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Mandate of 30 May 1980

GUIDELINES FOR EUROPEAN AGRICULTURE

Memorandum to complement the Commission's report on the Mandate of 30 May 1980

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Preliminary remarks

1. In its report on the mandate¹ the Commission recommended that future decisions on the common agricultural policy should be based on the guidelines set out below:

- a price policy based on a narrowing of the gap between Community prices and prices applied by its main competitors in the interest of competitiveness and a hierarchy of prices designed to improve the balance of production;
- an active export policy which would honour the Community's international commitments;
- a modulation of guarantees in line with Community production targets;
- an active structures policy tailored to the needs of individual agricultural regions;
- the possibility of income support subsidies to certain producers in specific circumstances;
- improved quality control at Community level and tighter financial control by the Community in the management of EAGGF expenditure;
- stricter discipline in relation to national aids to avoid undermining Community policies.

2. The Commission presents this memorandum to the Council in order to provide a more detailed analysis and indications of these guidelines.

3. It considers that the Community should now make a major attempt to integrate the common agricultural policy more adequately into an overall policy for general economic recovery. This necessitates the efficient use of physical resources in agricultural production, but also the maintenance of agricultural employment at an appropriate level in view of the difficulties of employment in other sectors.

4. In this memorandum the Commission has taken account of the resolution on possible improvements to the common agricultural policy adopted by the European Parliament on 16 June 1981.²

¹ Supplement 1/81 — Bull. EC.

² OJ C 172, 13.7.1981.

Part I

Background for guidelines

5. After twenty years of existence the common agricultural policy needs to be adapted to the new realities both of general economic conditions and of the agricultural sector itself.

General economic development of the Community

6. Designed in a period of unprecedented economic growth, the common agricultural policy is now developing in an economic situation marked by the energy crisis, a slowdown or even a decline in growth, unemployment and monetary instability. In the base projection used by the Commission in the fifth medium-term economic policy programme, which takes as its horizon the year 1985, the annual rate of growth of the Community's GDP in the period 1980-85 is put at 1.9%, compared with 2.2% in the period 1973-80, while the increase in purchasing power of the *per capita* wage in 1980-85 is put at only 0.8% compared with 2.0% in the period 1973-80. Demographic growth in the Community in the period 1980-85 is estimated at only 0.17% per year. This outlook implies that the increases in overall food consumption in the period between now and 1988 will be lower than in the 1970s, and particularly that the growth in demand for certain livestock products such as beef, which is closely associated with growth in incomes, will be less marked than in the past decade.

As regards employment, there are now over 9 million people out of work, which means that any drift from the land is inopportune and also that the unemployment situation has to be taken into account in the allocation of public resources.

Lastly, although held in check by the establishment of the European Monetary System, international monetary disorder has repercussions on the operation of the common agricultural policy. The introduction of monetary compensatory amounts remains a threat to market unity, despite the efforts to eliminate them.

This general economic situation in its entirety prompts anti-inflationary policies characterized

by strict control of public expenditure and the need for efficient use of the Community's financial resources in all fields, and particularly in the agricultural sector.

Development of the agricultural situation

7. Irrespective of the economic outlook, which calls for a re-examination of the common policies, the actual development of agriculture over the past twenty years would necessitate such an examination.

Without losing sight of the successes achieved by the common agricultural policy in attaining the objectives laid down in Article 39 of the Treaty, we should make the necessary adjustments in time to safeguard these achievements.

8. The creation of the common market with a spectacular development of agricultural trade has improved the consumption of foodstuffs in both quantity and quality. It has shielded the Community from physical shortage of foodstuffs, and has stabilized agricultural markets by protecting them from speculative movements affecting world markets in raw materials. The CAP has encouraged the modernization of agriculture, and through the considerable growth in productivity it has enabled non-agricultural sectors to grow by providing them with the necessary labour. It has contributed to the development of the food processing industry, which is closely linked to agriculture. European agriculture has also contributed to satisfying world demand for food.

Although the CAP has to a large extent shielded the agricultural population from the consequences of the general economic crisis and ensured the continued growth of the sector, agricultural incomes have fallen sharply in real terms in the past two years. The drop averaged 2% for the Community in 1979 and 9% in 1980.

This average also reflects the differences between Member States depending on their rate of inflation.

It is of primordial importance in any examination of the common agricultural policy to recall that the decisions taken in this framework have a direct effect on the incomes of 8 million persons employed in agriculture, who together with their families represent 40 million persons;

this is a responsibility which the Community institutions must always have in mind, particularly in implementing the measures advocated in this memorandum.

Lastly, although regional disparities of agricultural income persist, it is the general economic climate and in particular the existence or otherwise of alternative employment that is the principal cause of such disparities, and the mechanisms of the market organization have not reduced them.

9. As a result of the common agricultural policy, the Community's degree of self-sufficiency for many of the principal agricultural products has increased. However, this development has been accompanied by its own problems due to the fact that the common agricultural policy is essentially based on regulatory mechanisms supporting farmers' incomes by means of guaranteed prices or direct product subsidies for unlimited quantities not necessarily geared to the needs of the market.

Because of the continued growth of agricultural production, with a less rapid growth of food consumption within the Community, there have been increased difficulties of market management and a growing reliance on export markets, often with the aid of refunds paid from the Community budget. In the period 1974-79, expenditure from the EAGGF Guarantee Section increased more rapidly than the Community's potential own resources.

10. The Community has therefore been obliged in recent years to follow a more prudent policy for agricultural prices. The Commission included in its 1981/82 price package proposals aiming at the development of instruments for the participation by producers in the cost of disposing of additional production. At the same time, the Commission in its management of the markets, as regards both domestic markets and external trade, has placed renewed emphasis on vigorous and timely action to expand outlets, including an active export policy which has permitted the Community's agricultural exports to increase more rapidly than its imports.

11. These measures, helped by the good conjuncture of the markets, are now beginning to bear fruit. Expenditure from the EAGGF Guarantee Section in the period 1979-82 is estimated

mated to increase less rapidly than the Community's potential own resources. The picture is most striking in the milk sector, for which expenditure from the Guarantee Section will actually decrease from 4 752 million ECU in 1980 to 3 675 million ECU in 1981; in this sector the Community has succeeded in reducing a large part of stocks and expanding exports, while at the same time raising the level of prices on the world market, in such a way as to achieve considerable savings for the Community budget.

Need for medium and long-term decisions

12. The Commission considers that the Community should now take advantage of these favourable developments to form a long-term view of the future perspectives of agricultural production, consumption and trade, and to introduce the adaptations necessary for the better guidance of the agricultural policy in a multiannual context. The nature of agricultural production and markets is such that decisions based on a horizon of one or two years are often inadequate. The Commission believes that a horizon of five years would be desirable for the determination of long-term objectives. Since any new measures taken now would not begin to have their effect on production and consumption until 1982/83, it is appropriate therefore to take 1988 as the horizon for the guidelines developed in the present document.

13. Another factor to be taken into account is enlargement of the Community. During the period concerned by this study it is expected that Spain and Portugal will join the Community and that the agricultural policy will apply to twelve countries. This new enlargement will not only change the market situation for most agricultural products, but will require changes in the common agricultural policy itself. The Commission has already indicated in separate proposals the main changes in the common agricultural policy which would be needed for a Community of twelve, and these are taken into account in this document for the products mainly concerned (wine, fruit and vegetables, olive oil). But, in order to set reasonable limits to the analysis, the projections and forecasts have been made principally on the basis of a Community of ten.

14. But any reorientation of the common agricultural policy must be subordinated to certain fundamental considerations:

- any changes must respect the basic principles of the agricultural policy, and permit the Community to honour its obligation under Article 39 of the EEC Treaty to ensure a fair standard of living for the agricultural community; no adaptations which fail to respect these conditions could be politically viable;
- there can be no question of imposing an artificial limit on agricultural production, or of determining the level by administrative dictate; what are envisaged are objectives of Community production, beyond which the Community's guarantee would be reduced or adjusted in an appropriate way;
- the adaptations should take into account the impact of agriculture on the environment and the need to preserve the natural resources that form the basis of agricultural activity, and to ensure the preservation of wildlife and natural habitats.

Prospects of production and consumption

15. The analysis of forecasts for 1988 of Community production and consumption of the main agricultural products for the coming years shows that, in many cases, production will continue to increase more rapidly than Community consumption if there is no change in present measures and price structures. (Details of these forecasts are given in Part II of this document and in the graphs in Annex 5.)

16. In any case, the presence of the Community on external markets makes it necessary to analyse the evolution of Community trade and to compare agricultural prices in the Community with those existing on world markets and with prices prevailing in other countries.

Evolution of Community trade

17. In 1980 exports to third countries of agricultural products covered by Annex II to the EEC Treaty represented 8% of world agricultural trade, whereas the share of Community imports of agricultural products was 17%. This

shows the Community's important role and responsibility on the world market. In the past both imports and exports of these products have shown a considerable increase (respectively 75% and 164% in value terms during the period 1973-80). The exports of these products concern dairy products, cereals, sugar, beef, beverages and tobacco and fruit and vegetables. In 1980 34% was exported to industrialized countries, 51% to developing countries and 15% to State-trading countries. In particular exports to developing countries have in the past shown a considerable expansion (271% from 1973 to 1980). Imports relate mainly to fruits and vegetables, oilseeds, grains, beef, beverages and tobacco. In 1980 46% of these products came from industrialized countries, 49% from the developing countries and 5% from State-trading countries.

18. Cereals imports have been showing a downward trend, which is due to the progressive increase in Community production and imports of cereals substitutes other than proteins, imports of which have almost doubled since 1974. The import conditions applicable to most of these products in the Community are particularly favourable: exemption from all protection at the frontier or a fairly low rate of customs duty.

As far as exports are concerned, there has been a particularly marked increase in Community exports of sugar, cereals, milk products, beef and veal and a wide range of processed products.

19. When assessing the prospects for Community exports of agricultural products in the 1980s, one must take account of the situation in which the Community finds itself in several sectors, e.g. milk products, sugar and meat in particular, and the possible development of other exports. In addition, it must be borne in mind that the Community will be required to continue and perhaps increase the volume of its food aid, particularly in the form of milk products and cereals and possibly sugar. The countries likely to become the Community's main customers are the East European countries (including the USSR), a number of developing countries and Japan.

