growers' returns and underpin employment both upstream and downstream of the sector.

The market in raw tobacco

10. 2. The sector has nearly doubled in size with the accession of Greece to the Community: the 1980 harvest produced around 178 000 tonnes of leaf while the estimate for 1981 is around 300 000 tonnes, roughly 6% of total world leaf production of 5.2 million tonnes. This boosts the Community's degree of self-sufficiency from 26% to 45%. As regards the individual varieties required by users, there is no proper matching of supply and demand of the various types of tobacco. The Community produces tobaccos of which it uses only certain quantities (Oriental tobaccos) and uses large quantities of tobaccos of which it produces only small quantities (Virginia, Bright); overall, it is therefore an exporter although far from self-sufficient. Exports, estimated at 70 000 tonnes i.e. double the previous figures following the accession of Greece, will be encouraged. There are thought to be 225 000 growers in the Community and approximately 600 000 workers employed in processing and market preparation. The great majority of growers have less than one hectare under tobacco and are generally located in the least favoured areas, where alternative crops are seldom available.

10. 3. World tobacco production in 1980 was down by approximately 3.7% from 1979 and all indications are that this trend will continue. Three possibilities can be envisaged:

- if total Community production remains at the average level of the last five years, with a constant pattern of varieties, roughly 50 000 tonnes will be sent to intervention;
- if the drive to encourage growers to switch varieties is continued, production of flue cured and light air cured tobacco will increase and production of Oriental tobacco will drop by a quarter and or dark air cured by a third; this will allow the present total production figure to be maintained;
- if in addition to switching of varieties an effort is made to persuade growers of easily marketed raw tobacco to stop producing only second and third category qualities and grow better strains as well, the Community will be able to reduce its dependence on imports.

Basis of a more active marketing policy

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10. 4. A more active marketing policy will depend on:

- the levels at which prices and premiums are set;
- encouragement of agreements between representatives of growers, trade and industry associations.

10. 5. The guide price levels proposed for the 1982 harvest are between 8% and 11% higher than those set for 1981 because of an increase in prices outside the Community and changes in production costs in the principal Member States producing tobacco.

The increases are as follows:

- 11% for varieties for which there are no marketing difficulties, i.e. Badischer Geudertheimer, Badischer Burley E, Virgin D, Nijkerk, Misionero, Bright, Burley, Maryland, Basmal, Katerini, Kaba Koulak classic, Zichomyrodata, Burley Gr, Virginia Gr.;
- 9% for Kentucky and Paraguay to encourage marketing of the first and as an incentive to conversion from the second;
- 8% for the other varieties.

The price increases have been varied so as to discourage production of unsaleable tobacco but support the varieties most in demand. The increase in the premiums, on the other hand, reflects the need to encourage marketing of the Oriental varieties and Paraguay (+ 10%) and Kentucky (+ 12%) and the satisfactory marketing position of the other varieties (+ 9%). The Commission feels that a more detailed investigation of the effectiveness of premiums and their levels should be carried out in 1982.

10. 6. The present production problems for a number of varieties must be solved by Community action. The Commission is aware that production and marketing objectives for the different varieties will be best achieved by better cooperation between producers, processors and manufacturers of finished products. In the very near future producers, processors and industrialists will be drawing up a gentlemen's agreement, of a voluntary nature, to work towards the formation of a European Tobacco Council, a purpose of which will be adjustment of production to user requirements.

In particular, technical teams will work at production level to pass on research results to planters to enable them to improve production quality and at marketing level to work out foreseeable trends following the harvest. A map will be prepared showing present crops and production, and a crop (varieties and qualities) and production map will be drawn up to chart developments up to 1988.

Limitation of intervention

10. 7. There are two proposals:

- a change in the relationship between the guide price and the intervention price;
- an increase in the derived intervention prices smaller than the increase in the guide price.

10. 8. When it considered prices for the 1981 harvest, the Commission proposed that the intervention price be reduced from 90% to 85% of the guide price for all varieties. Most delegations agreed to this and would have liked an immediate decision that the same would apply for the 1982 harvest. The Commission is therefore repeating the proposal.

10. 9. To be effective, any policy to discourage offers for intervention must render more difficult intervention in respect of baled tobacco of varieties for which a derived intervention price has been fixed.

Effect of related measures adopted with 1981 prices package.

