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EUROPEAN PARLIAMENT

# Working Documents

1982-1983

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8 December 1982

DOCUMENT 1-964/82

## Report

drawn up on behalf of the  
Committee on Agriculture

on the proposal from the Commission of the European  
Communities to the Council (Doc. 1-66/82 - COM(82)  
85 final) for a regulation amending Regulation  
No. 136/66/EEC on the establishment of a common  
organization of the market in oils and fats

and

on the olive oil sector

Rapporteur : Mr N. VGENOPOULOS

PE 79.984/fin.



By letter of 26 March 1982, the President of the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 43 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 136/66/EEC on the establishment of a common organization of the market in oils and fats.

On 19 April 1982, the President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for an opinion.

At its meeting of 27 April 1982, the Committee on Agriculture appointed Mr VGENOPOULOS rapporteur.

On 21 January 1982, the motion for a resolution tabled by Mr COSTANZO and others, pursuant to Rule 47 of the Rules of Procedure, on the necessary adjustments to be made to the rules governing the olive oil sector was referred by the European Parliament to the Committee on Agriculture.

On 15 February 1982, the motion for a resolution tabled by Mr KYRKOS on improving the competitiveness of olive oil in relation to other vegetable oils was referred by the European Parliament to the Committee on Agriculture.

On 18 June 1982, the motion for a resolution tabled by Mr COSTANZO and others on the common organization of the market in oils and fats was referred by the European Parliament to the Committee on Agriculture as the committee responsible and to the Committee on Budgets for an opinion.

At its meetings of 16/17 March, 25/26 May and 30 September/1 October 1982 respectively, the Committee on Agriculture decided to include the three motions for resolutions in the draft report by Mr VGENOPOULOS.

The Committee on Agriculture considered the Commission's proposal and the draft report at its meetings of 22, 23 and 24 September, 2/3 November and 1/2 December 1982.

At the last meeting, the committee decided by 21 votes to 10 and 1 abstention to recommend to Parliament that it approve the Commission's proposal with the following amendments.

The Commission has not taken a position on the matter.

The Committee on Agriculture then adopted the motion for a resolution as a whole by 24 votes to 7, with 1 abstention.

The following took part in the vote :

Mr CURRY, chairman; Mr VGENOPOULOS, rapporteur;

Mr ABENS (deputizing for Mr SUTRA), Mr ADAMOU, Mrs BADUEL-GLORIOSO, (deputizing for Mr PAPAPIETRO), Mr BATTERSBY, Mr BLANEY, Mr CLINTON, Mr COSTANZO (deputizing for Mr COLLESELLI), Mr DALSAASS, Mr DIANA, Mrs DESOUCHES (deputizing for Mr THAREAU), Mr EYRAUD, Mr GATTO, Mr GAUTIER, Mrs GAIOTTI DE BIASE (deputizing for Mr FRÜH), Mr GOERENS (deputizing for Mrs MARTIN), Mr HERMAN (deputizing for Mr MARCK), Mr HORD, Mr HOWELL, Mr KALOYANNIS, Mr KIRK, Mr LIGIOS, Mrs LIZIN (deputizing for Mrs HERKLOTZ), Mr MERTENS, Mr PAPAEFSTRATIOU (deputizing for Mr d'ORMESSON), Ms QUIN, Mr STELLA (deputizing for Mr HELMS), Mr TOLMAN, Mr VERNIMMEN, Mr VITALE and Mr WETTIG.

The opinion of the Committee on Budgets is attached.

C O N T E N T S

	<u>Page</u>
A    MÓTION FOR A RESOLUTION .....	6
B    EXPLANATORY STATEMENT .....	10
<u>Annex I</u> :	
: Motion for a resolution by Mr COSTANZO	
: and others on the necessary adjustments	
: to be made to the rules governing the	
: olive oil sector (Doc. 1-938/81) .....	31
<u>Annex II</u> :	
: Motion for a resolution by Mr KYRKOS on	
: improving the competitiveness of olive	
: oil in relation to other vegetable oils	
: (Doc. 1-959/81) .....	33
<u>Annex III</u> :	
: Motion for a resolution by Mr COSTANZO	
: and others on the common organization	
: of the market in oils and fats	
: (Doc. 1-376/82) .....	35
Opinion of the Committee on Budgets .....	37



The Committee on Agriculture hereby submits to the European Parliament the following amendment and motion for a resolution together with explanatory statement:

AMENDMENT No. 1

Proposal for a regulation

Article 2

Article 2

AMENDED TEXT

COMMISSION TEXT

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

It shall apply from 1 November following its entry into force.

It shall apply from 1 November following the date of accession of Spain to the Community.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No. 136/66/EEC on the establishment of a common organization of the market in oils and fats and on the olive oil sector

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(82) 85 final),<sup>1</sup>
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 1-66/82),
- having regard to the report of the Committee on Agriculture and the opinion of the Committee on Budgets (Doc. 1-964/82),
- having regard to the communication from the Commission to the Council of 15 October 1981 concerning olive oil (Com(81) 610 final),
- having regard to the motions for resolutions by Mr Costanzo and others on the necessary adjustments to be made to the rules governing the olive oil sector (Doc. 1-938/81 of 15 January 1982), by Mr Kyrkos on improving the competitiveness of olive oil in relation to other vegetable oils (Doc. 1-959/81 of 27 January 1982) and by Mr Costanzo and others on the common organization of the market in oils and fats (Doc. 1-376/82 of 17 June 1982),
- having regard to the result of the vote on the proposal from the Commission,

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<sup>1</sup> OJ No C 72, 23.3.1982, p.11



- (A) whereas the olive oil sector is extremely important from an economic point of view (since the sector dominates the economy of entire regions) and in social terms (given the very high proportion of the working population employed in the production, processing and distribution of this crop),
  - (B) whereas it is essential both for agronomic reasons (given the impossibility of finding substitute crops) and in ecological terms, for the conservation of the soil, to maintain and develop olive-growing in the Community,
  - (C) whereas it has been scientifically proven that olive oil has a high biological and nutritive value, although the public is not particularly aware of this, partly as a result of the frequent large-scale advertising campaigns used to promote rival products with the advantage of strong financial backing,
  - (D) whereas the stagnation or decline in consumption of this product is due in particular to the competition from cheaper seed oils which is the result of the duty-free import policy pursued by the Community,
  - (E) whereas the accession of Spain to the Community will lead to a sharp fall in consumption in that country as a result of competition from imported products, as has been the case in Greece since its accession, and this will place a considerable burden on the Community budget,
  - (F) whereas it is essential to encourage consumption in Europe, or at least prevent its decline, through a series of measures designed to reduce costs, improve market structures and launch promotional activities on the European markets,
  - (G) whereas the present system of production aid should also be maintained and strengthened by making the adjustments which experience has shown to be necessary,
1. Approves the Commission proposal to align the price of olive oil and of competing vegetable oils in order to encourage a recovery in sales, particularly in those countries which are traditional consumers of this product, but emphasizes that this proposal will be inadequate unless it forms part of an overall policy on oils and fats;

2. Considers that the objective of aligning the price of olive oil and of competing vegetable oils should not be pursued by the provision of consumption aid, but by releasing onto the retail market in the light of market trend forecasts produce bought in by intervention bodies at the beginning of the marketing year so as to discourage speculation.
3. Stresses, however, that the cornerstone of the organization of the market in this product should continue to be production aid, which should not be reduced in order not to exacerbate further the income problems facing producers;
4. Requests the Commission to propose measures to facilitate controls over the granting of production aid, in particular by strengthening the role of producer associations;
5. Asks that every effort be made to ensure that consumption aid is entirely absorbed in the price paid by consumers;
6. Asks the Member States concerned to speed up as much as possible the introduction of the register of olive cultivation, which is essential for controlling production and launching structural improvement measures;
7. At the same time asks the Commission to propose a particularly stringent set of rules to protect both olive-growers and consumers with regard to sales, blending and adulteration with seed oils of products represented as olive oil. An additional reason for such rules is to avoid the recurrence of tragedies such as those which occurred recently;
8. Asks for specific and carefully researched measures to be taken to ensure a real restructuring of the Community olive-growing sector and hence reduce production costs, without which the introduction of a more favourable price ratio could prove insufficient.
9. Asks, moreover, that advertising and consumer-information campaigns be launched which emphasize in particular the specific nutritional qualities of olive oil;

10. Points out that the European Parliament has on several occasions<sup>1</sup> called for a global Community policy on fats and oils involving the introduction of a levy on all vegetable fats and oils, while safeguarding the interests of developing countries;
11. Asks that, pending the formulation and implementation of such a policy, imports from third countries should be stabilized at a level consistent with availability of supplies;
12. Expresses its opposition to the proposals being mooted to isolate the Spanish market, or any other market, in the oils and fats sector, as this would be the first step towards fragmenting the agricultural markets and hence abandoning one of the fundamental principles of the common agricultural policy;
13. Instructs its President to forward to the Commission and the Council the proposal from the Commission as voted by Parliament and the corresponding resolution as Parliament's opinion.