20. In the context of the overall policy presented by the Commission the objective of Community export policy should be, in view of

world import requirements, to increase its agricultural exports so as to maintain its share in world exports in 1988 at least at the level reached in recent years. To that end, the Community may prefer, or even be compelled, to use a wider range of mechanisms in the export field. The Commission has already proposed the establishment of long-term contracts with non-member countries for the supply of agricultural products, and other formulas could also be considered.

The Community must also see to it that processed products win a growing share of its agricultural exports, in the interests of job creation in its agri-foodstuffs industry.

Comparison with world markets and third countries

21. In general, differences in price levels reflect differences in industrial and social development. Farm price and price support levels in particular depend largely on the stage in the evolution of agricultural structures which are a determinant factor for the cost of production. Since the structural situation differs considerably among countries, it is evident that agricultural price levels in the world also vary significantly. The strong demographic density in the Community as compared to many other developed countries in the world is one of the principal causes why farm structures in the Community are generally less favourable than in these countries.

22. It is difficult to make accurate price comparisons. Different support systems, differences in statistical measurement, differences in quality, unstable exchange rates for conversion of prices in a common denominator, and the fact that exchange rates do not coincide with differences in purchasing power mean that any price comparison can only be of a global nature.

23. Comparisons with world market prices may easily lead to misleading conclusions. It is highly unlikely that European consumers could be supplied for long at low and stable world prices if Community supply, because of reduction in production, would depend to a greater extent on imports. World market prices are notoriously volatile because the quantities

involved in international trade are often marginal in relation to total production (e.g. sugar, cereals, dairy products) and may reflect short-term fluctuations in production. For several products (e.g. beef, wine, tobacco) there is no real world market and prices vary according to the destination of exports.

Therefore the Commission is convinced that a generalized and systematic alignment to world market prices would not be a practical policy guideline. On the other hand world market prices influence the level of export refunds and therefore budgetary costs. In many cases, the export market will in future be the only outlet for additional production exceeding internal consumption, and such production will therefore realize no more than the world price. This element must be taken into account in considerations concerning producer participation in financial costs.

24. Another yardstick for judging the Community price level is the price level which is applied in other countries and in particular in other major competitive export countries of agricultural products. Here also cautiousness is needed since in many cases the low-cost producers in the world could only satisfy a part of demand for food in the world, so that the production of other higher-cost producers is necessary in order to satisfy demand. The Community is not alone in maintaining a system of agricultural support and guarantees of markets and incomes for its farming population. Almost without exception, other countries have agricultural support systems of various kinds, with differing mechanisms of support and differing hierarchies of prices.

In countries with agricultural structures similar to that of the Community, the price level is frequently higher. For example, although the producer price for milk in New Zealand is 55% lower than in the Community and in Australia 15% lower, in the USA it is 15% higher, in Canada 18% higher and in Switzerland 55% higher. For beef, although producer prices in competitor countries such as Australia and Argentina are much lower than in the Community, they are only slightly lower in the USA, and they are more than twice as high in Japan. For wheat the price gap in 1980/81 between the Community and the USA was 30% and in comparison to Canada 27%. For maize, the price gap between the Community and the USA was 34% in 1980/81.

25. Almost all countries, in one way or another, place agriculture in a special position and give special treatment to agriculture compared with the other economic sectors. Without giving an exhaustive list, it is sufficient to cite the example of two major products (cereals and milk) in two leading producer countries (the United States and Canada).

In the United States measures include the fixing of a target price for the various cereals — which enables farmers to claim deficiency payments when the market price falls below a certain level — accompanied by a system of seasonal and medium-term loans, the rates of which are fixed each year by the Government at a very low level, a system of disaster payments and, more recently, new machinery for adjusting supply: the producer storage programme, the aim of which is to encourage producers to stockpile or to run down their stocks, as the market requires. In addition, there are a series of measures for regulating production, including the 'setting aside' of land. In Canada the Government pays producers the difference between the world price and the internal price fixed by the Government for supplies to the mills. There is also a centralized system for the management of the market in wheat and barley and an income stabilization system for cereal farmers in the west.

26. As regards milk, in the United States income support is ensured by a parity price for milk, reflecting production costs and aimed at ensuring a level of agricultural income which will enable an appropriate production capacity to be maintained. The Commodity Credit Corporation buys in milk and milk products to enable the milk price to reach a level somewhere between 80 and 90% of the parity price. Production is regulated by marketing orders, and imports are restricted by quotas.

In Canada there is a system whereby the market in milk is split into milk for processing and that part of the milk supplied by producers of drinking milk going for processing. Each producer receives a market price, which is based on the support price, for deliveries not exceeding his market share quota. Over and above the quota the price received reflects the prices of milk surpluses on the world market. An equalization scheme for losses incurred in exporting surpluses chargeable to the producers has also been introduced. The Federal Government

bears only those export account deficits resulting from major unforeseeable changes in the world market situation. A system of income adjustment is also now in operation, designed to adjust the target support price for producers of milk for processing and cream in the light of production costs, the cost of living and other economic factors (incomes, processing costs, etc.) relative to the other main producing countries.

27. As regards public expenditure on price and income support, OECD estimates show that the levels of support vary considerably from one country to another. In 1977, the only year for which data are available for each of the countries in question, price and income support as a percentage of the value added of agriculture at market prices ranged from 7.5% in New Zealand to 27.3% in Switzerland. The Community comes quite near the bottom end of the range with 11.9%, which is very close to the levels in the United States (9.1%) and Austria (10.6%), but considerably lower than the Norwegian figure (21.4%).

Community spending on agriculture

28. As is shown by the table in Annex 7, there was a sharp fall in EAGGF guarantee expenditure from 1973 to 1974, followed by rapid growth until 1979 then much slower growth from 1979 to 1982.

The growth rate during the period 1975 to 1979 was 23.3% a year, whereas it falls to around 10% a year for the period 1979-82,¹ and even lower when established for a constant number of Member States.

On the other hand, during both these periods the annual growth rate of the Community's 'own resources' (agricultural levy, sugar and isoglucose levy, customs duties and up to 1% of the common basis of assessment of VAT) has remained about 12% on average.

29. The following factors have brought about the increase in expenditure:

- general inflation forcing agricultural prices up;

¹ On the basis of amending budget No 2 for 1981, and for 1982 the draft budget and letter of amendment.

- upward trend of the degree of self-supply, particularly in the cereals sector (primarily by reason of substitutes) and the milk sector, although major fluctuations in either direction occur from year to year;

- enlargement of the Community to include Greece;

- widening of the scope of agricultural policy (e.g. aid for the consumption of olive oil, aid in respect of products processed from fruit and vegetables and the common organization of the market in sheepmeat);

- monetary movements;

- Community commercial policy;

- world price trends which, by the magnitude and suddenness of their fluctuations, have sometimes amplified the impact of the above-mentioned factors and sometimes cushioned or even offset their effects.

30. The reason for the difference in the growth rate between the periods 1975-79 and 1979-82 is that during the first period the principal factors tended to reinforce one another, whereas during the second factors causing downward trends have been opposing factors exerting upward pressure.

31. From 1975 to 1979 inflation and the increasing degree of self-supply forcing costs up, were strengthened in their impact by:

- the adverse effect of monetary developments, which entailed substantially higher MCAs; from about 150 million ECU before 1975 to over 700 million ECU in 1979;

- a simultaneous decline, or even collapse, of world prices for almost all the sectors of production: cereals, sugar, oilseeds and milk products;

- at the same time, imports of cereal substitutes were growing rapidly and their impact was all the greater as the refund rates were high;

- the milk sector holds a key position in the increase in expenditure, expenditure on milk accounting for a high percentage of the total spent on the market organizations (between 30 and 50%, fluctuating from year to year).

32. During the period 1979-82 the factors exerting upward pressure, such as the accession

of Greece, the extension of Community financing (the impact of which comes mainly into this period) and the development of beef/veal exports, have been counteracted by factors exerting downward pressure, i.e.:

- decline of MCAs;
- recovery of world prices for cereals, sugar and milk products;
- slower growth of milk production;
- stocks are not so high that major special measures are needed for the disposal of skimmed-milk powder or for the development of measures for the disposal of butter;
- the participation of milk producers, amounting to over 400 million ECU in 1982;
- lastly, the fact that more account has been taken of market conditions, this being reflected in a prudent price policy and the efforts of the Commission to achieve rigorous management of measures.

33. As far as the future is concerned, apart from the adjustment of prices, possible developments in the regulations and any monetary movements, two factors will affect expenditure:

- the accession of Greece, the full impact of which will not be felt until the end of the transitional period, although the major part of it will materialize during 1982;
- world prices, which are currently high, could fall back. This eventuality has in fact been allowed for in the 1982 budget.

34. Lastly, it should be stressed that not all guarantee expenditure is in fact motivated by agricultural policy considerations.

Many items of expenditure are charged to the EAGGF Guarantee Section although their real origin lies in Community trade concessions to non-member countries. For example, the Community has undertaken to import at low rates of duty or duty-free beef, New Zealand butter and sugar from the ACP countries, imports which give rise to comparable increases in exports. Moreover, imports at low rates of duty or duty-free of manioc and corn-gluten feed go far to account for the growth of expenditure on the cereals and livestock products sectors. The cost of these trade concessions (see Annex 9) can be estimated at about 1 600 million ECU in 1982;

the counter-concessions granted by other countries are difficult to quantify in budgetary terms.

Structural policy

35. In its recent decisions on prices and related measures, the Council has paid particular attention to socio-structural policy; it has agreed to pursue and intensify the drive to improve structures, without interfering with measures to combat imbalance on some markets, but concentrating the available resources where the need is greatest: deficient farms and less-favoured areas. Expenditure on deficient farms and less-favoured areas should thus be able to reach two thirds of the EAGGF Guidance Section expenditure in 1981.

36. In future, and in so far as the Guidance Section's overall budget is increased, this policy will have to be strengthened all the more as adjustments in price and market policy will be unavoidable. Measures under socio-structural policy will also have to be amplified in order to:

- exploit more fully the opportunities offered by the improvement in product quality and the efficiency of processing and marketing channels;
- encourage the reorientation and diversification of production and the introduction of new products and new production systems;
- increase the contribution made by agricultural research and advisory services to facilitating the changes needed in agriculture.