- 10.10. Council Regulation (EEC) No 1535/81 laid down special measures for tobacco of the Kentucky, Xanti-Yakà, Perustitza and Erzegovina varieties for the 1981, 1982 and 1983 harvests. The amount of tobacco that may be bought in is reduced and the intervention price is reduced to 80% of the guide price. There will be little scope for application of the measures to the 1981 harvest as exports have risen sharply not only of Kentucky but also of the Oriental types as a result of the emergence of markets in the Eastern bloc countries. Quantities delivered to intervention have been reduced, for Kentucky to 1 250 tonnes from 2 778 tonnes for the 1979 harvest and for Oriental tobaccos to 3 000 tonnes from 9 500 tonnes for 1979. In Italy exports increased from 47% of the total harvest in 1979 to 55% in 1981 and deliveries to intervention dropped from 13% to 5.5%. It is hardly possible to say that the market for these varieties has reverted to normal of its own accord, although production in 1980 was less than the 31 000 tonnes produced in 1979 and dropped to 23 000 tonnes in 1981.
- 10.11. Article 12(a) of Regulation (EEC) No 727/70 states that if quantities of baled tobacco exceed 25% of the equivalent of the quantities treated by an enterprise engaged in first processing and market preparation the surplus quantities shall be bought in at a derived intervention price minus 10%, adjusted where appropriate by the scale of price increases and reductions. This Article was applicable for the first time to baled tobacco produced from leaf tobacco of the 1980 harvest except for the varieties Perustitza and Erzegovina, to which it applied for the first time to baled tobacco produced from leaf tobacco of the 1981 harvest. The first indications are that application of the Article has resulted in a drop of around 20% in deliveries of baled tobacco to intervention.

CONCLUSIONS

- 11.12. The purpose of the above proposals is to ensure strict and rational management of the market in raw tobacco and adequate returns to producers. They allow the level of total Community production to be maintained by means of an increase in production of the varieties with qualities that are in demand and a corresponding reduction in varieties that are a burden on the intervention system.

MILK

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Milk production and disposal

11. 1. The quantities of milk collected increased only slightly in 1981. According to the information supplied by the Member States on the first nine months of the year, the estimated increase in deliveries in 1981 as compared with 1980 was 0.4%. This is well below the average annual increase over the period 1975-1980, which was 2.6%. This slowdown may be attributed to the reduction in the number of dairy cows (1.3% down on 1980) and a smaller increase in the yield per cow, which was influenced in 1981 by bad weather and, to a lesser extent, by the increase in production costs (oil-cakes, fertilizer, etc.). The small increase in the quantities of milk collected was paralleled by a 3% drop in butter production in 1981 as compared with 1980 and by 2.5% drop in skimmed milk production in 1981 as compared with 1980. Production of other milk products, on the other hand, will be greater than in 1980, because of rising demand on the internal market and expanding sales of EEC products to the world market. On the Community market, cheese consumption has been rising for several years and is expected to increase again in 1981, by about 2%. Sales to the world market were substantial during the first six months of the year, despite the drop in the level of export refunds. The forecasts for 1981 as a whole put exports at roughly the same level as in 1980, although exports of cheese and whole-milk powder are expected to rise by 15% and 10% respectively.

11. 2. Public stocks of butter and skimmed-milk powder followed different trends over the year. Butter stocks reached the lowest level recorded since 1968. Stocks of skimmed-milk powder, on the other hand, should be slightly higher at the end of 1981 than at the end of 1980. This relatively favourable situation in the milk sector should not, however, divert attention from the continuing risk of imbalance over the coming years, particularly as a result of increases in production or unforeseeable fluctuations on the world market.

Prices and aids

11. 3. The real average income of dairy farmers continued to fall, because of the negligible increase in deliveries and the rise in production costs generated by high rates of inflation in most Member States. If further progress is to be made towards improving the balance of the market, however, a prudent policy on prices is necessary. The most appropriate means to this end is to adopt at the same time measures to deal with any increase in milk deliveries (see 11. 9.). Thus, bearing in mind the trend in producers' incomes, the Commission proposes that the target price for milk should be increased by 9% as from the beginning of the next marketing year. The change in the target price should be directly reflected in the threshold and intervention prices, with no change in the fat: non-fat ratio. It is proposed, on the other hand, that manufacturing margins should be increased, but with different coefficients being applied to butter and skimmed-milk powder. This is because the cost of producing skimmed-milk powder has risen faster than that of butter production, since the former requires a greater input of energy. Account has also been taken of credit terms in Italy when calculating the

manufacturing margin for Italian cheeses. The milk price proposed and the related intervention prices are thus as follows:

Milk price and intervention prices

(ECU/100 kg)

	1981/1982	1982/1983	% $\frac{1982}{1981}$
Target price	24,26	26,44	9
Intervention prices			
. butter	317,84	345,11	8,58
. skimmed-milk powder	132,45	144,58	9,16
Italian cheeses			
Grana Padano cheese of an age between 30-60 days	317,20	347,46	9,54
of an age of at least 6 months	384,27	422,14	9,86
Parmigiano-Reggiano of an age of at least 6 months	418,87	460,89	10,03

Special disposal measures

11. 4. Although public stocks of butter are low, the disposal measures currently in force should be retained for 1982/83. In some Member States consumption is falling and the situation would certainly worsen and spread to other Member States if the special measures were discontinued. For this reason, and to prevent stocks building up once more, the aid for butter and butterfat used in bakery products and ice-cream will be continued, as will the scheme for butter consumed by non-profit making bodies and the armed forces.

Similarly, the general subsidies for butter consumption provided for in Regulation (EEC) No 1269/79 will be continued but, in the case of the United Kingdom, the maximum EAGGF aid will be brought down to the same level as that applicable to the other Member States, that is, 40 ECU instead of 45.94 ECU/100 kg.

11. 5. The distribution of school milk has progressed smoothly in most Member States. In accordance with the decision taken by the Council in April 1981, the aid will be increased by the same amount as the target price. However, to take account of the difficulties encountered by certain Member States and to enable the scheme to operate more flexibly, the Commission proposes that the minimum contribution required of the Member States should be halved from 25% to 12.5%.
11. 6. With the upper and lower limits currently standing at 64 ECU/100 kg and 50 ECU/100 kg respectively, the aid for skimmed-milk powder was fixed at 56 ECU. If the intervention price for skimmed-milk powder is fixed at the level proposed, given the favourable situation on the veal market in 1981 and the quantities of skimmed-milk powder sold during the first nine months of the year, the Commission takes the view that the limits currently applicable provide sufficient scope for the aid to be adjusted in accordance with the criteria laid down by the Council.
11. 7. A serious obstacle to the implementation of stricter rules to ensure that proper checks are made on the quantities of skimmed-milk powder incorporated into calf feed is the fact that the admixture of buttermilk to skimmed-milk powder makes it difficult to detect products which may have been added to skimmed milk for fraudulent purposes.

For this reason, and bearing in mind the possible uses of buttermilk as a foodstuff (including the export possibilities), the Commission proposes that Article 10 of Regulation 804 and Article 1 of Regulation 986/68 should be amended so that buttermilk no longer qualifies for aid on the same terms as skimmed-milk powder.

11. 8. Regulation (EEC) No 2915/79 in respect of the condition of entry for certain kinds of cheeses falling within certain tariff headings and Regulation (EEC) No 950/68 on the CCT, have normally to be amended at the same time as other prices in the dairy sector. The Commission, however, is about to propose to the Council an amended version of Regulation (EEC) No 2915/79 which will leave the Commission to make the arithmetical changes in prices which are required to these regulations following a price change. No proposal based on the original version of Regulation (EEC) No 291/79 therefore, has been made in the 1982/83 price proposals.

Producer participation

11.9. In its memorandum "Guidelines for European Agriculture" of 23 October 1981 the Commission set out a broad strategy for improving the balance in the milk market and suggested in some detail ways in which this might be implemented. Subsequent discussions by the Heads of State and Government and the Ministers of Foreign Affairs have shown a general recognition of the need for improving the milk market balance while taking account of the situation of small farmers.

11.10. Therefore the Commission proposes that:

- the co-responsibility levy should continue in 1982/83 at the same rate (2.5%) and under the same conditions as in 1981/82
- production thresholds will be introduced for milk from now until 1988. Should milk deliveries to dairies increase by more than 0.5% in 1982 compared with 1981, the Commission will immediately propose to the Council appropriate measures to counterbalance the additional costs, (e.g. a levy on the increase in production, partial suspension of intervention, modification of the intervention prices, application of a progressive basic levy or, other appropriate means).

11.11. To take account of the situation of small milk producers, the Commission will propose an income support measure costing around 120 million ECU, in the form of a modulation of the basic co-responsibility levy.

Conclusion

11.12. The Commission considers that its proposals for the milk sector, taken as a whole, respect the need both to support producers' incomes and to ensure that the precarious balance of the market does not deteriorate.