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<sup>1</sup> See paragraph 14 of the resolution adopted on 26 March 1981 in OJ No C 90 of 21 April 1981, p. 103 and paragraph 47 of the resolution adopted on 26 March 1982 in OJ No. C 104 of 26 April 1982, p. 30.

EXPLANATORY STATEMENTIntroduction

The following documents are for consideration by the Committee on Agriculture:

- (a) The Commission proposal for a Council regulation (EEC) amending Regulation No 136/66/EEC concerning the market in oils and fats (COM(82) 85 final of 2 March 1982, Doc. 1-66/82). The Council of Ministers is currently awaiting the European Parliament's opinion on this document.
- (b) The communication from the Commission to the Council on olive oil (COM(81) 610 final of 15 October 1981). The European Parliament does not need to deliver an opinion on this document since it was drawn up in anticipation of Spain's accession to the European Community and submitted to Parliament for information only. However, it is worth noting that this document was discussed at great length by the different organs of the Council of Ministers and by the Council itself and it forms the basis for a possible reform of the arrangements currently applicable to olive oil.
- (c) Three motions for resolutions referred to the Committee on Agriculture pursuant to Rule 47 of the Rules of Procedure: the motions for resolutions by Mr COSTANZO and others on the necessary adjustments to be made to the rules governing the olive oil sector (Doc. 1-938/81 of 15 January 1982) and by Mr COSTANZO and others on the common organization of the market in oils and fats (Doc. 1-376/82 of 17 June 1982).

The rapporteur is of the opinion that the Committee on Agriculture should not confine itself to examining the specific proposal upon which the European Parliament has been asked to deliver an opinion (in other words the first document), but should take the opportunity to produce a more comprehensive and thorough picture, albeit in outline, of the whole olive oil sector and the problems facing it.

## I. The basic regulation

1. Olive oil was one of the first agricultural products for which common organization of the market was introduced. This was because olive growing and olive oil production are of special economic importance in certain regions of the Community, where these activities often constitute the most important source of income for a large proportion of the population; olive oil is also the most important source of oil and fats for large categories of consumers.
2. The two main elements of the basic Regulation No 136/66/EEC on the establishment of a common organization of the market in oils and fats, which entered into force on 22 September 1966, are as follows: a non-restrictive trade policy for vegetable oils and a policy for olive oil based on predominantly social criteria. In other words, support for olive oil production in the Community for social reasons with freedom to import competing oils. The reason for this was that in 1966 the overall level of self-sufficiency in vegetable oils within the Community was very low (fluctuating around 10%) and therefore there were no grounds for introducing import barriers for oils or the raw materials from which such oils are processed.
3. The basic Regulation No 136/66/EEC remained in force for 12 years. During this time it was noted that olive oil consumption declined considerably because of the difference in price between olive oil and competing seed oils. Consequently, in order to maintain olive oil consumption at desired levels thereby guaranteeing a fair income for producers, the Community amended the basic Regulation No 136/66/EEC in 1978 and introduced a system of aids to production and consumption (Regulation No 1360/78/EEC).
4. Aid to production is fixed each year with a view to guaranteeing the income of producers. Olive growers who are members of producer groups receive aid in proportion to the amount of olives actually produced, whereas other olive growers receive aid in proportion to the number of their olive trees and the potential yield and return from these trees calculated at a flat rate and on the assumption that the olives produced are actually harvested. However, since there is no olive grove register,

it is impossible to establish the potential yield of olive trees and therefore, pending the introduction of such a register, the estimate for production aid to olive growers who do not belong to producer groups is based on the average return of the olive trees.

5. Aid to consumption aims to guarantee that an outlet is found for Community olive oil having regard to the prices of competing seed oils. This aid is granted through approved factories, which standardize and package olive oil in containers of up to 5 litres. This applies only to olive oil for sale within the Common Market, not to olive oil for export elsewhere.

## II. Production, structural and social aspects of the olive oil sector

6. For a better understanding of the problems affecting the olive oil sector, an outline of the current situation will be useful.
7. As regards production, it should be pointed out that 70% of the olive oil produced in the Community comes from Italy, 29.6% from Greece and 0.4% from France. In Greece the value of this product in 1980 was equal to 11% of total output, whereas in Italy the figure was 5.8%. In the Community of the Ten the value of olive oil represents 1.4% of the value of the total agricultural product.

Until 1975, Community production covered roughly 70% of the Community's needs in olive oil. However, over the last five years the percentage of consumption covered by internal production has grown steadily, rising to 96% as a result of Greece's accession to the Community.

Community olive oil production from normal annual crops represents 47% of world production. However, it should be pointed out that olive production can fluctuate considerably from one harvest to the next owing to the particular nature of the olive tree.

8. As regards the structural aspects, available statistics show that the area covered by olive groves amounts to 2.7 million hectares (2.2 million of which are in Italy and 0.5 million in Greece), which is equal to 27% of the total area under olive cultivation in the world and 2.5% of the Community's total agricultural area.

The area under olive cultivation is more or less static: according to some estimates the total number of cultivated and uncultivated olive trees in the Community amounts to 307 million (185 million in Italy, 117 million in Greece and 5 million in France).

The particular problems affecting olive cultivation are the widespread dispersal of olive-growing units and their location, for the most part, in mountain and barren regions. Some three-quarters of all olive groves are smaller than one hectare, 10 to 12% are no bigger than 2 hectares and a tiny percentage (about 3%) are bigger than 5 hectares.

The fact that olives are grown chiefly in mountain and barren regions makes it difficult to increase productivity and reduce production costs. Recent research suggests that only 45 - 50% of the olive groves under cultivation can be mechanized. It is reckoned that of the remainder only half could be mechanized - provided the land were suitably prepared - and the other half cannot be mechanized at all.

9. As regards the social aspects, it should be stressed that the regions where olive cultivation is predominant are amongst the least advantaged regions of the Community, characterized by relatively low incomes and extremely few possibilities for conversion owing to the particular nature of the land.

The cost of harvesting olives is high because it is chiefly a labour intensive occupation. The cost of harvesting the olives alone already represents 50 - 60% of the production costs and, with this cost likely to rise to 70%, olive cultivation is becoming difficult from the economic point of view.

This in turn acts as a disincentive to any significant expansion of olive tree plantations beyond what individual family enterprises can themselves manage.

Approximately one million families in Italy, 300,000 in Greece and 40,000 in France are engaged in olive cultivation. After Spanish accession, this sector will comprise more than 2 million farmers.

Olive growers have become totally dependent for their economic survival on the supplementary price system whereby production aid is granted.