However, not until the Commission has assessed the results of the operations currently under way will it be able to judge whether new proposals should be presented and to draw conclusions as regards the budget.

37. The socio-structural measures to assist less-favoured agricultural regions will also have to be continued. However, it is an illusion to believe that socio-structural policy on its own can bring about the requisite economic development of the less-favoured agricultural areas. Such development has to be planned in the context of regional development, on the basis of integrated measures supported by the

full range of Community financial machinery available for that purpose.

Alternative production and energy

38. The choice of lines of agricultural production as alternatives to those currently in surplus is at present limited and covers only very minor products (e.g. almonds, sunflowers, hazel nuts). This very limited choice has to be seen of course against the background of the present common market organizations for agricultural products both within the Community and outside. Efforts are being made to encourage wine-growers, for instance, to switch to other products and tobacco growers to change over to different qualities. But such measures, necessary as they are, have a limited impact overall. However, one can also envisage an expansion of lines of production currently supplying proteins for animal feed, particularly peas and field beans.

In many regions of the Community, forestry is a significant factor in the rural economy. The improvement of existing forests and more afforestation would make more efficient use of agricultural land, supply raw materials, relieve the balance of payments and help improve the environment in some areas. To that end, the Commission has already made a series of proposals to the Council which would contribute to the development of a real forestry policy, and it envisages putting forward other proposals concerning, for instance, the afforestation of marginal land.

39. Like all sectors of the economy, agriculture has been hit hard by the sharp rise in energy costs.

In addition to the energy-saving measures already undertaken, which should be continued and encouraged, a special effort should be made in this sector to develop new and alternative sources of energy. The Commission has made this one of the priorities of its energy policy.¹ It has also proposed in the communication on R&D policy in the 1980s² that special attention be paid to the development of sources of energy which can be used effectively in rural areas. It has also emphasized that agriculture

can be a source of energy and it proposes in this case to present specific action programmes to be supported at Community level.

Direct income subsidies

40. The common agricultural policy aids incomes of the agricultural population by supporting market prices; but it also affords producers certain direct subsidies which supplement their income from the markets. Under the socio-structural policy hill-farmers and farmers in underfavoured areas receive the aid provided for by Directive 75/268, to compensate for the natural handicaps imposed by climate, topography and quality of soil, etc. and to maintain a farming activity in those regions which helps to protect the environment.

41. In the context of its report on the mandate of 30 May 1980¹ the Commission considered whether it was possible to adopt new measures or adapt existing ones so as to support more especially the incomes of small producers. It came to the conclusion that some scope could be found in:

- the milk sector (exemption from the co-responsibility levy for the first 30 000 kg of milk);
- the beef and veal sector (income subsidy for beef and veal producers subject to a ceiling).

42. If the subsidy cannot exceed a limit fixed for each farm, these measures would allow Community action to be concentrated on small farms without jeopardizing the principle of equity since all producers would be entitled to aid up to a certain limit.

43. If the volume of aid granted to certain regions in the Community needs to be increased, consideration should be given to using the means already offered by the compensatory allowances for mountain and hill and other less-favoured areas.

44. In keeping with its response to the mandate, the Commission considers that any future extension of direct subsidies should be set in the context of the trend in prices and agricultural incomes, with account being taken of

¹ Pages 7 to 20 of this Supplement.

² Pages 21 to 32 of this Supplement.

¹ Supplement 1/81 — Bull. EC, point 26.

annual decisions on prices and other measures, and the budgetary situation. It reserves the right, if necessary, to make proposals to introduce or adjust direct subsidies in other cases.

National aid measures

45. National expenditure in the agricultural sector is about twice that of the Community. Most national expenditure goes on structural policy, social security and fiscal measures to assist agriculture; Community expenditure is mainly on the organization of the markets, the total cost of which is borne by the Community, and certain aspects of structural policy, which is financed partly by the Community and partly by the Member States.

46. The competition rules laid down in the EEC Treaty (Articles 92 and 93) and the rules for their application in agriculture specify the criteria and procedures for assessing the compatibility of national aid measures with the common agricultural policy. The bulk of national expenditure on agriculture is in fact compatible with the rules of the Treaty.

47. However, by reason of the economic difficulties which have arisen in the agricultural sector in recent years, some Member States have been resorting increasingly to national aid measures. In some cases they have failed to observe the notification procedures and paid out aid incompatible with the Treaty.

Such aid is liable to distort competition, affect the balance of the agricultural markets and lead to additional expenditure chargeable to the Community budget. This trend is extremely worrying, not only for the Commission but also for the other Community institutions.

48. The Commission therefore considers that there should be stricter discipline in the matter of national aid measures, to prevent them from undermining the foundations of the common agricultural policy.

49. The Commission insists that plans for introducing or amending aid measures be notified to it in good time and that no payment be made which breaches Article 93(3) of the Treaty; any infringement of this provision will

give rise to systematic action under Article 169 and the other rules of the Treaty.

If an aid that is incompatible with the Treaty is paid by a Member State, the Commission reserves the right in future to invoke the rulings of the Court which require the recipients to reimburse it.

The Commission will also use its right to refuse EAGGF cover for expenditure by a Member State under the common market organizations if this Member State has paid a national aid in contravention of a market organization. This possibility, which is supported by Court judgments, will be examined when the EAGGF accounts are being cleared.

50. In order to give a clearer picture of the rules governing national aid in agriculture the Commission will also be proposing shortly to the Council a Regulation specifying which aids are to be notified, which are prohibited and which are authorized.

51. It should be stressed that it is not the Commission nor the Court which is mainly responsible as regards aids, but the Member States' Governments. Without their full collaboration all efforts to impose discipline and stricter procedures will be in vain and aids will multiply and not only undermine sound competition in agriculture but also put a heavy burden on the Community budget.

Improved control

52. The Community must tighten up supervision of the implementation of agricultural legislation.

It is true that checks are made in the Member States at the paying agencies responsible for the management of Community expenditure. When, on the basis of files checked, expenditure is found not to comply with the agricultural rules, it will be barred from Community financing. But such checks are cumbersome without being comprehensive. In order to be able to check that certain operations conform to Community legislation, national staffing levels should be increased. In addition, there should be a team of Commission officials with independent powers entitled, for instance, to make surprise visits. The Commission will put forward appropriate proposals in due course.

The following is not an exhaustive list of sectors where there is no control:

- In the fruit and vegetables sector the present supervision of the application of quality standards for marketing and withdrawal operations, which is the responsibility of 1 300 national officials, is manifestly inadequate. The system of recording prices on representative producer and import markets notified by the Member States, serving as a basis for the adoption of Community measures, needs to be harmonized.
- Despite certain checks carried out by the governments, doubts remain about the strict and uniform application of the quality criteria for cereals and beef accepted for intervention.
- Doubts also remain about the actual final destination of skimmed-milk powder intended for animal feed and receiving EAGGF subsidies to that end.
- Despite real efforts made by government and Community authorities, there are significant discrepancies between the direct aid paid to producers of olive oil and actual production.
- In the wine sector checks on the alcoholic strength of the grapes used for wine-making, the use of sucrose, the use of concentrated grape musts, etc., and on the correct application in the Member States of the rules for planting of vines are inadequate.

Part II

Analysis of market prospects and objectives for the principal agricultural products

53. The following paragraphs contain the Commission's analysis of the prospects for production, consumption and trade for the products of principal importance under the common agricultural policy, and which represent a significant part of expenditure from the agricultural budget. They also indicate, in those cases where the Commission considers it necessary, the appropriate production objectives and the measures to be adopted to attain them.

For the reasons explained in paragraph 12, the year 1988 has been chosen as the horizon for defining the long-term production objectives;

production objectives for the intervening years would be fixed at an appropriate level, in the framework of the annual decisions on the common organizations of the market for the different products. At each of these stages the Commission will propose, on the basis of results actually recorded and of market prospects, Community production volume targets. If these targets were exceeded producers could not hope to obtain from the Community the same guarantee for their products and would have to bear part of the cost of their disposal. These production targets do not set hard and fast levels for Community production or for its distribution; they indicate the threshold beyond which support will begin to diminish.

54. The proposals put forward by the Commission in this paper are based on economic forecasts at present available, on production methods currently in use and on present consumption patterns.

The Commission stipulates that during the period, i.e. between now and 1988, it might have to make adjustments to its targets and, generally speaking, act on all the consequences of technological, administrative or economic changes which may occur in the agricultural production/consumption chain.

In the same vein the Commission reserves the right to take any action which can speed up implementation of desirable innovations.

Cereals

55. Cereals production represents 12% of the value of the Community's agricultural production. It takes place on 3.6 million farms, generally with other crops and livestock; only about 400 000 farms may be said to specialize in cereals production. Expenditure from the Guarantee Section in 1981 is estimated at 1 931 million ECU, which is 17% of the Guarantee Section and 13% of the value of cereals production.

Prospects for production, consumption and trade

56. Production of cereals in the Community in 1979/80 was 118 million tonnes, with imports of 18 million tonnes and exports of 17 million tonnes. The most important cereals

produced were wheat (45 million tonnes), barley (40 million tonnes) and maize (18 million tonnes). The graph in Annex 5 indicates the evolution of production and consumption. In the absence of any change in the existing policy and relative prices, it is estimated that production by 1988 would be about 135 million tonnes.

57. Since a large part of cereals is used for livestock production in the Community, the analyses of the market situation must take into account the demand from the livestock sector and the utilization of cereals substitutes. In 1980 animal feed accounted for 73 million tonnes of cereals (including 13 million tonnes imported) and the equivalent of 14 million tonnes of cereals in the form of imported substitutes (manioc, brans, corn, gluten feed, etc.). Imports of these substitutes have grown rapidly in recent years because of the Community's low level of external protection which gives them an advantage of price compared with Community cereals. In the absence of any change in import conditions and relative prices, future additional demand for animal feed would be covered by imported substitutes rather than by Community cereals, and the increase in the Community's cereal production would therefore have to be exported at a cost to the Community budget.

58. Specific problems exist for durum wheat, for which the Community's production in 1979/80 was 4.1 million tonnes, with a consumption of 4.5 million tonnes. In the absence of any change in the existing policy, it is forecast that production will increase by 1988 to 5.0 million tonnes, while consumption will decline to 4.1 million tonnes. This situation would pose serious problems of disposal of the surplus production. The cost to the Guarantee Section of the aid to producers of durum wheat, which serves as an income supplement, has increased rapidly from 89 million ECU in 1978 to an estimated 162 million ECU in 1982, taking account of the accession of Greece.