12

BEEF AND VEAL

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Prices and intervention

Guide price and intervention price

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12. 1. For 1981/82 the guide price for adult bovine animals was fixed, per 100 kg live weight, at 172.80 ECU from 6 April to 6 December 1981 and 176.84 ECU from 7 December until the end of the marketing year. The intervention price per 100 kg live weight for the same two periods was fixed at 155.54 ECU and 159.16 ECU (1).
  
12. 2. For 1982/83 the Commission proposes that the guide price should be increased by 6% from the beginning of the season, and by a further 3% from 6 December 1982. This would mean a guide price of 187.45 ECU per 100 kg live weight from the beginning of the season and of 192.76 ECU per 100 kg liveweight from 6 December 1982 and an intervention price amounting to 90% of the guide price, i.e. 168.70 ECU from the beginning of the season and 173.48 ECU from 6 December 1982.
  
12. 3. The Commission considers that a phased increase in the intervention price is justifiable in view of the foreseeable market trend for beef and veal. It would emphasize, however, that the prime objective must be to improve the real incomes of producers, not necessarily through institutional prices alone.

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(1) Council Regulation (EEC) No 898/81 (OJ L 90, 4.4.1981, p.24)

Consumers have shown that they are unwilling to accept price increases which are too steep, and there is assuredly a risk that they may turn to other types of meat, a factor which must be taken into account. Recent experience has shown that greater flexibility in running intervention, with its application being restricted at certain times of the year, can provide effective income support for producers without giving rise to additional problems on the market or rendering Community exports less competitive.

#### Intervention measures

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12. 4. The Commission takes the view that, in the case of beef and veal producers, co-responsibility (as described in Doc. COM(80)800 final) should take the form of more selective and judicious intervention buying during periods when the market can be left to the normal interplay of supply and demand. Thanks to the experience gained in this respect during the past two years it has been possible to restrict buying-in to a large extent, without any negative impact on the average level of Community market prices.
  
12. 5. The Commission therefore informs the Council that it will continue to run intervention on the following bases during the 1982/83 marketing year (provided, of course, that this is compatible with the market situation):
  - only meat from male animals will be bought in;
  - only forequarters will be bought in from the beginning of the marketing year until July;
  - only hindquarters will be bought in during the period from November to the end of March;

- purchases of carcasses will be authorized during the other months of the marketing year, in order to offset the effects of the normal marketing of livestock in the autumn.

12. 6. During the periods when intervention buying is restricted, the Commission proposes to introduce private storage aid, where necessary.
12. 7. For 1982/83 the rules governing the introduction and discontinuance of intervention measures should be maintained in their present form.

Community scale for the classification of carcasses of adult bovine animals

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12. 8. Council Regulation (EEC) No 1208/81 (1) has laid down the Community scale for the classification of carcasses of adult bovine animals. The Commission considers that the Council should now take a decision requiring all Member States, from 5 April 1982, to record market prices in accordance with the present rules and, at the same time, in the case of weighted and graded carcasses on the hook complying with the descriptions laid down in Regulation (EEC) No 1208/81, on the basis of the Community scale. The Community rules already adopted (2) or still to be adopted in this respect should lead to the recording of market prices in all Member States on the basis of the Community scale alone from 6 December 1982.

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(1) OJ L 123, 7. 5.1981, p.3

(2) OJ L 293, 13.10.1981, p.6

- 12.9. After prices for 1982/83 have been decided on, the Commission's intention is to put before the Council a draft Regulation amending Council Regulation (EEC) No 805/68 (1) so that the guide price and the intervention price would, again from 6 December 1982, be fixed per 100 kg of carcase of one of the standard categories on the Community scale. Carcases within a given category, and with the same characteristics, would then be bought in at the same price (in ECU).

Related measures

Premium for maintaining suckler cows  
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- 12.10. Council Regulation (EEC) No 1417/81 (2) restricts EAGGF Guarantee Section financing of the premium for maintaining suckler cows to 75%, as from the 1982/83 marketing year. The premium for 1980/81 and 1981/82 was fixed at 20 ECU per suckler cow, to which Member States were allowed to add a national premium of a further 20 ECU for the same cows. The Commission proposes, for 1982/83, a Community premium of 15 ECU per suckler cow, chargeable to the EAGGF, and an additional premium of up to 25 ECU per suckler cow to be financed by the Member States. In the case of Ireland and Northern Ireland, 20 of those 25 ECU will be chargeable to the EAGGF Guarantee Section as laid down in Regulation (EEC) No 1056/81 (3) for 1981/82.