### III. Consumption

10. As far as consumption is concerned, it should be noted that, since 31 October 1978, the Community has in effect put up a barrier in respect of olive oil production, since the aids provided for by the common organization of the market are no longer granted to producer groups formed after that date (in the case of Greece the date is 1 January 1981). This means that fluctuations in the availability of olives from one harvest to the next are basically due to fruiting in alternate years, consumer demand and, to an even greater extent, on olive oil and seed oil imports.
11. However, whereas the first factor, i.e. the harvest, is influenced by climatic conditions and the particular nature of the olive tree crop, the second factor, i.e. consumption, is influenced by the price level.

To a certain extent demand can be determined by price and directed towards olive oil or competing seed oils depending on the price difference between the two products.

According to reliable statistics issued by the Commission, average consumption in Italy for the period 1969/70 - 1973/74 fluctuated around the highest levels ever recorded (664 tonnes per year) at a time when the price ratio of olive oil to competing seed oils was about 2:1. However, during the following five years consumption fell by 90,000 tonnes precisely at the time when this reasonable price ratio began to widen.



12. Nevertheless, customs in the different regions of the Community also play an important role as far as the consumption of oils and fats are concerned. Thus, per capita consumption of olive oil ranges from 20 kilos in Greece to 2 kilos in the Community of the Nine (i.e. ten times less) despite the fact that in Italy the amount consumed is 8.8 kilos per capita.

#### IV. The European Commission's proposals

13. The Commission's proposals concerning olive oil are contained in its communication to the Council of 15 October 1981 (Doc. COM(81) 610 final) which, although drawn up in anticipation of Spain's accession to the Community, contains certain notions which were subsequently given concrete form in part in the draft regulation submitted on 2 March (Doc. COM(82) 85 final - Doc. 1-66/82).
14. As a result of the abolition of the protective system currently existing in Spain, the Community of Twelve will have surplus production in the olive oil sector.

In Spain olive oil is actually in a very favourable position not just because of its price ratio compared with seed oils (1.4:1 for sunflower oil and 1.7:1 for soya oil) but chiefly because olive oil consumption is maintained (10 kilos per capita per annum) through a series of measures of which the most effective are the quantitative import controls on competing oils. With Spain's accession to the Community this system of control will be gradually abolished; inevitably there will be a change in the current balance of consumption and the emergence of Community surpluses estimated at roughly 220,000 tonnes per annum.

15. Confronted by this situation, given that the surpluses will come not from increased production but from reduced demand as a result of the implementation by Spain and Portugal of Community legislation on the trade in vegetable oils, the Commission decided that suitable measures should be taken to ensure that present consumption was maintained in full.

16. To this end it is proposed that, as from the first harvest following enlargement, the price ratio between olive oil and competing seed oils in the Community be fixed in such a way as to guarantee a level of consumption equal to that obtaining at present. On the basis of past experience it is proposed that this ratio should not exceed 2:1.

The ratio can be achieved either by increasing the price of competing oils or by reducing the price of olive oil. The Commission considers that the solution that should be adopted is to use the existing mechanisms (mainly aid to consumption) to reduce the price of olive oil.

17. Technically the procedure is as follows: Given that aid to consumption is equal to the difference between the production target price (once the aid to production has been subtracted) and the representative market price, the latter is fixed not on the basis of the actual prices prevailing in the olive oil market, but on the basis of the lowest prices of competing seed oils, which automatically means a large increase in the aid to consumption.
18. Such a system cannot create difficulties for third countries that supply vegetable oils seeing that their share in the Community market will not be affected since olive oil consumption will not increase but will remain at current levels. Moreover, this system will have the advantage of guaranteeing that production circulates within the Community itself, thus avoiding any repercussions that could upset the world market in olive oil.
19. Aid to consumption will mean increased expenditure for the Community budget. The Commission notes that, amongst the various measures needed to pay for this expenditure, is a tax (duty) to be applied equally to the consumption of all vegetable oils whether Community-produced or imported.

V. The Committee on Agriculture's observations and opinions

20. It is clear that intervention as regards aid to consumption has advantages over any other form of intervention.

Indeed, since the number of packaging and marketing undertakings to which the aid is to be paid are relatively few, it will be fairly easy to administer and, even more important, to control.

21. It remains to be seen whether this aid will have any overall effect on actual consumer prices or whether, on the other hand, undertakings will reap the aid as a kind of extra profit without passing on any benefit to the consumer.
22. The Commission should pay special heed to this, so that the effectiveness of the aid to consumption, in operation since 1978, can be evaluated.

It should be pointed out that this aid has been granted for the following amounts only:

- 1.4.1979 - 13.10.1979	124,000 tonnes approx.
- 1979/1980 harvest	193,500 tonnes approx.
- 1980/1981 harvest	235,000 tonnes approx.

In other words, these figures are much lower than the amount of olive oil actually produced. In Italy, for instance, the amount of oil actually produced was 548,000 tonnes for the period 1979/1980 and 570,000 tonnes for the period 1980/1981. This means that considerably less than half of the olive oil produced receives the aid to consumption.

The reasons for this disparity are largely due to the regulation itself, since it stipulates that aid shall be granted only for olive oil which is packaged by approved undertakings in containers of 5 litres or less, with the result that all other quantities destined for consumption by the producers themselves, for the intervention agencies, for export or for packaging in larger containers are excluded from receiving aid. However, without going into all these reasons in depth it is clear that there is a danger that the effects of aid to consumption will be extremely limited because this aid affects only a limited area of production.

23. Another problem we ought to take into consideration is that, in the present Community of the Ten, the price ratio of olive oil to seed oils is already one of the highest recorded to date, while the balance of consumption is not very stable either. It is too early to say how the Greek market has been affected by accession to the EEC; nevertheless, certain trends can already be observed, revealing a movement away from the traditional consumption of olive oil towards the less expensive seed oils.

The Commission did not consider it appropriate to submit proposals to amend the price ratio at the time of Greece's entry into the Community. However, in view of the initial effects on the demand for olive oil in Greece and having regard to the fragile nature of the market in Italy, immediate changes are required before irrevocable damage is done.

For these reasons, the Commission's proposal for price intervention through aid to consumption as from the first harvest after Spain's accession to the Community, should instead be implemented immediately as from the next harvest, in other words during 1983/1984.

24. It follows from what has been said above that there is a need for immediate intervention to ensure increased consumption in today's Community.

The Commission will have to carry out research in Greece, Italy and Spain in order to determine who consumes the different types of oils, what uses they put the oil to and why they use competing oils rather than olive oil.

Furthermore, in addition to maintaining the level of consumption of olive oil in traditional areas, the Commission will have to examine to what extent it is possible to attempt to win new consumers in the northern countries of the Community by planning an advertizing campaign which emphasizes the wholesome qualities of olive oil. For instance, at the International Conference on the Wholesome Properties of Olive Oil held at Torre Minos in Italy in April 1975, it was demonstrated that vascular and heart diseases are almost non-existent in areas where olive oil is consumed whereas, although blood cholesterol levels are lower in areas

where seed oils are consumed, coronaries and vascular and heart diseases are more frequent. At the conference held in Iraklion, Crete, in 1977 which was attended by 500 cardiologists from different universities from all over the world, it was unanimously agreed that oil not only relieves but also prevents heart diseases and that the Cretans have the lowest percentage of heart disease in the world because they use 90% pure oil.

25. There is a great danger which should not be underestimated: attempts may be made, particularly in anticipation of Spain's accession to the EEC, to abolish the supplementary price system, in other words aid to production, which has so far served as the cornerstone of the organization of the market in olive oil and enabled millions of olive growers in the less-advantaged regions of the Community to earn some kind of income. This aid is being called in question in certain Community circles, either on the grounds that it is extremely costly to the Community budget or because it is difficult to control and therefore is open to abuse. Nevertheless, this mechanism should be preserved and strengthened at all costs and, in particular, the Commission should study the feasibility of manipulating this mechanism rather than the aid to consumption with a view to achieving its aim defined by the Commission itself in its new proposal as a better ratio between the price of olive oil and the price of seed oils.