Price policy

59. The Commission considers that it is principally in the cereals sector that the Community should take action to narrow the gap between its prices and those applied by its main compet-

itors in the world market. Several factors argue in favour of such a policy:

- Cereals have a central role in the Community's agricultural economy; a relative decline in cereals prices would mean lower costs of production for beef, milk, pigs, poultry and eggs and would therefore permit prices in these sectors to be supported at relatively lower levels, this in turn would make the Community's livestock production more competitive with that of third countries.

- The Community's cereals production is relatively efficient; although the average area of European farms is smaller, they have an average yield higher than in the USA, Canada or Australia, thanks to an intensive and therefore costly use of inputs.

- Although there are fluctuations in the world market prices of cereals, there exists a valid point of reference in the prices received by cereals producers in the USA, which in a recent period were about 20% lower than in the Community.

- From the point of view of agricultural incomes, a reduction in cereal prices in real terms would affect smaller cereal producers proportionally less than the larger producers, because the larger farms specialize in cereals production while the smaller farms tend to have a mixed farming system with other types of production, such as animals.

- The advantage enjoyed by imported cereals substitutes is essentially an advantage of price. It has been estimated that, if the price differential was reduced by 20 ECU/tonne, the substitutes would already begin to lose their economic interest for animal feed. A reduction in the relative price of cereals would therefore be the most efficient way to solve the problem of substitutes.

60. For these reasons, it would be in the Community's interest to embark on a programme of progressive reduction of cereals prices in real terms and relative to the prices of other products. To avoid unacceptable consequences for production and incomes, such a programme must be gradual: one could not envisage a reduction in nominal terms. It would be a question of progressively reducing the gap between the Community's internal prices and those in the USA over a period of years up to 1988. It

must be emphasized that Community preference in the cereals sector would be retained, since there would still be a difference between the price at which supplies from third countries could enter the Community (threshold price) and the internal support price (intervention price).

Community production objective

61. The global production objective, with complete guarantee, for cereals for 1988 should be 130 million tonnes.

This objective is formulated on the following assumptions:

- that exports will maintain their present volume,
- that additional demand for cereals in animal feed will be met from the Community's own production rather than from imports of cereals substitutes, whose volume should be stabilized or reduced.

Setting this target does not mean establishing a maximum limit on the possibilities for Community production or exports. It simply means that if the targets are exceeded, the producers could not hope to obtain from the Community the same guarantee for their products and would have to bear part of the cost of disposal on outside markets. It should be noted that if world demand rises and if the abovementioned price policy is followed, the cost of disposal on the third country market will tend to decline.

Similarly, the food aid policy which the Community is planning to develop would be a consideration in setting the target.

Measures to be taken

62. *Adjustment of intervention price.* For 1981/82 the Commission proposed that, if the Community production of the principal cereals exceeded certain basic quantities, the intervention prices should be reduced; and the Council agreed in principle to introduce this measure for 1982/83. From both the economic and administrative point of view, this form of producer participation has advantages, and the Commission considers that it would be desirable to introduce it as the means of respecting

the production objectives. It must be emphasized that this measure would come into action only if there was an excessive increase in Community production; it would be a complement to the suggested price policy. The reduction in intervention prices would take place in the year following that in which the basic quantity was exceeded.

63. *Durum wheat.* The Commission considers that the appropriate form of producer participation must, as for other cereals, consist of an adjustment of the intervention price. In addition, in order to ensure that the budgetary resources are used in the most effective way to aid the incomes of small producers, the payment of the aid should be limited to the first ten hectares for each producer.

64. *Interim action on cereals substitutes.* In the long term, a programme of progressive reduction in cereals prices in real terms will eliminate the competitive advantage presently enjoyed by cereals substitutes. But in the short and medium term, while the advantage remains, difficulties may persist on the Community's cereals market. Taking into account its international rights and obligations, the Community should therefore open discussions with the principal third country suppliers of cereals substitutes for the introduction of arrangements to ensure that during the period of alignment of prices the volume of imports does not exceed present levels. These discussions should cover all the principal substitutes (and, if necessary, new substitutes) so as to ensure coherence and avoid displacement of demand from one product to another.

Sugar

65. Sugar beet represents 3% of the value of the Community's agricultural production, and is produced on 300 000 farms. In 1980/81 production was 12.1 million tonnes (of which 10.9 million tonnes for quotas A and B), consumption 7.3 million tonnes, exports 3.5 million tonnes and imports 1.4 million tonnes, including imports from the ACP countries. Expenditure on sugar from the EAGGF Guarantee Section in 1981 is estimated at 700 million ECU, which is 6% of the Guarantee Section. However, this expenditure includes the cost of exporting the equivalent of the sugar imported from ACP countries, and is offset by levies paid

by producers themselves, which for 1981 are estimated at 463 million ECU.

66. Under the system of production quotas, which was prolonged for five years from 1 July 1981, the maximum quantity of sugar which benefits from a guarantee of price and markets (A and B quotas) is fixed, and all additional sugar must be sold at the world market price. As can be seen from the graph in Annex 5, total production has increased significantly in the 1970s; because of the quota system, the extent of future increases in production will depend on the course of world market prices, which can vary greatly. Consumption within the Community is expected to remain at about the present level.

67. The Community already has in the quota system a means of controlling production within certain guaranteed quantities. There is an integral co-responsibility of producers, who must bear the full cost of exporting surplus sugar other than the equivalent of 1.3 million tonnes principally imported from ACP countries. It would not therefore be appropriate at this stage to propose modifications in these arrangements.

68. However, the Council must review the quotas before 1 January 1984 in the light of the situation on world markets, and that will be the occasion to consider any necessary changes. In particular the Community must take account of developments in the production of other sweeteners, such as isoglucose and other new products, which may begin to occupy an increasing share of markets in third countries to the detriment of sugar produced from beet and cane.

Milk

69. Milk production constitutes 20% of the value of agricultural production in the Community and takes place on about 1.8 million of the Community's 5 million farms. The number of farms has diminished rapidly, by a quarter in the last six years, but the total number of dairy cows has remained at about 25 million. Expenditure on milk from the Guarantee Section in 1981 is estimated at 3 675 million ECU (after deduction of the co-responsibility levy) which is 32% of the Guarantee Section and 14% of the value of milk production. This represents a reduction of more than 1 000 million ECU

compared with the preceding year, and is due to the successful management of the market through reduction of stocks and higher prices obtained on world markets.

Forecasts of production and consumption

70. The trends and forecasts of production and consumption are shown in the graph in Annex 5. Deliveries of milk to dairies in the Community of ten in 1980 were 96 million tonnes, imports of milk products were equivalent to about 2 million tonnes of milk, and exports equivalent to about 16 million tonnes. During the 1970s deliveries of milk to dairies increased at an average of 2.6%, although in 1981 the rate of increase has decelerated to about 1%. In the absence of any change in the existing policy, the rate of increase in the coming years could be 1.0 to 1.5%, which implies a level of 104 to 108 million tonnes by 1988. Meanwhile consumption within the Community is forecast to increase by about 0.5% annually.

Exports and imports

71. Our exports of milk products have increased rapidly in recent years, and we can expect to participate in growth in the world market. Food aid in the form of milk products should also be increased. By 1988 an additional export of the order of 4 million tonnes milk equivalent could be envisaged. As regards imports, the principal question is the future arrangements for New Zealand after 1983, which remain for decision by the Council.

Community production objective

72. The objective of production should be that deliveries of milk to dairies should not increase more rapidly than the growth of Community consumption, i.e. in the present circumstances by about 0.5% per year.

Measures to be taken

73. The Community should continue to follow a prudent price policy for milk. But it would not be appropriate to envisage an align-

ment of Community prices on those of competing countries, which in some cases are higher and in other cases lower than Community prices.

74. Measures for the co-responsibility of producers already exist for milk, and they should be reinforced in the following way:

- The existing co-responsibility levy should continue at the rate of 2.5%, as long as expenditure on milk occupies more than 30% of the Guarantee Section. However, there should be a general 'franchise' for the payment of the levy, in order to assist the incomes of smaller producers; this could take the form of the exemption of the first 30 000 kg of milk delivered by all producers.

- A supplementary levy should be introduced so that producers participate in the cost of disposal of milk in excess of the production objective fixed for each year, taking account of the increase in Community consumption. The levy would be applied to dairies, which in turn would apply it to individual producers on the basis of their additional deliveries, according to guidelines to be fixed in Community regulations. The levy, which should be fixed at a level sufficient to cover the cost of disposal of milk in excess of the production objective, could be at a progressive rate — that is, at a higher rate for each successive tranche of additional milk delivered.

The abovementioned supplementary levy would not be applied to dairies which can prove that additional production consists entirely of products which receive no form of support, in particular liquid milk for human consumption and certain fresh products.

- There should be a special levy on milk from 'intensive' farms to be defined according to certain criteria, for example those which deliver more than 15 000 kg of milk per hectare of forage.

If these measures are not accepted, then producer participation should be introduced in the form of a reduction in the intervention price if production exceeds the objective.

75. Consideration should be given to the suspension, at least for certain periods, of intervention for milk powder, which has created an artificial demand satisfied by dairies which no longer produce for the market. Private storage

aids could be used as an alternative measure. As a better balance is restored to the market, consideration should be given to phasing out gradually the less effective measures of disposal on the internal market, such as the butter subsidies.

Quality should be improved by the adoption of common standards for the production and sale of milk and milk products, and standards concerning skimmed-milk powder and butter on the basis of the proposals made by the Commission. Progress should be made in the more accurate labelling and description of dairy products so as to provide better information for consumers.

76. In view of the measures proposed above a better balance needs to be secured in the long-term scheme for imports of New Zealand butter. To that end particular account should be taken of the consumption of butter in the Community and of the need to maintain the stability of world prices for dairy products.

Beef and veal

77. Beef and veal represent 16% of the value of agricultural production in the Community, and are produced on half of the Community's farms, either from specialized beef herds or more often from herds producing milk. Expenditure on beef and veal from the Guarantee Section in 1981 is estimated at 1 497 million ECU, which is 13% of the Guarantee Section and 9% of the value of beef production.