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(1) OJ L 148, 28. 6.1968, p.24  
(2) OJ L 142, 28. 5.1981, p.4  
(3) OJ L 111, 23. 4.1981, p.6

Premium for the birth of calves in Italy  
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- 12.11. The calf premium currently granted in Italy under Council Regulation (EEC) No 1120/81 (1) was fixed at 32 ECU for 1981/82. The Commission considers that the common measure to adjust and modernize beef and veal production structures in Italy which was adopted in June 1981 (Council Regulation (EEC) No 1944/81 (2) ) should already be capable of bringing about an improvement in the economic situation of farms in Italy's less-favoured areas. Accordingly, the gradual phasing out of the premiums would be justifiable in the medium term. However, in view of the trend in agricultural incomes in Italy in 1981 and the possible review of all premiums (see 13. and 14.), the Commission proposes that the calf premium in Italy be maintained at 32 ECU for 1982/83.

Variable slaughter premium for certain adult bovine animals  
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- 12.12. The Commission considers that the slaughter premium on certain adult bovine animals, granted for 1981/82 under Council Regulation (EEC) No 1121/81 (3) and applied for several years now in the United Kingdom only, should be renewed for a further marketing year. The Commission informs the Council that it is its intention, at Management Committee level, to apply a single variable premium for the United Kingdom as a whole (as in 1981/82).

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(1) OJ No L 118, 30. 4.1981, p.12  
(2) OJ No L 197, 20. 7.1981, p.27  
(3) OJ No L 118, 30. 4.1981, p.13

Aid to holdings specializing in the production of beef  
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- 12.13. As indicated in its memorandum "Guidelines for European Agriculture" of 23 October 1981, the Commission considers that it is appropriate during 1982/83 to review the existing premium schemes and to consider whether improvements can be made in the form of a more uniform direct aid to producers' incomes. Such a uniform direct aid would replace all existing premiums, and would enable prices to be adjusted in future years in such a way as to maintain consumption.
- 12.14. The Commission intends to establish a special working group to examine the detailed implementation of these ideas.

13.

SHEEPMEAT

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PRICES

Reference prices

13.1. Pursuant to Article 3(4)(ii) of Regulation (EEC) No 1837/80 (1) and having regard to the Council's decision that a single Community reference price should be achieved at the beginning of the 1984/85 marketing year by the convergence of national reference prices in equal annual steps over four years, the difference between the reference prices fixed by the Council for the 1981/82 marketing year has to be reduced by one third at the beginning of the 1982/83 marketing year. To that end the Commission proposes that the same method be applied as for 1981/82 (the first stage of the adjustment), namely, that the price fixed for Regions 2 (France) and 6 (Greece) for 1981/82, i.e. 370.88 ECU/100 kg, be taken as the "central" reference price, in other words, as the basis for the annual adjustments.

13.2. In addition, in view of the situation on the market and the prospects for sheepmeat production and consumption, the Commission proposes that reference prices be increased by 9% once the abovementioned adjustments have been made. Moreover, taking account of the situation described in 13.6 below the Commission proposes that the present Region 5 be divided into two new regions. It therefore proposes that the reference price be fixed at the following levels:

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(1) OJ No L 183 of 16.7.1980, p. 1.

Region 1 (Italy)	421.83 ECU/100 kg
Region 2 (France)	404.26 ECU/100 kg
Region 3 (Denmark/Benelux/Federal Republic of Germany)	386.68 ECU/100 kg
Region 4 (Ireland)	383.76 ECU/100 kg
Region 5 (Great Britain)	373.79 ECU/100 kg
Region 6 (Northern Ireland)	373.79 ECU/100 kg
Region 7 (Greece)	404.26 ECU/100 kg

Basic price

13.3. For the same reasons, the Commission proposes that the basic price be raised by 9%, i.e. to 404.26 ECU/100 kg. Consequently, the intervention price, determined in accordance with Article 7(6) of Regulation (EEC) No 1837/80, would be 343.62 ECU/100 kg; this price would also be the guide level referred to in Article 9 of that Regulation.

13.4. The Commission also proposes that the derived intervention price applicable in Region 4 (Ireland) be fixed at 325.09 ECU/100 kg. It proposes that the basic and intervention prices be seasonally adjusted along the same lines as in 1981/82.