Experience gained so far may lead to a more effective and reliable mechanism of aid to production through, for example, the introduction of flat-rate payments for producers who produce for their own needs. This would greatly reduce the number of producers to whom aid is paid on the basis of the actual yield of the olive groves, with the result that controls could be concentrated on the other growers and they would thus become more effective.

However, it should be stressed that aid to production should not be replaced in any way by aid to consumption.

It should remain an indispensable method for supporting the income of producers.

26. Aid to production should also rise at the same or an even higher rate than olive oil prices since it constitutes an element of income in the same way that prices do. The reason for this is that once deductions for the olive grove register and the producer groups' administrative expenses have been taken into account, the real amount of aid is less than that fixed each year.
27. It should be pointed out here that although the olive grove register provides a reliable measure for gauging production capacity and the effectiveness of controls, it should not be paid for by deducting part of the aid (2.5%) from the producer but by a contribution from the EAGGF.
28. However, market forces alone are not sufficient; this much the Commission itself acknowledges in its communication to the Council.

Olive cultivation presents structural problems which cannot be solved easily requiring special measures aimed at reform and, wherever possible, conversion measures.

The Commission should fund research into ways of reducing the cost of olive oil production and improving the infrastructure of the olive oil sector by restructuring olive growing within the Community and increasing productivity.

29. In the various positions which the European Parliament has adopted on agricultural prices, it has often supported the operation of a comprehensive policy on oils and fats (1) which would, amongst other things, impose duties on all oils and fats imported into the Community.
30. A tax could be introduced while negotiations for the Community's enlargement are being carried out with Spain with a view to: (a) re-establishing the balance between oils/fats within the Community, (b) a better price ratio between different oils and fats and (c) an increase in Community resources.

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(1) See paragraph 14 of the resolution adopted on 26 March 1981, OJ No. C 90, 21.4.1981, p. 103 and paragraph 47 of the resolution adopted on 26 March 1982, OJ No. C 104, 26.4.1982, p. 3

If the introduction of duties solely on imported vegetable oils and fats contravenes the GATT agreements, then a tax on the consumption within the Community of all oils and fats, irrespective of their provenance, could be introduced until such time as renegotiation is taken up with the countries concerned.

31. Until such time as progress is made in solving the problems in the oils and fats sector, the Commission will have to submit further proposals to guarantee olive oil producers' incomes and rational management in the organization of the market.

1. Olive oil production in Italy

Marketing year	Amounts produced (1) (thousand tonnes)
1960/61	419
1961/62	433
1962/63	341
1963/64	592
1964/65	334
1965/66	528
1966/67	318
1967/68	522
1968/69	420
1969/70	507
1970/71	439
1971/72	691
1972/73	394
1973/74	556
1974/75	434
1975/76	682
1976/77	296
1977/78	714
1978/79	404
1979/80	548
1980/81	570

- (1) - From 1960/61 to 1965/66: Italian national statistics  
- From 1966/67 to 1978/79: amounts for which aid was granted  
- 1979/80 and 1980/81 marketing years: estimate by Commission departments  
(on the basis of amounts eligible for aid)

Olive oil production in Greece (1)

Marketing year	Amounts produced (thousand tonnes)
1975/76	236
1976/77	214
1977/78	235
1978/79	251
1979/80	217
1980/81	346

(1) National statistics.

France produces between 1,500 and 2,200 tonnes per year.



2. Average olive oil production (including olive residue oil) in Italy in the five marketing years prior to the entry into force of Regulation No 136/66/EEC was approximately 446,000 tonnes.

During the last five marketing years in Italy aid to production was granted for 536,000 tonnes. This represents an increase of 16.8% in 15 years, in other words an annual rate of increase of approximately 1.1%. This rate is not in itself incompatible with an increase in productivity of a tree crop such as the olive tree, nor with the aims of Regulation No 136/66/EEC.

Having said that, it should be pointed out that the Commission has on several occasions, and most recently when it submitted its price proposals for the 1982/83 marketing year, drawn the Council's attention to the fact that in its opinion, as regards control of the aid to production of olive oil, the problems have still not been solved and it must provide itself with the necessary means to improve the controls in question.

3. The difference between the amount of olive oil for which a request for aid to production was made and the amounts for which aid was granted in Italy is as follows:

Marketing year	Amounts for which aid was requested	Amounts for which aid was granted (thousand tonnes)
1966/67	322	318
1967/68	538	522
1968/69	458	420
1969/70	536	507
1970/71	466	439
1971/72	729	691
1972/73	467	394
1973/74	640	556
1974/75	488	434
1975/76	727	682
1976/77	309	296
1977/78	751	714
1978/79	447	404

There are no important differences as far as France or the aid to consumption are concerned.

4. The amounts of olive oil figuring in the requests for aid to consumption are roughly as follows:

124,000 tonnes for the period 1.4.1979 - 31.10.1979  
193,500 tonnes for the 1979/80 marketing year  
235,000 tonnes for the 1980/81 marketing year.

The difference between the amounts for which aid to production was requested and the amounts receiving aid to consumption can be explained in part by the fact that aid is granted only to olive oil packaged by an approved packaging company in containers holding 5 litres or less. Consequently, amounts consumed directly by the producers, amounts sold directly by the producers to consumers, amounts packaged in containers other than those eligible for aid or packaged by non-approved packagers, amounts sold to intervention agencies and, finally, amounts exported in bulk are not eligible for aid to consumption. Finally, the phenomenon referred to earlier in this paragraph concerning the difficulties relating to the control of aid to production must also be taken into consideration.

5. Olive oil production in the Community of the Ten, based on the average of the amounts granted production aid within the Nine and the national statistics for Greece during the last six marketing years, amounts to 788,000 tonnes; consumption calculated on the same basis amounts to 821,000 tonnes; this represents a 96% level of self-sufficiency.

During the 1975/76 to 1979/80 marketing years the amounts of olive oil bought by intervention agencies amounted to approximately 234,000 tonnes, while the amount sold in the same period amounted to approximately 165,000 tonnes. The quantities bought in the period under consideration represent on average 8.7% of the amounts granted aid, ranging from a minimum of 0.7% to a maximum of 12.6% per marketing year.

Recourse to intervention in the Community of the Nine can be explained by the phenomenon of fruiting in alternate years, marketing difficulties in certain production regions and by the problem of quality.