Forecasts of production and consumption

78. The trends and forecasts of production and consumption are shown in the graph in Annex 5. During the 1970s production increased at an annual rate of 2.4%, while consumption per head grew at 1.7%, and the Community is now more than self-sufficient. Production of the Ten in 1980 was 7.2 million tonnes, with imports of 0.4 million tonnes and exports of 0.6 million tonnes. In the absence of any change in the existing policy, production is forecast to grow at an average of 1.5 to 2.0%, which would imply a production of 7.8 to 8.2 million tonnes by 1988. Consumption of beef, which is influenced by the development of

incomes, is forecast to grow rather slowly at 0.7% a year.

Exports and imports

79. The Community can expect to remain a net exporter of beef in the coming years at about the same level as at present. Although certain possibilities of enlarging the import arrangements as a result of Greek accession are under discussion, adjustments could also be envisaged to improve the operation of Community preference. As regards exports, demand and prices will continue to be influenced by general economic conditions, and the prospects for expanding our exports are not good.

Community production objectives

80. The objective must therefore be to ensure that the average increase in beef production does not exceed the increase in consumption. This implies a production target of 7.6 million tonnes in 1988.

Measures to be taken

81. In order obtain this objective, the Community should follow a prudent price policy, since there is a risk that further price increases will deflect consumption to other meats and make our exports less competitive. The intervention system for beef could also be adjusted, with further limitation or suspension of intervention during certain periods.

82. The Community has already introduced measures for supplementing incomes in the beef sector through the various premiums paid to beef producers, including the suckler cow premium. The existing premiums should be revised, with a view to the introduction of new aids to support the incomes of specialist beef producers, with a limit of aid per farm.

Pigmeat, eggs and poultry

83. Pigmeat, eggs and poultry constitute 19% of the value of the Community's agricultural production. Expenditure from the Guarantee Section in 1981 is estimated at 226 million

ECU, which is 2% of the Guarantee Section and 2% of the value of production in this sector.

84. The Community's regime for these products includes only limited measures for support of market prices (export refunds, and private storage for pigmeat). Past experience has shown that the market organization is self-regulating in the sense that prices operate to bring supply and demand into balance in the medium term, while action in the fields of trade and storage may be necessary to counter short-term fluctuations.

85. It would not therefore be appropriate to introduce production objectives or new measures of co-responsibility in these sectors.

86. A relative reduction in the price of cereals would have an important effect in reducing costs for our producers and making them more competitive on the world market: we are already highly efficient in these sectors of production by world standards, and our exports of poultry, for example, have already increased from about 200 000 tonnes in 1977-79 to about 300 000 tonnes in 1980. There are prospects for increased demand on world markets in all these sectors, and the Community should increase its exports with a prudent management of refunds.

Proteins and vegetable oils

87. The Community produces a large quantity of protein products for its animal consumption: oilcakes, dried forage, peas and beans, etc. Of the 12.1 million tonnes of oilcakes produced in 1980, 11 million tonnes were made from imported oilseeds (soya, etc.). Community measures exist for the encouragement of production of dried forage and for peas and beans, etc. for animal consumption; expenditure from the Guarantee Section on these products in 1981 is estimated at 74 million ECU.

88. Vegetable oils are produced in the Community as a result of the crushing of oilseeds for oilcake, and from olives. Community measures exist to aid the production of several oilseeds, principally colza and sunflower seed; the cost of these measures has grown rapidly in recent years and is estimated at 505 million

ECU for 1981. Olives are produced in the most disadvantaged regions of the Community; approximately 1 million families in Italy and 300 000 families in Greece are concerned in olive production. The cost of the Community measures, including aids to production and consumption, has increased with the accession of Greece and is estimated at 453 million ECU in 1981 (or 28% of the value of production) and 684 million ECU in 1982.

Community production objectives and other measures

89. No special measures are needed for the control of production of sunflower seeds, which should be encouraged, but there is a risk that a too rapid increase in production of colza, which increased from 1.2 million tonnes in 1978 to 2 million tonnes in 1980, may lead to marketing difficulties. The objective should be that production by 1988 should not exceed 3.3 million tonnes, which implies an annual increase of 7.5%. This objective should be achieved by a reduction of the intervention price if production exceeds the quantities fixed for each year.

90/91. For olive oil, the Community must take account of the prospect of the accession of Spain and Portugal, and the Commission has already made proposals for this sector in the context of enlargement. The limitation of aid to olives planted before a certain date will already constitute a restraint on the level of production. In addition, the following measures should be taken:

(a) The payment of the production aid should be better controlled, particularly by the rapid introduction of an olive-register. If this measure does not prove effective, the aid should be paid instead on a flat-rate basis.

(b) Some anomalies detected in respect of intervention need to be corrected: in this connection amendments should be made as regards certain qualities and for clearly defined periods. Eligibility for intervention would be subject to stricter conditions and storage contracts would be encouraged.

Tobacco

92. Tobacco constitutes 0.4% of the value of the Community's agricultural production. There

are 225 000 tobacco planters, mostly possessing less than 1 hectare of tobacco; production takes place mainly in the disadvantaged regions of Italy and Greece. Expenditure from the Guarantee Section in 1981 is estimated at 327 million ECU, which is 3% of the Guarantee Section and 50% of the value of tobacco production. The accession of Greece has resulted in an increase in expenditure, which is forecast at 618 million ECU in 1982.

Forecasts of production and consumption

93. The Community's production of tobacco is mainly of varieties for which demand is limited (particularly oriental varieties) and its consumption is of varieties of which only a small quantity is produced in the Community (particularly flue-cured varieties). As a result, production in 1980 was 246 000 tonnes, imports 470 000 tonnes and exports 70 000 tonnes. Consumption of tobacco in 1980 was 630 000 tonnes, and by 1988 one may expect a reduction of the order of 10% to 570 000 tonnes.

94. Production at present is relatively stable, but it is difficult to predict its future level following the accession of Greece. However, the problem of production is not so much its absolute level, since the Community is only 45% self-sufficient, as its composition as between different varieties.

Community production objective

95. The Community must reduce the production of varieties for which there is no demand on its market, in favour of conversion to varieties which can be marketed. There must also be a conversion, within the varieties grown, from the lower to the higher qualities. In total, the Community's production objective for 1988 could be 246 000 tonnes if the abovementioned varietal conversion is implemented swiftly.

Measures to be taken

96. In order to attain these objectives, the following measures should be taken:

• *Intervention.* Action can already be taken under the existing regulation to reduce the intervention price if the quantity offered for

intervention by an enterprise exceeds 25% of its output. These measures should be continued, and if necessary reinforced.

- *Conversion.* Action can also be taken under the existing regulation to pay aids for conversion to other varieties and to reduce the intervention price for certain varieties. Use should continue to be made of these measures.

- *Other measures.* The element of processing costs, used in calculating the aids for tobacco, should be adjusted. There should be research into the improvement of tobacco varieties.

Wine

97. The Community's production of wine represents 6% of the value of its agricultural output. There are about 2.6 million hectares of vineyards and their area constitutes about 3% of the Community's agricultural area. Expenditure on wine from the Guarantee Section is estimated at 618 million ECU in 1981, which is 5% of the Guarantee Section and 11 % of the value of wine production; however, this level of expenditure is exceptionally high because of a large harvest, and for 1982 it is estimated at 416 million ECU.

Forecast of production and consumption

98. As can be seen from the graph in Annex 5, production of wine in the Community fluctuates greatly from one year to another. The average production in the period 1970/71 to 1979/80 was 153 million hectolitres, with a trend increase of about 1.2% a year. Consumption (in the sense of direct human consumption, distillation without aids, etc.) has been steadily decreasing at an annual average rate of 0.6% in the period 1970-80. The balance between production and consumption has been made by distillation with Community aid, which accounted for an average of 7 million hectolitres in 1970-80.

99. The Community has already taken a series of measures to stabilize production by limiting the area under vines, but at this stage it is difficult to give a precise estimate of future production in the 1980s. The Commission has taken action and made recommendations to reduce the burden of taxation of wine in the northern

countries. It is hoped that the fiscal rules will be amended so as to bring about a further reduction in the taxation of wine relative to beer; this should encourage further increases in consumption in the Member States concerned, which would help to offset the decline in consumption in Italy and France.

Imports and exports

100. Imports in 1970-80 averaged about 5 million hectolitres and are fairly stable. Exports have increased from about 3 million hectolitres in 1970 to 8 million hectolitres in 1979-81 (including 2 million hectolitres which benefited from export refunds; but export markets are limited by the fact that most importing countries are also producers of wine.

Community production objective

101. The Community's objective should be to avoid any increase in the gap between the trends of production and consumption.

Measures to be taken

102. As far as production is concerned measures have already been taken to limit the area under vines, and indeed the wine sector is the only one where a discipline of this kind is imposed on producers under the common agricultural policy. It is essential that these measures should be applied effectively so that they have the desired long-term effect in controlling production. The structural measures for grubbing up vineyards must also be pursued.

103. Distillation measures should also be improved, to ensure a more stable market and to discourage the production of high-yield low-quality wine. There must be a reinforcement of control in the areas of production, both to prevent frauds and to ensure better quality for the consumer.

104. As regards consumption, in addition to what is stated in paragraph 99 on the matter of taxation, consideration should also be given to Community encouragement for marketing and promotion of wine, both on the internal market and on the export market.

Fruit and vegetables

105. The production of fruit and vegetables, which includes a diverse range of products for consumption in fresh or processed form, accounts for 12% of the value of agricultural production in the Community; however, the Community's common price regime covers less than half of this production. Fruit production occupies 1.1 million hectares, of which two thirds are in Italy. Vegetable production occupies 0.9 hectares, of which 2% are under glass, principally in the Netherlands, Italy and France.

106. Expenditure on fruit and vegetables from the Guarantee Section in 1981 is estimated at 715 million ECU, which is 6% of the Guarantee Section. It is not necessary to give a survey of the situation for all the different products, and the following paragraphs concern those which account for the main expenditure: tomatoes (365 million ECU), citrus fruit (125 million ECU) and apples (54 million ECU).