Related measures

13.5. In the light of experience gained during the 1981/82 marketing year the Commission feels that it should propose to the Council a derogation to Regulation (EEC) No 1837/80 so that the measure which it had adopted on a transitional basis in 1980 under

Article 33 of Regulation (EEC) No 1837/80 (1) can remain in force. This involves not charging the amount equal to the variable slaughter premium for sheep provided for in Article 9 of the Regulation in the case of products as referred to in Article 1(a) of the Regulation which are exported from the Community.

13.6. After discussing in detail with the Member States concerned the problems which have arisen between Northern Ireland and Ireland in 1981/82 as a result of the application, in the United Kingdom, of the variable premium provided for in Article 9 of Regulation (EEC) No 1837/80, the Commission has reached the conclusion that the problems in question were only partly solved by Ireland's implementation of Commission Decision 80/1227/EEC of 12 December 1980 (2) empowering Ireland to refuse authorization to slaughter on its territory animals originating in the United Kingdom.

13.7. Accordingly, in order better to control EAGGF expenditure, the Commission proposes that Northern Ireland henceforth be regarded as a region (Region 6) within the meaning of Article 3(1) of Regulation (EEC) No 1837/80. The provisions of Regulation (EEC) No 1837/80 should be adapted to include the possibility of recording market prices and the number of ewes in each of the new regions (Regions 5 and 6).

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(1) Commission Regulation (EEC) No 3193/80 of 9 December 1980 (OJ No L 322 of 10.12.1980, p. 14), as last amended by Regulation (EEC) No 1078/81 of 23 April 1981 (OJ No L 112 of 24.4.1981, p. 4).

(2) OJ No L 374 of 31.12.1980, p. 3.

Such a proposal would result in the following:

- in Northern Ireland, support for producers would be provided by means of the premium for ewes and the variable premium would no longer be granted;
- the amount equivalent to the variable premium provided for in Article 9(3) of Regulation (EEC) No 1837/80 would no longer be charged on exports from Northern Ireland;
- the incentive to engage in smuggling would be reduced, if not removed altogether.

14.

PIGMEAT

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14. 1. The prices obtained by pigmeat producers have risen sharply during the present marketing year, reaching new record levels during the autumn of 1981. The rise in the cost of feed has been much less steep, resulting in a considerable increase in the profitability of pigmeat production.
14. 2. Under Council Regulation (EC) No 2759/75 (1), the Commission is required to propose a basic price for pig carcasses. The basic price is fixed taking into account the sluice-gate price and levy applicable from 1 August each year. For the 1981/82 marketing year the basic price was fixed at 1761.80 ECU/tonne and was brought into force on 1 November 1981.
14. 3. It is necessary to fix the basic price at a level at which it will help to stabilize market prices and at the same time avoid causing structural surpluses in the Community. The overall trend of the various cost factors entering into the production of pig carcasses calls for an adjustment of the basic price for this product by 9% for the forthcoming marketing year.
14. 4. Consequently, to enable the price system to contribute stability to the pigmeat market by mitigating the cyclical fluctuations in production and prices, in view of the desired increase in the general level of common agricultural prices and of the agri-monetary measures, it is proposed that the basic price be fixed at 1920.36 ECU/tonne for the 1982/83 marketing year. This price will enter into force on 1 November 1982.

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(1) Council Regulation (EEC) No 2759/75 of 29 October on the common organisation of the market in pigmeat (OJ No L 282, 1.11.1975).

Table of price proposals for individual products

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Common wheat	Target price	230.55	7.73	246.81	7.05	1.8.82 - 31.7.83	C.P.	C.P.
	Common single intervention price	165.23	6	176.10	6.58		C.P.	C.P.
	Reference price for bread-wheat (average quality)	192.72	7.5	205.40(b)	6.58		182.44	197.18
Durum wheat	Target price	311.48	7.73	333.44	7.05	1.8.82 - 31.7.83	C.P.	C.P.
	Intervention price	274.99	7.50	293.08	6.58		251.79	274.54
	Aid	85.18	7.50	92.85	9.00		57.23	66.14(c)
Barley	Target price	210.00	8.07	224.59	6.95	1.8.82 - 31.7.83	C.P.	C.P.
	Common single intervention price	165.23	6	176.10	6.58		C.P.	C.P.
Rye	Target price	210.00	6.43	224.59	6.95	1.8.82 - 31.7.83	C.P.	C.P.
	Intervention price	169.20	3.28	176.10	4.08		163.04	C.P.
Maize	Target price	210.00	8.07	224.59	6.95	1.8.82 - 31.7.83	C.P.	C.P.
	Common single intervention price	165.23	6	176.10	6.58		C.P.	C.P.
Rice	Target price-husked rice	450.50	10.37	487.53	8.2	1.9.82 - 31.8.83	C.P.	C.P.
	Intervention price - paddy rice	259.42	11	285.36	10		C.P.	C.P.
Sugar	Basic price for sugarbeet	35.91	8.5	39.14	9	1.7.82 - 30.6.83	C.P.	C.P.
	Intervention price for white sugar	469.50	8.5	511.80	9		C.P.	C.P.