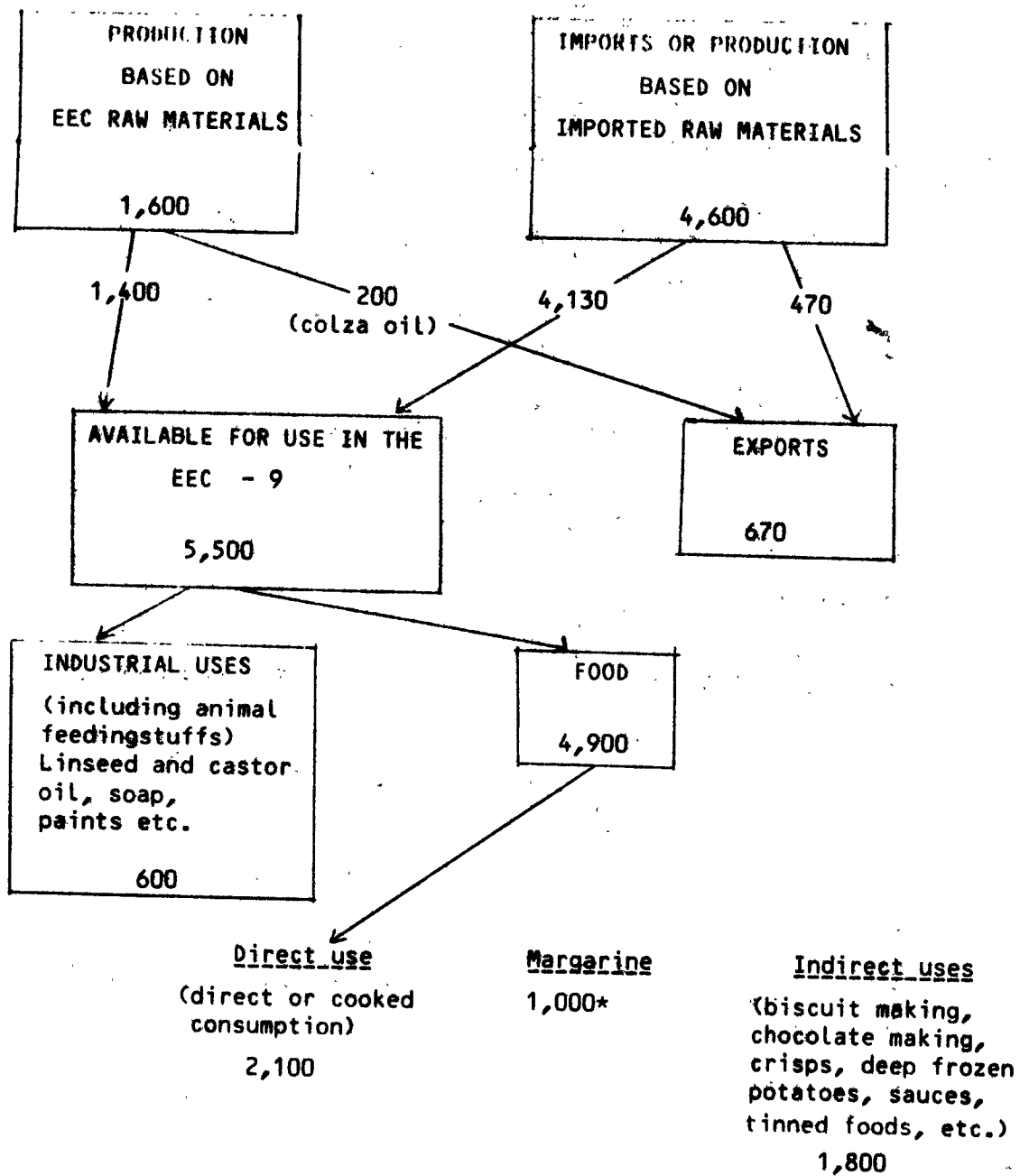
During the 1980/81 marketing campaign the amounts bought by intervention agencies amounted to approximately 155,000 tonnes while sales reached approximately 56,000 tonnes; the amounts bought in by intervention agencies represent 16.9% of the amounts considered eligible for production aid (916,000 tonnes).

Extensive recourse to intervention in this last marketing year is attributable to the above factors and also to the following:

- the exceptional harvest in Greece in 1980/81 (346,000 tonnes compared to 230,000 tonnes on average during the five previous marketing years);

- the characteristics of the Greek market, which restrict the free marketing of production; the country's geographical structure plays an important role in this matter.

6. VEGETABLE OILS IN THOUSAND TONNES (including olive oil)  
1980 - EUROPE OF THE NINE



In 1980 Europe of the Nine produced approximately 29% of its internal needs from Community raw materials.

\* The figure of 1 million tonnes of vegetable fat for margarine confirms the fact that some 1.5/1.6 million tonnes of margarine are consumed, bearing in mind that margarine contains about 16% water and all margarines made from animal fats and marine oils contain an almost equal percentage.

7. SUPPLY BALANCE SHEET FOR OLIVE OIL

	EEC - 9	GREECE	EEC - 10	SPAIN	PORTUGAL	EEC - 12
<b>A. <u>Static balance</u></b>						
(from 1975/76 to 1980/81)						
Production	538	250	788	463	45	1,296
Consumption	629	195	824	344	46	1,214
Degree of self-sufficiency	86	128	96	135	98	107
<b>B. <u>Forecast supply balance if no measures were taken</u></b>						
Production	538	250	788	463	45	1,296
Consumption	629	156	785	242	36	1,063
Degree of self-sufficiency	86	160	100	191	125	122
<b>C. <u>Forecast supply balance in the case of a 2:1 price ratio between olive oil and competing oils</u></b>						
Production	538	250	788	463	45	1,296
Consumption	692	175	867	310	41	1,218
Degree of self-sufficiency	78	143	91	149	110	106

Source: Commission of the EC

8. OVERALL BALANCE SHEET OF VEGETABLE OILS OTHER THAN OLIVE OIL

EEC - 10 Balance sheet : 1980                      thousand tonnes

	<u>EEC - 10</u>	<u>Spain</u>	<u>Portugal</u>	<u>EEC - 12</u>
Crushing from:				
Home-grown seeds	1,036	213	7	1,256
Imported seeds	2,875	558	167	3,600
Total production	3,911	771	174	4,856
Imports	1,823	105	22	1,950
Exports	683	385	37	1,150
Apparent consumption	5,051	491	159	5,701
% self-sufficiency	21	43	4	22

9. CURRENT AVERAGE CONSUMPTION (1977/80) OF FATS IN THE COMMUNITY OF THE NINE,  
IN GREECE, IN SPAIN AND IN PORTUGAL

Country	In tonnes (thousands)					Per capita (kg)				Population (1,000 inhabitants)
	Olive oil and olive- residue oil	Seed oils	Butter and lard	Marine and land-produced fats and oils	Total	Olive oil and olive- residue oil	Seed oils	Other oils and fats	Total	
Greece	193	48	6	16	263	20.8	5.2	2.4	28.4	9,280
Spain	360	363	11	42	776	10.0	10.1	1.5	21.6	35,959
Portugal	42	97	6	15	160	4.8	11.0	2.4	18.2	8,842
Total	595	508	23	73	1,199	11.0	9.4	1.8	22.2	54,081
EEC (9)	528	3,340	1,390	1,580	6,838	2.0	12.7	11.3	26.0	263,000
Total EEC (12)	1,123	3,848	1,413	1,653	8,037	3.5	12.1	9.7	25.3	317,081
Italy	500	716	97	125	1,438	8.8	12.6	3.9	25.3	56,870

Source: International Olive Oil Council

10. EFFECTS OF AIDS ON THE TARGET PRICE FOR OLIVE OIL

ECU/100 kg

Period	A Production target price	B Aid to production	C Aid to consumption	D Total aids B + C	E Aids/TP Amounts offered for sale	F Aids/TP Amounts produced
1970/71	139.33	52.17	-	52.17	37.4	37.4
1971/72	143.56	52.17	-	52.17	36.3	36.3
1972/73	150.76	54.20	-	54.20	36.0	36.0
1973/74	165.83	50.98	-	50.98	30.7	30.7
1974/75	174.13	50.98	-	50.98	29.3	29.3
1975/76	223.66	42.36	-	42.36	18.9	18.9
1976/77	223.66	48.49	-	48.49	21.7	21.7
1977/78	227.02	55.46	-	55.46	24.4	24.4
1978/79	231.56	52.12	33.42	85.54	36.9	27.3
1979/80	235.04	52.90	35.14	88.04	37.5	27.5
1980/81	247.97	55.81	47.16	102.97	41.5	28.8
1981/82	272.77	60.00	67.77	127.77	46.6	29.7

(E) Relationship between the aids applicable to the amounts offered for sale receiving aid to consumption and the production target price:  $\frac{B + C}{A} = \frac{D}{A}$

(F) Relationship between the overall aids granted to olive oil for the total amount produced and the production target price:  $\frac{B + 1/3 C}{A}$