107. In 1979/80 the Community produced 7.8 million tonnes of tomatoes, of which 3.4 million tonnes were consumed in the fresh state. For processed tomatoes the Community introduced in 1978/79 a system of aids for processors who make contracts to purchase tomatoes from producers at a minimum price. This aid is now equivalent to 34% of the value of the finished product or 95% of the value of the tomatoes, and its cost is substantial (362 million ECU). The aid, which was introduced as a means of supplementing the incomes of producers in disadvantaged Mediterranean regions, has resulted in serious problems of disposal of the processed product.

The principal production of citrus fruit is in Italy and Greece. The cost of the aid for processing is also substantial, having increased from 14 million ECU in 1978 to 82 million ECU in 1982.

As regards apples, disposal problems arise some years when the harvests are abundant, thus leading to substantial expenditure on withdrawals.

108. The Commission has already made certain proposals for the modification of the regulations for fruit and vegetables in the context of enlargement of the Community to include

Spain and Portugal, which are important producers.

Community production objectives and other measures

109. *Processed tomatoes.* In view of the rapid increase in production in recent years, and the consequent difficulties of marketing, the aid to processors should be limited to a quantity of 4.5 million tonnes, which corresponds to the present volume of tomatoes processed.

Apples. In order to maintain normal production at a relatively stable level of about 6 million tonnes, and to avoid the encouragement of production of low-quality apples, the withdrawal prices should continue to be limited to certain categories of quality.

110. In general, the adaptation of supply in the Mediterranean regions to demand in the Community as a whole should be improved. This requires action to improve the marketing of products.

Final remarks

111. To conclude this examination conducted as part of its mandate, the Commission feels that the common agricultural policy must continue to be centred on the following three instruments:

- an economic structure based on the market organizations;
- structural aids enabling qualified farmers to implement measures of adaptation;
- aids to individuals in marginal cases in which farmers cannot adapt and/or it is felt desirable to maintain a farming population.

It is also of the opinion that the guidelines laid out in this memorandum should act as a basis for an adaptation of the agricultural policy in the future. They should enable the decisions of the Community institutions to be taken with a view to the long term. If production targets can be fixed and measures implemented to ensure participation by producers if these targets are exceeded, producers will become more aware of market realities than in the past and the support which the Community gives its agricultural out-

put will be applied to the quantities which it is in its interest to produce within its frontiers, with proper regard to consumers' needs, international trade and the drive to combat hunger in the world. In return, application of these measures should, in future, produce a slower increase in spending on agriculture than that in the Community's own resources.

112. At the same time, the Community must face its responsibilities in respect of the incomes of its agricultural population. The present general economic conditions, and the imbalance in many agricultural markets, render that task more difficult than in the past. Nevertheless, the Commission has considered it essential, in its examination of the measures to be taken for the different products, to include provision where possible for measures to help

incomes, particularly of small producers (for example: milk, beef), and the reduction in cereals prices in real terms will also serve to make the Community's livestock production more competitive. It wishes to underline also the importance of the market itself in providing satisfactory returns for farmers: the Community mechanisms of support are designed to provide a floor, with a certain minimum price, and it is the responsibility of the individual producer through improved quality and marketing to obtain better returns. Above all, the Commission emphasizes that, in the present conditions and prospects of the 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.

Annexes

Annex 1

Products as percentage of final agricultural production in each Member State and in the Community as a whole

(1979)

	EUR 9 ¹	Deutsch-land	France	Italia	Neder-land	Bel-gique/België	Luxem-bourg	United King-dom	Ireland	Dan-mark
1	2	3	4	5	6	7	8	9	10	11
A — Common price products										
Wheat	6.2	4.6	8.4	7.6	1.5	4.0	2.8	7.8	1.4	2.0
Rye	0.3	1.1	0.1	0.0	0.1	0.1	0.4	0.0	0.0	0.8
Oats	0.2	0.3	0.3	0.0	0.2	0.2	0.6	0.2	0.2	0.4
Barley	3.1	2.9	3.3	0.2	0.5	1.9	2.8	6.9	5.9	12.9
Maize	1.7	0.3	4.1	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Rice	0.3	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Sugarbeet	2.7	3.1	2.6	2.2	2.3	5.1	0.0	2.6	2.0	2.5
Tobacco	0.4	0.1	0.4	1.0	0.0	0.1	0.0	0.0	0.0	0.0
Olive oil	0.8	0.0	0.0	3.8	0.0	0.0	0.0	0.0	0.0	0.0
Oilseeds	0.4	0.5	0.7	0.1	0.1	0.0	0.0	0.6	0.0	1.0
Fruit and vegetables ²	4.6	2.2	4.1	8.9	2.9	4.2	1.2	2.6	0.9	0.8
Table wine	2.7	0.1	5.3	6.9	0.0	0.0	0.1	0.0	0.0	0.0
Milk	19.5	24.2	16.5	11.7	27.9	17.3	41.2	22.2	32.1	25.3
Beef and veal	15.8	17.6	17.0	10.3	13.1	18.6	30.3	17.0	35.8	12.3
Sheepmeat and goatmeat	1.4	0.3	2.0	0.7	0.7	0.2	0.0	3.9	3.4	0.0
Pigmeat	12.1	19.6	7.0	6.1	18.1	23.2	9.9	9.2	8.0	27.9
Seeds	0.3	0.4	0.0	0.0	1.4	0.1	0.0	0.3	0.0	1.1
Flax and hemp	0.1	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Hops	0.1	0.4	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.0
Silkworms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal A	72.7	77.7	72.0	69.0	68.8	75.2	89.3	73.5	89.7	88.0
B — Other regulated products without common prices										
Eggs	3.3	3.7	2.5	2.8	3.7	4.0	2.8	5.9	1.3	1.4
Poultrymeat	4.1	1.7	4.4	5.9	4.2	2.4	0.2	6.2	2.5	2.0
Quality wine	3.7	3.5	7.7	4.1	0.0	0.0	3.6	0.0	0.0	0.0
Other fruit and vegetables	6.3	3.3	5.0	10.5	6.6	9.2	1.6	5.7	2.0	1.5
Subtotal B	17.4	12.2	19.0	23.3	14.5	15.6	8.2	17.8	5.8	4.9
C — Products with no common market organization										
Potatoes	2.3	1.7	1.7	1.9	3.6	2.6	2.1	4.5	2.5	1.1
Other ³	7.4	8.4	6.9	5.8	13.1	6.6	0.0	4.2	2.0	6.0
Subtotal C	9.9	10.1	8.6	7.7	16.7	9.2	2.1	8.7	4.5	7.1
Grand total (A + B + C)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	104.6	21.5	29.5	21.7	8.7	3.9	118.0	12.3	2.5	4.3
	'000 m	'000 m	'000 m	'000 m	'000 m	'000 m	'000 m	'000 m	'000 m	'000 m
	EUA	EUA	EUA	EUA	EUA	EUA	EUA	EUA	EUA	EUA

Source: Eurostat — Agricultural accounts.

¹ Calculated from figures in national currencies converted into EUA at 1979 exchange rates.

² This relates to products in Annex II to Regulation (EEC) No 1035/72.

³ Including agricultural work done by others to orders, taxes on production not broken down into products; Belgium: including sales by occasional producers.

Annex 2

Crop and livestock production in the Community

(a) Crop products

(million tonnes)

		1973	1974	1975	1976	1977	1978	1979	1980
Total cereals (excluding rice)	EUR 9	105.7	108.0	97.2	90.7	103.4	116.1	113.9	119.2
	EUR 10	109.0	111.8	100.8	94.7	106.4	120.3	118.0	124.3
of which:									
— Total wheat	EUR 9	41.3	45.3	38.0	39.1	38.4	47.6	46.4	51.8
	EUR 10	43.0	47.4	40.1	41.5	40.2	50.3	48.8	54.8
— Barley	EUR 9	34.5	34.8	32.5	30.0	37.7	39.5	39.1	40.3
	EUR 10	35.4	35.8	33.4	31.0	38.3	40.4	39.9	41.2
— Maize	EUR 9	16.3	14.2	14.0	11.3	15.5	16.4	17.4	16.4
	EUR 10	16.9	14.7	14.5	11.8	16.0	16.9	18.1	17.6
Rice (paddy)	EUR 9	1.1	1.1	1.0	0.9	0.7	1.0	1.1	1.0
	EUR 10	1.2	1.2	1.1	1.0	0.8	1.1	1.2	1.1
Fresh vegetables from agricultural holdings	EUR 9	22.5	23.0	22.6	20.8	23.8	24.0	24.8	
	EUR 10	25.4	26.1	26.3	23.6	26.3	27.6	28.4	
of which:									
— Tomatoes	EUR 9	4.4	4.8	4.6	4.1	4.5	5.2	6.4	6.1
	EUR 10	5.7	6.4	6.3	5.2	5.7	6.8	8.1	7.6
— Fresh fruit (excluding citrus fruit)	EUR 9	15.1	13.3	13.8	14.2	11.4	14.1	14.6	
	EUR 10	16.4	14.6	15.2	15.5	12.7	15.3	15.9	
of which:									
— Dessert apples	EUR 9	7.1	5.7	7.2	6.2	4.9	6.6	6.9	6.8
	EUR 10	7.4	5.9	7.5	6.5	5.2	6.8	7.2	7.1
Citrus fruit	EUR 9	2.7	2.8	2.7	2.9	2.8	2.6	2.8	2.6
	EUR 10	3.3	3.6	3.6	3.8	3.6	3.3	3.4	
Wine (m hl)	EUR 9	170.6	160.2	145.4	148.4	128.3	138.3	177.2	
	EUR 10	175.7	165.8	149.9	153.8	133.4	143.9	182.4	
Sugar (white sugar equivalent)	EUR 9	9.0	9.5	8.6	9.7	10.0	11.6	11.8	12.3
	EUR 10	9.1	9.7	8.7	10.0	10.4	11.8	12.1	12.6
Leaf tobacco	EUR 9	0.158	0.157	0.180	0.182	0.166	0.173	0.199	0.193
	EUR 10	0.250	0.240	0.300	0.324	0.286	0.302	0.324	0.311

Source: Eurostat — Cronos.