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Olive oil	Production target price	2 727.70	10	2 973.20	9	1.11.82-31.10.83	C.P.	C.P.
	Intervention price	1 963.30	9	2 140.00	9		1 869.70	2 063.50
	Production aid	600	7.5	654.00	9		150.00	253.50
Oilseeds	Target price							
	- Colza and rape seed	425.60	10	455.40	7	1.7.82-30.6.83	C.P.	C.P.
	- Sunflower seed	477.50	12	534.80	12	1.9.82-31.8.83	C.P.	C.P.
	Basic intervention price							
	- Colza and rape seed	397.10	8	415.50	7	1.7.82-30.6.83	C.P.	C.P.
	- Sunflower seed	440.60	10	488.50	12	1.9.82-31.8.83	C.P.	C.P.
	Guide price							
	- Soya seed	462.60	10	513.50	11	1.11.82-31.10.83	C.P.	C.P.
	- Flax seed	464.00	10	505.80	9	1.8.82-31.7.83	C.P.	C.P.
	- Castor seed	598.10	10	651.90	9	1.10.82-30.9.83	C.P.	C.P.
Minimum price soya seed	416.30	7.6	453.80	9.01	1.11.82-30.9.83	C.P.	C.P.	
Minimum price castor seed	569.60	10	620.90	9	1.10.82-30.9.83	C.P.	C.P.	
Dried fodder	Fixed rate aid	7.03	8	7.87	12	1.4.82-31.3.83	C.P.	C.P.
	Guide price	148.08	10	165.85	12	1.7.82-30.6.83	140.93	159.85
	Aid for dehydrated potatoes	13.41	8	14.62	9		2.68	5.67
Peas & beans	Activating price	418.30	11.3	467.80	11.8	1.7.82-30.6.83	C.P.	C.P.
	Guide price	x	x	307.80	x			
	Minimum price	244.70	8	269.20	10			
Flax and hemp	Fixed rate aid (per ha)							
	- Fibre flax	296.48	12	326.13	10	1.8.82-31.7.83	59.30	81.53
	- Hemp	269.26	12	296.19	10		53.85	74.05

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Cotton	Guide price	760.00	x	836.00	10	1.8.82 - 31.7.83	C.P.	C.P.
	Minimum price	722.00	x	794.20	10		C.P.	C.P.
Table wine								
Type RI	Guide price (per degree/hl or per hl according to type)	2.95	10	3.22	9	16.12.82-15.12.83	2.71	3.02
RII		2.95	10	3.22	9		2.71	3.02
RIII		45.97	10	50.11	9		C.P.	C.P.
AI		2.72	8.5	2.96	9		C.P.	C.P.
AII		61.26	10	66.77	9		C.P.	C.P.
AIII		69.96	10	76.26	9		C.P.	C.P.
Raw tobacco	Guide price Intervention price		8 average		(x)	1982 harvest	C.P.	C.P.
Fruit & vegetables	Basic price		8 to 11 (e)		10(d) (e)	1982 - 1983	(e)	(e)

(x) Increase of 8-11% but change in the relationship with the guide price.