Source: Commission of the European Communities

## 11. FINANCIAL ASSESSMENT

Without changes to the system in force

	Amount per unit ECU/tonnes	EEC - 10		Spain + Portugal		EEC - 12	
		Amounts	m ECU	Amounts	m ECU	Amounts	m ECU
Aid to production	600.0 <sup>1</sup>	788,000	472.8	508,000	304.8	1,296,000	777.6
* Aid to consumption							
- amounts offered for sale	677.7 <sup>1</sup>	435,000 <sup>2</sup>	294.8	195,000 <sup>3</sup>	132.2	645,000	427.0
- amounts exported	677.7 <sup>1</sup>	15,000 <sup>2,4</sup>	10.2	60,000 <sup>4</sup>	40.7	75,000	50.9
Tinned foods refund	772.3 <sup>5</sup>	20,000	15.5	10,000	7.7	30,000	23.2
Export refund							
- amounts in small containers	772.3	15,000	11.6	60,000 <sup>4</sup>	46.3	75,000	57.9
- amounts in bulk	1,450.0 <sup>6</sup>	-		158,000	229.1	158,000	229.1
Intervention	39.7	100,000	39.7	100,000	39.7	200,000 <sup>7</sup>	79.4
TOTAL			844.6		800.5		1,645.1

<sup>1</sup> On the basis of amounts valid for the 1981/82 marketing year

<sup>2</sup> Figure estimated for the 1981/82 marketing year in the 1982 budget

<sup>3</sup> On the assumption that 70% of consumption in Spain and Portugal will be in small containers

<sup>4</sup> Exports in small containers are eligible for aid to consumption and therefore a refund which takes account of this aid

<sup>5</sup> This refund brings the price of oil used in tinned foods into line with the world market price

<sup>6</sup> It is forecast that the export by the EEC of 233,000 tonnes of olive oil per annum will have a negative effect on the world market price of this oil; it has therefore been estimated that olive oil should be sold at the price of soya oil + 20%

<sup>7</sup> It is forecast that a surplus of 230,000 tonnes will increase the level of intervention by approximately 100,000 tonnes per annum. The figure of 39.7 includes deposit charges, withdrawal charges, storage costs and financing charges which to date are payable by the EAGGF

\* Attention is drawn to the fact that self-consumption and direct sales are not eligible for the aid to consumption



MOTION FOR A RESOLUTION, DOCUMENT 1-939/81

tabled by Mr COSTANZO, Mr BARBAGLI, Mr COLLESELLI, Mr DALSSASS, Mr DIANA, Mr GUIMMARRA, Mr LIGIOS, Mr STELLA and Mr DEL DUCA

pursuant to Rule 47 of the Rules of Procedure

on the necessary adjustments to be made to the rules governing the olive oil sector

The European Parliament,

- having regard to Article 39 of the Treaty,
- having regard to the communication from the Commission to the Council<sup>1</sup> on the olive oil sector with a view to the accession of Spain,
- having regard to the resolution tabled by Mr Ligios and adopted by the European Parliament on the fixing of agricultural prices for the 1981/82 marketing year (OJ No C 90 of 21.4.1981), with reference to the need to establish an overall policy for fats and oils and therefore to establish a better price relationship between olive oil and competing oils,
- having regard to the important socio-economic function of olive oil production, which is largely in the hands of family holdings (there are more than 2 million olive growers in Italy, Greece and France),
- whereas olive growing, apart from protecting the soil, has an ecological and rural conservation function which also involves environmental policy and the re-establishment of regional balance,
- whereas the accession of Spain will alter the present equilibrium, so that the Community may find itself faced with structural surpluses of olive oil unless the necessary measures to encourage and revive consumption are taken promptly,
- whereas this is an age-old crop which does not lend itself to reconversion, since in the areas in question alternative crops would aggravate the existing economic problems, thereby increasing the production imbalance,
- whereas the main reason for the difficulties in marketing olive oil lies in the high price relationship between olive oil and other competing oils, which is now 2.7: 1

<sup>1</sup> COM (81) 610 final

**BELIEVES THAT :**

1. In line with the provisions for the fruit and vegetable and wine sectors, it is necessary, within the context of the proposals to review the Community patrimony, immediately to adjust the Community rules governing the olive oil sector too;
2. Although the system of production aid is not the only mechanism which can directly guarantee producers' earnings, it must be reinforced instead of being weakened in favour of the system of aid to consumption, which must remain a supplementary instrument to improve marketing conditions;
3. With a view to restoring the balance of the Community oils and fats sector on a lasting basis, the price relationship between olive oil and competing seed oils must be brought down to a ratio of 1.8: 1, thereby encouraging a revival of this production;
4. Furthermore, it is absolutely necessary to take measures to restructure Community olive-growing, with a view to lowering production costs;
5. The olive-growing register must be enforced promptly as an essential instrument not only for controlling production and production aid, but also for preparing the necessary structural measures;
6. Instructs its President to forward this resolution to the Council and the Commission.

MOTION FOR A RESOLUTION, DOCUMENT 1-959/81

tabled by Mr KYRKOS

pursuant to Rule 47 of the Rules of Procedure

on improving the competitiveness of olive oil in relation to other vegetable oils

The European Parliament,

- having regard to the large price difference between olive-oil and other vegetable oils in the ratio of 1:2.7,
- having regard to the policy of multinational companies trading in fats and oils that promote for consumption all kinds of fats and oils with the exception of olive-oil,
- having regard to the pressures which the American Government is exerting to bring about reductions in production subsidies for agricultural products, reductions in export subsidies and reductions in duties on imports of soya and maize, which are the USA's main agricultural products in the oleaginous seed sector,
- whereas olive-oil production in the Community will increase significantly following the accession of Spain,
- whereas in all Mediterranean countries olive cultivation constitutes supplementary employment for persons engaged in tourism,
- whereas large agricultural areas where olives are cultivated are unsuited to other forms of cultivation,
- whereas changes in cultivation would significantly reduce the income of producers and alter the natural surroundings of the regions where olives are cultivated,
- whereas olive trees protect large areas of farmland in the mountain and hill regions from soil erosion and contribute to environmental conservation,
- whereas the imposition of a Community tax on vegetable oils would produce numerous benefits, such as:
  - . increased Community revenue,
  - . consumer preference for olive-oil,
  - . consumer protection from multinational companies,
  - . utilization of the Community's production of olive-oil,
  - . reduction of soya imports,

**Calls on the Commission and the Council:**

1. To impose a Community tax on seed-oil consumption so as to alter the price ratio from 1:2.7 to 1:1.5;
2. To finance research aimed at reducing the cost of olive-oil production and improving the infrastructure of the olive cultivation sector;
3. To increase Community aid through the EAGGF in order to modernize oil factories in the oil-producing regions;
4. To adapt the system of production support, placing emphasis on aid to small growers;
5. To launch an advertising campaign to publicize the wholesome properties of olive-oil in all the countries of Europe;
6. Instructs its President to forward this resolution to the Commission and the Council.

## MOTION FOR A RESOLUTION, DOCUMENT 1-376/82

tabled by Mr COSTANZO, Mr BARBAGLI, Mr COLLESELLI, Mr DIANA, Mr GUIMMARRA and Mr STELLA

pursuant to Rule 47 of the Rules of Procedure

on the common organization of the market in oils and fats

The European Parliament,

- A - having regard to the proposal from the Commission of the European Communities to the Council (COM(82)85),
  - E - having regard to the important socio-economic function of olive growing which has been emphasized on several occasions by the European Parliament,
  - C - whereas the accession of Spain will change the existing balanced situation so that the Community may be faced with structural surpluses for olive oil if a whole series of measures necessary in order to strengthen the present rules on the organization of the market are not adopted in the meantime,
  - D - whereas there is an urgent need for the Commission to take action in this sector before the accession of Spain so as to check the foreseeable reduction in consumption and therefore not to worsen the present situation as regards olive oil in relation to other competing types of oil,
  - E - whereas this is a traditional form of farming which is not suitable for reconversion because in the regions in question alternative forms of farming would worsen the existing economic problems by increasing imbalances in production,
  - F - whereas the Commission, when revising the rules on the organization of the market, must take into account mechanisms guaranteeing a fair income to olive growers and the importance of strengthening and not weakening those mechanisms,
1. Believes that the relationship between the price of olive oil and competing oils proposed by the Commission will make possible an increase in consumption by avoiding the creation of surpluses only in the existing Community of the Ten, but that in a future Community of twelve Member States that ratio must be increased to 1.8 : 1 in order to attain those objectives;
  2. Considers that the price relationship to be attained must be that of the retail market and not the wholesale market;
  3. Believes that, so as to enable that relationship to be maintained throughout the year, it is necessary to have a system for observing retail prices to be financed at Community level under the auspices of the Member States and subject to control by the Commission;

4. Considers that the system of aid to producers, although not the only mechanism capable of directly guaranteeing producer incomes, should be strengthened and not weakened in favour of the system of aid to consumers, which is solely valid as an integrating instrument for the improvement of the conditions of sale on the market;
5. Takes the view that it is also absolutely necessary to adopt provisions for the restructuring of Community olive growing, aimed at reducing the costs of production;
6. Considers that it is necessary to compile speedily the olive grove register as an essential instrument not only for the control of production and the aid relating thereto but also for the preparation of the necessary structural measures;
7. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr H. LOUWES

On 22 September 1982 the Committee on Budgets appointed Mr LOUWES draftsman of the opinion.