Annex 2 (continued)

(b) Livestock products

(million tonnes)

		1973	1974	1975	1976	1977	1978	1979	1980
Total meat	EUR 9	18.8	20.4	20.4	20.6	20.9	21.7	22.7	
	EUR 10	19.2	20.9	20.9	21.1	21.5	22.2		
of which:									
— Total beef and veal ¹	EUR 9	5.4	6.5	6.6	6.5	6.3	6.4	6.8	7.1
	EUR 10	5.5	6.6	6.7	6.6	6.5	6.5	6.9	7.2
— Pigmeat ¹	EUR 9	8.2	8.4	8.3	8.5	8.8	9.3	9.7	
	EUR 10	8.3	8.5	8.4	8.6	8.9	9.4	9.8	
— Poultrymeat ¹	EUR 9	3.1	3.1	3.2	3.3	3.4	3.6	3.7	
	EUR 10	3.2	3.2	3.3	3.4	3.5	3.7		
— Sheepmeat and goatmeat ¹	EUR 9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	EUR 10	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
Cows' milk ²	EUR 9	91.3	91.4	92.0	93.6	96.2	100.4	102.2	
	EUR 10	91.9	92.1	92.7	94.4	96.9	101.1	102.9	
of which:									
— Delivered to dairies	EUR 9	79.7	80.4	81.4	83.7	86.6	90.6	93.0	95.5
	EUR 10								
Butter	EUR 9	1.7	1.7	1.7	1.8	1.8	2.0	2.0	
	EUR 10	1.7	1.7	1.7	1.8	1.8	2.0	2.0	
Cheese	EUR 9	2.7	2.9	2.9	3.0	3.1	3.3	3.4	
	EUR 10								
Whole-milk powder	EUR 9	0.4	0.4	0.4	0.4	0.5	0.5	0.6	
	EUR 10	0.4	0.4	0.4	0.4	0.5	0.5	0.6	
Skimmed-milk powder	EUR 9	1.8	1.8	2.0	2.1	2.0	2.2	2.2	
	EUR 10	1.8	1.8	2.0	2.1	2.0	2.2	2.2	
Hens' eggs	EUR 9	3.7	3.7	3.8	3.8	3.8	4.0	4.0	4.0
	EUR 10	3.8	3.8	3.9	3.9	4.0	4.1	4.1	

Source: Eurostat — Cronos.

¹ Gross Community production.

² Production.

Annex 3

EUR 9 — Trade with non-member countries

(a) Crop products (imports)

(thousand tonnes)

	1973	1974	1975	1976	1977	1978	1979	1980
Total cereals (excluding rice)	23 825	21 377	26 081	28 749	24 445	19 363	17 210	15 350
of which:								
— Wheat	6 230	4 549	7 079	5 023	4 052	4 962	4 731	4 553
— Barley	2 191	1 115	1 213	2 884	2 533	885	718	549
— Maize	13 868	13 431	15 493	18 185	16 477	12 756	11 252	9 906
— Other cereals	1 536	2 282	2 296	2 657	1 383	760	509	342
Wheat flour (product weight)	19	11	6	4	2	2	3	2
Malt	68	62	52	73	57	61	44	46
Starch residues (gluten food)	n.a.	694	930	1 148	1 486	1 685	2 021	2 596
Manioc roots	1 667	2 250	2 337	3 039	3 801	5 976	5 456	4 866
Oilseeds	9 303	10 912	10 129	11 657	11 086	13 420	14 732	14 672
of which:								
— Soya beans	6 666	9 095	8 096	9 156	8 755	10 843	11 716	11 754
Total oil cakes	7 583	6 619	7 154	9 192	9 171	11 027	12 171	13 031
of which:								
— Soya bean oil cakes	3 280	3 264	3 321	4 240	4 130	5 898	6 153	7 175
Olive oil	218	204	105	93	141	102	152	169
Sugar (raw and refined)	2 410	2 282	2 310	2 271	2 030	1 845	1 744	1 654
Wine	729	594	501	483	534	578	556	533
Fresh vegetables:								
— Tomatoes	385	364	388	353	346	364	397	392
— Other fresh vegetables	613	626	601	703	847	714	789	797
Preserved tomatoes	n.a.	242	165	191	221	160	156	125
Fresh fruit:								
— Oranges, mandarins	2 816	2 561	2 541	2 529	2 485	2 466	2 527	2 514
— Apples	339	397	404	433	405	455	397	430
— Pears	67	77	71	94	82	80	101	105
— Grapes	150	168	167	170	131	129	145	152
Raw tobacco and tobacco refuse	478	434	471	467	448	564	498	467

Source: Eurostat.

Annex 3 (continued)

(a) Crop products (exports)

(thousand tonnes)

	1973	1974	1975	1976	1977	1978	1979	1980
Total cereals (excluding rice)	6 834	5 510	7 108	5 152	2 059	6 063	8 014	12 339
of which:								
— Wheat	3 201	3 116	4 946	3 420	1 428	1 917	4 362	7 524
— Barley	2 909	1 657	1 816	1 477	528	3 783	3 111	4 309
— Maize	262	332	267	76	83	97	39	143
— Other cereals	462	405	79	179	20	266	502	363
Wheat flour (product weight)	1 947	1 837	2 048	1 783	2 113	2 244	2 547	3 024
Malt	766	929	1 019	1 198	886	1 123	1 135	1 015
Starch residues (gluten food)	n.a.	2	4	16	37	47	53	68
Manioc roots	—	1	—	—	—	—	—	—
Oilseeds	166	288	64	135	47	37	29	53
of which:								
— Soya beans	29	11	14	1	1	—	1	6
Total oil cakes	919	849	405	420	490	585	596	959
of which:								
— Soya bean oil cakes	723	772	351	374	448	535	550	922
Olive oil	16	12	9	21	10	17	25	13
Sugar (raw and refined)	1 729	1 112	655	1 623	2 508	3 308	3 312	3 971
Wine	478	475	495	566	667	744	815	929
Fresh vegetables:								
— Tomatoes	31	34	41	34	36	37	41	38
— Other fresh vegetables	283	295	306	352	316	355	287	325
Preserved tomatoes	n.a.	115	67	133	135	127	193	213
Fresh fruit:								
— Oranges, mandarins	62	107	74	115	126	82	70	86
— Apples	218	217	244	264	205	157	303	204
— Pears	86	105	77	61	68	44	69	61
— Grapes	63	66	68	57	64	79	86	80
Raw tobacco and tobacco refuse	17	35	37	33	22	29	37	32

Source: Eurostat.

Annex 3 (continued)

(b) Livestock products (imports)

(thousand tonnes)

	1973	1974	1975	1976	1977	1978	1979	1980
Live bovines (live weight)	349	214	106	133	92	134	147	118
Beef and veal (fresh, chilled, frozen)	646	209	89	168	152	150	168	146
Live pigs (live weight)	12	37	75	52	14	38	39	26
Pigmeat (fresh, chilled, frozen)	86	97	157	116	82	95	40	67
Pigmeat (dried, salted, smoked)	41	26	23	18	13	15	15	12
Live poultry (live weight)	8	6	6	8	7	8	4	3
Poultrymeat	53	51	55	58	47	48	49	52
Sheep and goats (live weight)	40	34	41	37	34	38	52	51
Sheepmeat and goatmeat (fresh, chilled, frozen)	296	231	277	262	254	258	251	218
Butter	157	157	159	132	120	125	118	103
Cheese	115	83	96	104	89	77	77	96
Whole-milk powder	2	1	1	2	1	2	—	—
Skimmed-milk powder	2	4	13	6	8	—	1	1
Eggs in shell	18	28	16	15	22	13	8	5

Source: Eurostat.

Annex 3 (continued)

(b) Livestock products (exports)

(thousand tonnes)

	1973	1974	1975	1976	1977	1978	1979	1980
Live bovines (live weight)	28	36	33	48	48	52	74	134
Beef and veal (fresh, chilled, frozen)	42	161	197	144	86	102	224	527
Live pigs (live weight)	2	1	1	1	1	1	1	1
Pigmeat (fresh, chilled, frozen)	26	30	49	43	46	52	99	83
Pigmeat (dried, salted, smoked)	12	8	7	6	6	5	4	5
Live poultry (live weight)	1	2	2	3	3	4	4	5
Poultrymeat	121	126	121	157	216	193	264	337
Sheep and goats (live weight)	—	1	2	—	1	—	—	—
Sheepmeat and goatmeat (fresh, chilled, frozen)	3	2	3	6	5	3	4	5
Butter	350	119	60	104	245	245	464	547
Cheese	159	189	160	201	208	219	265	330
Whole-milk powder	161	194	199	237	330	335	385	531
Skimmed-milk powder	280	353	182	192	436	418	636	580
Eggs in shell	17	27	31	136	32	36	54	61

Source: Eurostat.

'1978' world production of and trade in the principal agricultural products, and the Community's share of the world market