Product	Category of price or amount	1981/82		1982/83 proposals		Period of application of the proposed prices	Greece (a)	
		Amounts ECU/tonne	% increase	Amounts ECU/tonne	% increase		Amounts fixed 1981/82 ECU/tonne	Proposals 1982/83 ECU/tonne
1	2	3	4	5	6	7	8	9
Milk	Target price for milk	242.60	9	264.40	9	1.4.82-31.3.83	)	)
	Intervention price - for butter	3 178.40	9	3 451.10	8.58		)	)
	- for skimmed-milk powder	1 324.50	9	1 445.80	9.16		)	)
	- for cheese						)	)
	. Grana padano 30-60 days	3 172.00	9.53	3 474.60	9.54		)	)
	. Grana padano 6 months	3 842.70	9.84	4 221.40	9.86		)	)
	. Parmigiano-Reggiano 6 months	4 188.70	10.01	4 608.90	10.03		)	)
Beef and veal	Guide price for adult bovines (live weight)	1 728.00	7.5	1 874.50	6	5.4.82-6.12.82	)	)
	Intervention price for adult bovines (live weight)	1 768.40	10.0	1 927.60	9	7.12.82-4.4.83	)	)
		1 555.40	7.5	1 687.00	6	5.4.82-6.12.82	)	)
		1 591.60	10.0	1 734.80	9	7.12.82-4.4.83	)	)
Sheep-meat	Basic price (slaughter weight)	3 708.80	7.5	4 042.60	9	6.4.82-4.4.83	C.P.	C.P.
Pigmeat	Basic price (slaughter weight)	1 761.80	11.0	1 920.36	9	1.11.82-31.10.83	C.P.	C.P.
Silk-worms	Aid per box of silk seed	85.00	19.4	93.50	10	1.4.82-31.3.83	64.03	71.40

Footnotes

- (a) Greek prices are shown only where they differ from the common prices.  
C.P. = common price.
- (b) The price is reduced by 10.76 ECU per tonne where special intervention measures are applied to the minimum breadmaking quality, i.e. 194.64 against 184.84 in 1981/82 (+ 5,3%) and for Greece 186.42 against 174.56 in 1981/82.
- (c) For Greek regions which did not receive national aid before accession : 23.21 ECU per tonne.
- (d) Except tomatoes for which 8% is proposed and mandarins for which 9% is proposed.
- (e) Products in Annex II of the Council Regulation (EEC) No 1035/72 of 18 May 1972 and periods of application.

Greece

	<u>1981/82</u>	:	<u>1982/83</u>	:	<u>1982/83</u>	
Cauliflowers	+ 11 %	:	+ 10 %	:	C.P.	: 1. 5.1982 to 30. 4.1983
Tomatoes	8 %	:	8 %	:	16.2 %	: 11. 6.1982 to 30.11.1982
Peaches	11 %	:	10 %	:	17.4 %	: 1. 6.1982 to 30. 9.1982
Lemons	11 %	:	10 %	:	12.2 %	: 1. 6.1982 to 31. 5.1983
Pears	11 %	:	10 %	:	- 2.2 %	: 1. 7.1982 to 30. 4.1983
Table grapes	11 %	:	10 %	:	7.7 %	: 1. 8.1982 to 31.10.1982
Apples	9 %	:	10 %	:	C.P.	: 1. 8.1982 to 30. 6.1983
Mandarins	11 %	:	9 %	:	13.9 %	: 16.11.1982 to 28. 2.1983
Sweet oranges	11 %	:	10 %	:	19.6 %	: 1.12.1982 to 31. 5.1983
Apricots	-	:	-	:	C.P.	: 1. 6.1982 to 31. 7.1982)
Aubergines	-	:	-	:	C.P.	: 1. 7.1982 to 31.10.1982)

Prices calculated pursuant to Art.16 of Reg. 1035/72

For Greece lower prices have to be fixed for tomatoes, peaches, lemons, mandarins and oranges and higher prices for pears (price alignment + increase included).

The common prices are applicable for cauliflowers, apples and table grapes.

AGRI-MONETARY PROPOSALS

Currency	Representative rate		Reduction in the gap	Revaluation (+) or devaluation (-) proposed	Effect on prices	Monetary gap resulting from the proposals (1)	
	In force 1 ECU =	Proposed 1 ECU =				Real	Applied
DM	2,65660	2,53140	4,5	+ 4,946	- 4,713	+ 4,8	+ 3,8
HFL	2,81318	2,72653	3,0	+ 3,198	- 3,080	+ 2,3	+ 1,3
BFR/LFR	40,7985	unchanged	-	-	-	+ 0,1	0
DKR	7,91917	unchanged	-	-	-	+ 0,1	0
FFR	6,08656	unchanged	-	-	-	- 1,4	0
IRL	0,685145	unchanged	-	-	-	+ 0,1	0
UKL	0,618655	0,592604	4,0	+ 4,396	- 4,211	+ 5,0	+ 4,0
LIT	1,258.00	1,289,000	2,5	- 2,405	+ 2,464	- 0,8	0
DRA	61,4454	unchanged	-	-	-	- 0,3	0

(1) Based on the situation on 18.1.1982.