The committee considered the draft opinion at its meeting of 29/30 November and 1 December 1982 and adopted it unanimously.

Present: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mrs BARBARELLA, vice-chairman; Mr LOUWES, rapporteur; Mr ADONNINO, Mr ABENS, Mr BALFOUR, Mr BATTERSBY, Lord DOURO, Mr FICH, Mr NIKOLAOU, Mr PROTOPAPADAKIS, Mr PFENNIG, Mr RYAN, Mr SABY, Mrs SCRIVENER, Mr SIMMONET and Mr VAN ROMPUY (deputizing for Mr CROUX).

## 1. Introduction

1. The purpose of the Commission proposal for a Council regulation amending Regulation No 136/66 EEC on the establishment of a common organization of the market in oils and fats<sup>1</sup> (COM(82) 85 final) is to facilitate normal sales of olive oil products following Spain's accession to the European Community by holding down the ratio between the market price for olive oil and that for competing vegetable oils to 2:1. The regulation is to enter into force on 1 November in the year of Spain's accession. 1 November is the beginning of the olive oil marketing year.

## II. Determination of prices and subsidies for olive oil

2. Pursuant to Article 4 of the above regulation, a production target price and a market target price are fixed each year. In addition, producers' subsidies and aid to promote consumption are also determined. The production target price is intended to guarantee a reasonable level of income. The market target price is worked out on the basis of prices for competing oil seeds. Producers are granted a subsidy equal to the difference between the production target price and the market target price. The subsidy is granted only in respect of areas planted with olive trees on 31 October 1978.
3. Aid to promote consumption is based on the difference between the production target price, less the producers' subsidy, and the market target price. In addition to the intervention price, monthly increases to stagger sales are also fixed, taking into account storage and financing costs. Production refunds are also granted to promote sales to the canned food industry. Finally, import levies may be imposed or export refunds granted.

## III. Volume and economic importance of olive oil production in the European Community since the accession of Greece on 1 January 1981

(in 1,000 tonnes)

Community of 10

Production	788
Consumption	824
Self-sufficiency level	96%

<sup>1</sup>Articles 4 - 20 of Title II lay down rules for the common organization of the market in olive oil.



4. Before the accession of Greece 95% of olive production was concentrated in Italy, primarily in the poorest regions of the country. France accounted for around 5% of Community production. Now that Greece has joined the Community, the picture is as follows: Italy is still the largest producer (around 67%); almost 1 million families are dependent on olive oil production for their livelihood. Almost 30% of the Community's olive harvest is produced in Greece, with around 300,000 families earning their livelihood from this sector. France accounts for around 2% (15,000 - 20,000 tonnes per annum) of the Community olive harvest, with 40,000 families earning their living in this sector. The price support measures for olive oil are therefore of crucial importance for the livelihood of large sections of the population, particularly in the less-developed European regions, which in addition, are often not suitable for other activities.

IV. Budgetary cost of operations in the olive oil sector

5. Since the common organization of the market came into force in January 1966 the total costs have amounted to some 3,182.6 m ECU, with sharp increases in the past 5 years:

	Million ECU	Of which producers' subsidies in million ECU	Consumption aid in million ECU	Quantities harvested in thousand tonnes
1977	177	161	-	296
1978	182	144	-	714
1979	388	331		404
1980	317	237.9	52	548
1981	448	283.4	106	570 (***)
1982 *)	684	390	207 (**)	

\*) Budget

\*\*\*) According to the Commission estimates of January 1982 : 305 m ECU

\*\*\*) Excluding Greece

Total production has fluctuated sharply (between 296,000 and 714,000 tonnes) over a period of 20 years. Expenditure in the olive oil sector over the past 10 years has remained steady at around 3.6% of total Guarantee expenditure compared to other costs under the EAGGF Guarantee Section. However, budget costs represent about 28% of the value of production.

6. Over a period of 16 years, producers' subsidies totalling 2,792.4 m ECU have been granted, accounting for by far the largest proportion of expenditure.
  7. Since aid to promote consumption was introduced in April 1979 it has cost over 160 m ECU. This aid was granted in respect of 193,500 tonnes out of the total production of 548,000 tonnes (35%) in the marketing year 1979/80 and 235,000 tonnes out of a total of 570,000 tonnes (41%) in 1980/81.
- V. Effects of Spain's accession on the Community's olive oil supplies
8. Current Spanish rules effectively restrict competition from other oils in order to maintain the level of olive oil consumption. The price ratio in Spain currently stands at 1.6 : 1. If these rules were abolished and the common organization of the market introduced, vegetable oils and oil seeds would also be imported virtually duty free into Spain. The price ratio between olive oil and competing vegetable oils would therefore be changed, and this would lead to a sharp drop in olive oil consumption.
  9. As a result of the protection measures, Spain currently consumes 344,000 tonnes of the 463,000 tonnes it produces, i.e. a self-sufficiency level of 135%. According to Commission estimates, only 242,000 tonnes would be consumed if the present Spanish rules were abolished, leaving a surplus of 220,000 tonnes (a self-sufficiency level of around 191%). In this event, the self-sufficiency level for the Community including Spain would be 122%. It is significant that the resulting surpluses in the Community would thus be attributable not to higher production levels but to a decline in consumption caused by market forces. The Commission expects the self-sufficiency level for olive oil to be 106% for the Community including Spain if the market target price/oil seeds ratio is maintained at 2 : 1. There is evidence to show that this is the kind of price structure which will ensure the maximum consumption of olive oil.

## VI. Operation of the rules proposed by the Commission

10. Aid to promote consumption ensures that, whenever the production target price less the producer's subsidy is higher than the market target price, olive oil remains competitive in relation to oil seeds. In the past year the price ratio remained around 2.75, an unfavourable development for olive oil sales (see table in Annex I).
11. It is relatively easy in administrative terms to determine and control the effect on the market target price of aid to promote consumption because of the limited number of beneficiaries. In the case of producers' subsidies, there are still problems with regard to control because of the large number of recipients. Aid to promote consumption is granted only in respect of olive oil packed and marketed by recognized firms in units of up to 5 litres. Other quantities of oil not marketed in this way, for example oil delivered by the producer direct to the consumer or oil marketed by firms which are not recognized, do not qualify for this subsidy.

It should be remembered, however, that even aid to promote consumption is not problem-free. For example, there are signs that the packing firms do not pass on the full subsidy to the consumer.

In addition, the consumer appears to be perfectly prepared to pay a higher price, which explains why, in Italy, for example, aid to promote consumption is granted in respect of only 34% of the 550,000 tonnes of olive oil currently produced.

## VII. Budgetary implications of increasing aid to promote consumption

12. According to the Commission's calculations the desired price ratio of 2 : 1 for olive oil and oil seeds can be achieved by increasing aid to promote consumption by 190 ECU per tonne. The quantities benefiting from this assistance would then increase sharply from 450,000 tonnes to 579,000 tonnes out of a total production of 788,000 tonnes for the Community of ten and to some 835,000 tonnes out of a total of 1,230,000 tonnes for the enlarged Community including Spain, which means that the proportion of the total quantity eligible for the aid to promote consumption would rise

to 73% and 68% respectively.

The extra 190 ECU per tonne which would then be granted in respect of the higher figure of 579,000 tonnes (Community of ten) would then cost an additional 110 m ECU. If Spain were to accede to the Community, the figure would rise by a further 52 m ECU.

The Commission therefore estimates the costs resulting from the increase in aid to promote consumption at 502 m ECU for the Community of ten and 742 m ECU for the enlarged Community including Spain.

13. However, this additional expenditure would be offset by higher savings: the Commission expects that, as a result of increased consumption, intervention expenditure will be reduced considerably, i.e. by around 24 m ECU for the Community of ten (about 60,000 tonnes) and by some 16 m ECU (40,000 tonnes) for the Community of twelve. The greatest savings - around 218 m ECU - are expected from reduced export refunds (a reduction of about 158,000 tonnes to 75,000 tonnes).

The Commission expects to save a total of 40 m ECU in expenditure on the olive oil sector as a whole (1,604.9 m instead of 1,645.1 m ECU) if the proposed increase in aid to promote consumption is introduced. It must, however, be emphasized that these are estimates which must be treated with caution because of the many imponderable factors involved (consumer behaviour, future harvests and export potential).

## VIII. Conclusions

### The Committee on Budgets

- (a) Is aware that the proposed measures must take full account of the fact that olive oil producers should not be expected to bear the burden of Spain's planned accession to the Community on their own;
- (b) Recognizes also that olive oil production is of crucial economic importance, particularly for some of the poorest regions in Europe;
- (c) Points, however, to the rapidly increasing budgetary costs of aid to promote consumption, particularly when this aid is increased to achieve the desired olive oil/vegetable oil price ratio of 2 : 1;
- (d) Would be pleased, therefore, if the Commission's forecasts of a fall in expenditure on the olive oil sector as a whole proved to be correct;
- (e) Stresses that this measure is not designed to overcome the problems resulting from the imbalance of supply and demand and consequently emphasizes the need to examine the common organization of the market in oils and fats as a whole, particularly also with reference to imports of vegetable oils and fats, in order to prevent market distortions in this field where possible and to reduce the costs to the budget;
- (f) Requests the Committee on Agriculture to call on the Commission to present proposals which would be in the interests of producers and consumers and would at the same time prevent the irregularities which have arisen up to now. One possible solution could be to guarantee producers' incomes by means of the intervention price and abolish production aids;
- (g) Considers it preferable, in the interests of better management and control, to influence price formation by using aid to promote consumption instead of increasing production aid;

- (h) Calls on the Commission to monitor more closely the numbers of those eligible for aid to promote consumption in addition to controlling the payment of production aid, as long as the present system is used;
- (i) Considers that the rules applicable to the Community of ten whereby payment of production aid is restricted to those areas planted with olive trees before 1 November 1978 should also apply to countries acceding to the Community in the future;
- (j) Considers it necessary to adopt measures to restructure olive cultivation in the Community in the light of the positive impact these measures would be expected to have on the Community budget;
- (k) Urges that the register of olive trees be completed quickly, particularly the section containing information on the area cultivated by each producer, so that the structural problems in this sector can be identified more clearly, more detailed budgetary estimates worked out and monitoring of the payment of aid to those eligible improved.

Ratio between Refined Olive Oil and Edible Seed Oils on Italian Market (\*) (Lit/100 kg)

ANNEX I

	Jan.	Feb.	Mar. h	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1976 Refined Olive Oil (Bari)	130 375	137 688	140 600	138 750	138 478	132 115	138 813	144 417	161 000	173 000	163 300	162 312
Edible Seed Oils (Milan)	36 847	41 586	43 563	44 700	43 637	43 033	47 427	45 685	51 500	54 331	59 000	57 750
Ratio: Olive Oil/Seed Oil	3,54	3,31	3,23	3,10	3,17	3,21	2,93	3,16	3,13	3,18	2,77	2,81
1977 Refined Olive Oil (Bari)	161 563	156 500	154 550	154 300	152 102	150 375	151 438	152 800	154 000	153 000	149 000	148 417
Edible Seed Oils (Milan)	56 625	57 375	63 150	74 250	73 625	68 050	57 000	55 250	59 500	61 875	57 550	56 417
Ratio: Olive Oil/Seed Oil	2,85	2,73	2,45	2,08	2,07	2,21	2,66	2,77	2,59	2,47	2,59	2,63
1978 Refined Olive Oil (Bari)	151 050	151 313	152 938	156 938	158 700	158 000	156 125	157 333	163 563	166 500	172 500	172 312
Edible Seed Oils (Milan)	56 000	55 750	60 875	65 750	66 650	68 000	63 750	62 400	64 625	65 625	66 125	66 250
Ratio: Olive Oil/Seed Oil	2,70	2,71	2,51	2,39	2,38	2,32	2,45	2,52	2,53	2,54	2,61	2,60
1979 Refined Olive Oil (Bari)	170 250	174 625	175 375	178 125 <sup>(o)</sup>	179 300	180 453	183 625	190 875	191 563	191 150	192 313	199 312
Edible Seed Oils (Milan)	64 450	67 000	67 750	65 250	64 250	65 000	66 375	65 750	66 500	66 650	65 750	65 250
Ratio Olive Oil/Seed Oil	2,64	2,61	2,59	2,73	2,79	2,78	2,77	2,90	2,88	2,87	2,92	3,05
1980 Refined Olive Oil (Bari)	211 100	215 500	214 063	214 700	215 750	215 469	215 750	217 500	218 100	223 825	224 525	221 720
Edible Seed Oils (Milan)	63 610	63 375	62 125	60 950	59 000	57 250	61 650	64 750	64 125	62 950	63 375	64 750
Ratio Olive Oil/Seed Oil	3,32	3,40	3,45	3,52	3,66	3,76	3,50	3,36	3,40	3,56	3,54	3,47
1981 Refined Olive Oil (Bari)	225 250	237 475	240 220	246 078	250 323	249 990	249 475	-	262 250	261 875	261 563	260 500
Edible Seed Oils (Milan)	63 750	64 000	64 750	69 150	72 750	73 875	73 050	75 000	73 750	72 875	71 750	69 750
Ratio Olive Oil/Seed Oil	3,53	3,71	3,71	3,56	3,44	3,38	3,42	-	3,56	3,59	3,65	3,73

(o) Since April 1979 the ratio has not reflected the actual difference in terms of consumption, as the olive oil price does not take account of aid to promote consumption.

(\*) Soya

(1) 1 December

Ratio between the price of refined olive oil on the Bari market less consumption aid and the price of edible seed oils on the Milan market

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
979 Refined Olive oil - A.C. eff.	-	-	-	148.143	149.318	150.481	154.468	164.018	161.581	161.168	156.715	161.85
Edible seed oil				65.250	64.250	65.000	66.375	65.750	66.500	66.650	65.750	55.21
Ratio				2,27	2,32	2,32	2,33	2,49	2,43	2,42	2,38	2,44
980 Refined Olive oil - A.C. eff.	173.613	178.013	174.576	177.213	178.263	177.982	178.263	180.013	180.613	186.338	171.556	168.751
Edible seed oil	63.610	63.375	62.125	60.950	59.000	57.250	61.650	64.750	64.125	62.950	63.375	64.750
Ratio	2,73	2,81	2,84	2,91	3,02	3,11	2,89	2,78	2,82	2,96	2,71	2,61
981 Refined Olive oil - A.C. eff.	172.281	184.506	137.251	139.943	194.193	193.855	193.340	-	206.115	205.740	181.734	178.45
Edible seed oil	63.750	64.000	64.750	69.150	72.750	73.875	73.050	15.000	73.250	72.875	71.750	69.750
Ratio	2,70	2,88	2,89	2,75	2,67	2,62	2,65	-	2,79	2,82	2,53	2,56