	1	2	World production '000 t	of which EC '000 t	3	4	% of world trade							(6-5) Net EC share of world trade ²				
							World trade ¹ '000 t		Proportion of production traded		Imported by EC		Exported by EC		Exported by main competing countries			
							2 bis	3	(3/2) x 100	4	5	6	6 bis		6 ter	6 quater	7	
Total cereals (except rice) ³ of which total wheat		1 163 227 422 078	111 133 44 133	151 722 65 518	13.4 15.5	13.4 15.5	13.4 15.5	3.5 3.9	3.5 3.9	USA USA	50.4 39.6	Canada Canada	10.5 17.9	Argentina Australia	8.2 10.9	- 9.9 - 3.0		
Feed grain (except rice) ³ of which maize		741 149 368 128	67 000 16 433	86 204 63 109	11.6 17.1	11.6 17.1	11.6 17.1	3.2 0.1	3.2 0.1	USA USA	59.4 73.8	Argentina Argentina	10.9 8.5	Canada South Africa	4.3 3.4	-15.0 -21.2		
Oilseeds (by weight produced) of which soya		163 217 84 399	1 374 —	28 649 22 940	17.5 27.2	17.5 27.2	17.5 27.2	0.1 0.0	0.1 0.0	USA USA	83.1	Brazil	—	Paraguay	—	-45.2 -45.5		
Tobacco		5 568	171	1 289	23.1	23.1	23.1	2.2	2.2	USA	21.4	Brazil	8.9	Turkey	5.1	-36.8		
Wine		31 314	14 790	2 484	8.0	8.0	8.0	30.7	30.7	Spain	11.5	Algeria	7.2	Bulgaria	5.5	7.8		
Sugar		103 421	11 133	26 507	25.6	25.6	25.6	12.4	12.4	Cuba	25.2	Australia	8.9	Brazil	7.8	5.4		
Total whole milk		455 293	99 600	138	0.0	0.0	0.0	60.1	60.1	Australia	0.6	USA	0.5	New Zealand	0.3	59.4		
Butter		6 924	1 933	650	9.3	9.3	9.3	48.9	48.9	New Zealand	17.5	Australia	2.9	Romania	1.6	30.3		
Cheese		10 702	3 266	614	5.7	5.7	5.7	37.6	37.6	New Zealand	5.6	Switzerland	4.7	Australia	3.9	24.4		
Milk powder (skimmed and whole)		5 701	2 666	1 494	26.2	26.2	26.2	56.6	56.6	Canada	6.2	Australia	5.2	USA	3.5	56.4		
Total meat (except offals) of which:		134 971 ³	21 766	4 310 ³	3.1 ³	3.1 ³	3.1 ³	10.0 ³	10.0 ³	Australia	13.0	New Zealand	9.2	USA	7.6	- 5.0 ³		
beef and veal		46 420 ³	6 500	2 132 ⁴	4.5 ⁴	4.5 ⁴	4.5 ⁴	6.4 ⁴	6.4 ⁴	Australia	23.6	Argentina	9.8	New Zealand	7.7	- 0.9 ⁴		
pigmeat		50 531 ³	9 266	495 ⁴	0.9 ⁴	0.9 ⁴	0.9 ⁴	13.3 ⁴	13.3 ⁴	USA	7.6	Hungary	5.0	Romania	3.3	- 1.2 ⁴		
poultrymeat		26 380	3 566	778	2.9	2.9	2.9	28.7	28.7	USA	19.4	Hungary	11.9	Brazil	5.4	22.6		
sheepmeat and goatmeat		7 134	525	726	10.2	10.2	10.2	0.6	0.6	New Zealand	51.6	Australia	23.8	Argentina	3.3	-34.4		
Hens' eggs		25 689	3 933	316	1.2	1.2	1.2	12.9	12.9	China	8.3	Hungary	5.6	USA	4.9	8.2		

Sources: FAO (world production and world trade).

Eurostat (% of world trade)

1 Exports (excluding intra-EC trade) and excluding processed products.

2 Net balance EC trade/world trade.

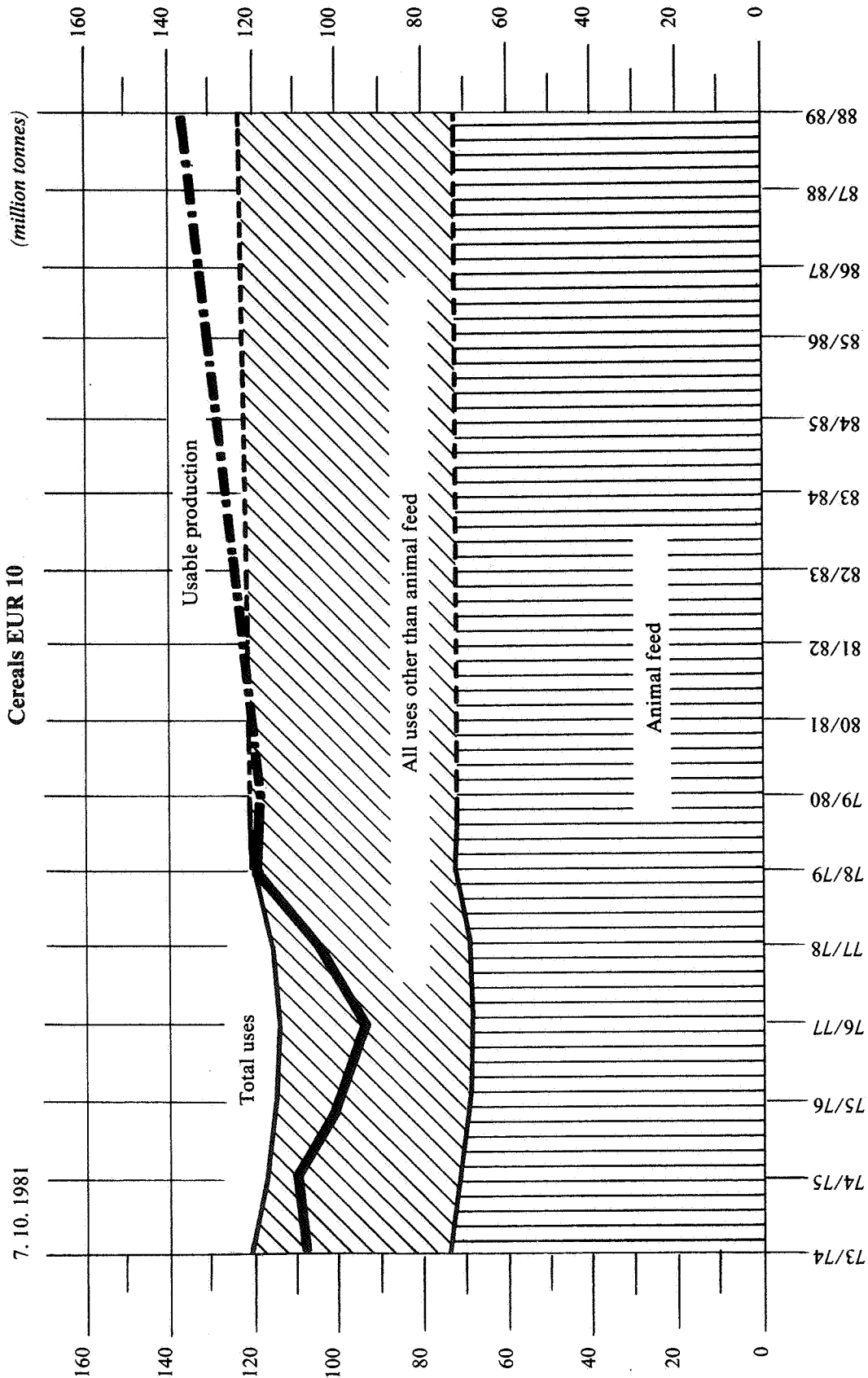
3 Including salted meat.

4 Excluding salted meat for trade.

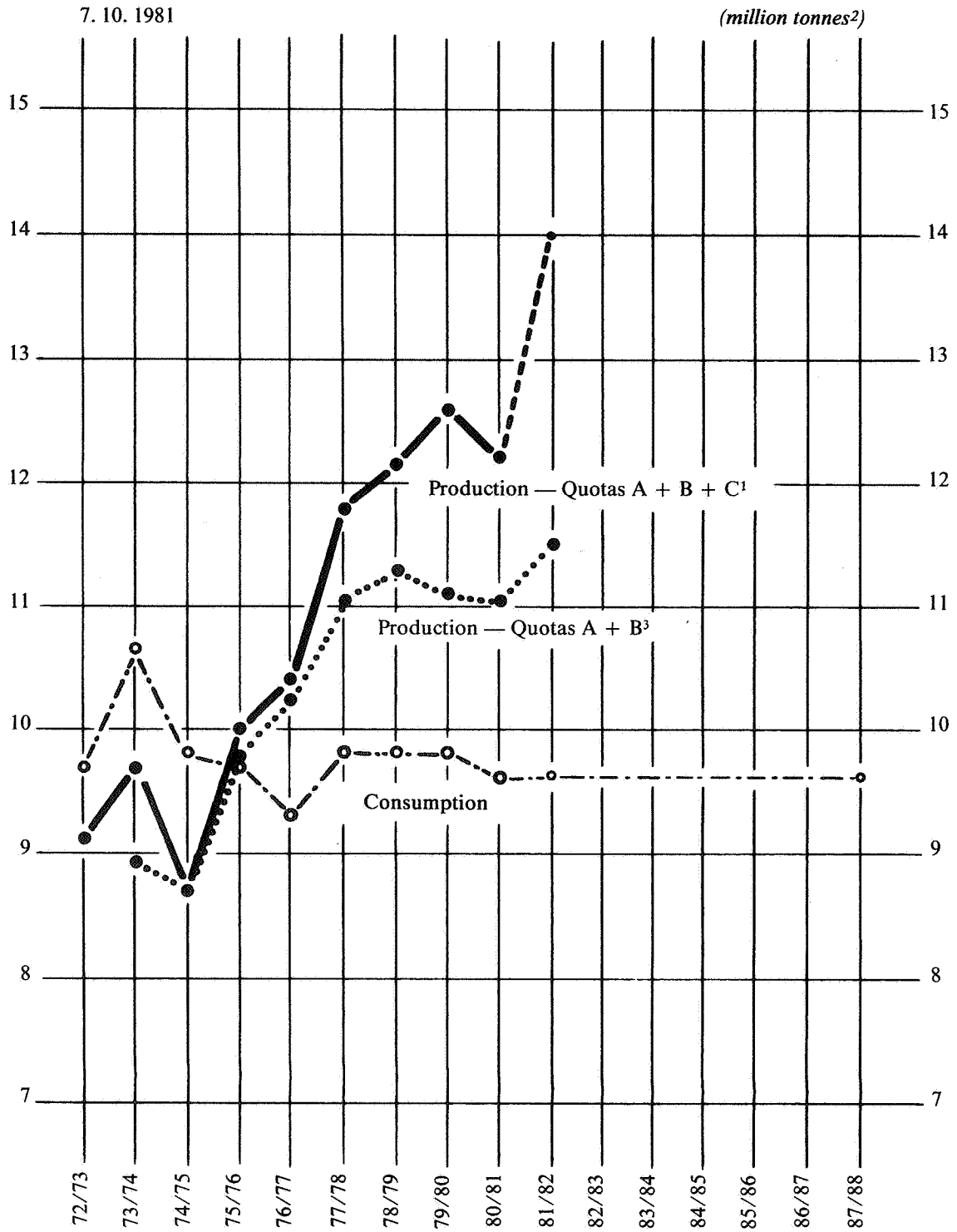
5 Only cereals in grain (without processed products).

Development of production and consumption of certain products

The following graphs show the development and forecast of production and consumption of certain products (cereals, sugar, milk, beef, wine) on the assumption of no change in existing policies. The detailed assumptions underlying these forecasts are explained for each product in Part II (pages 75 to 83).

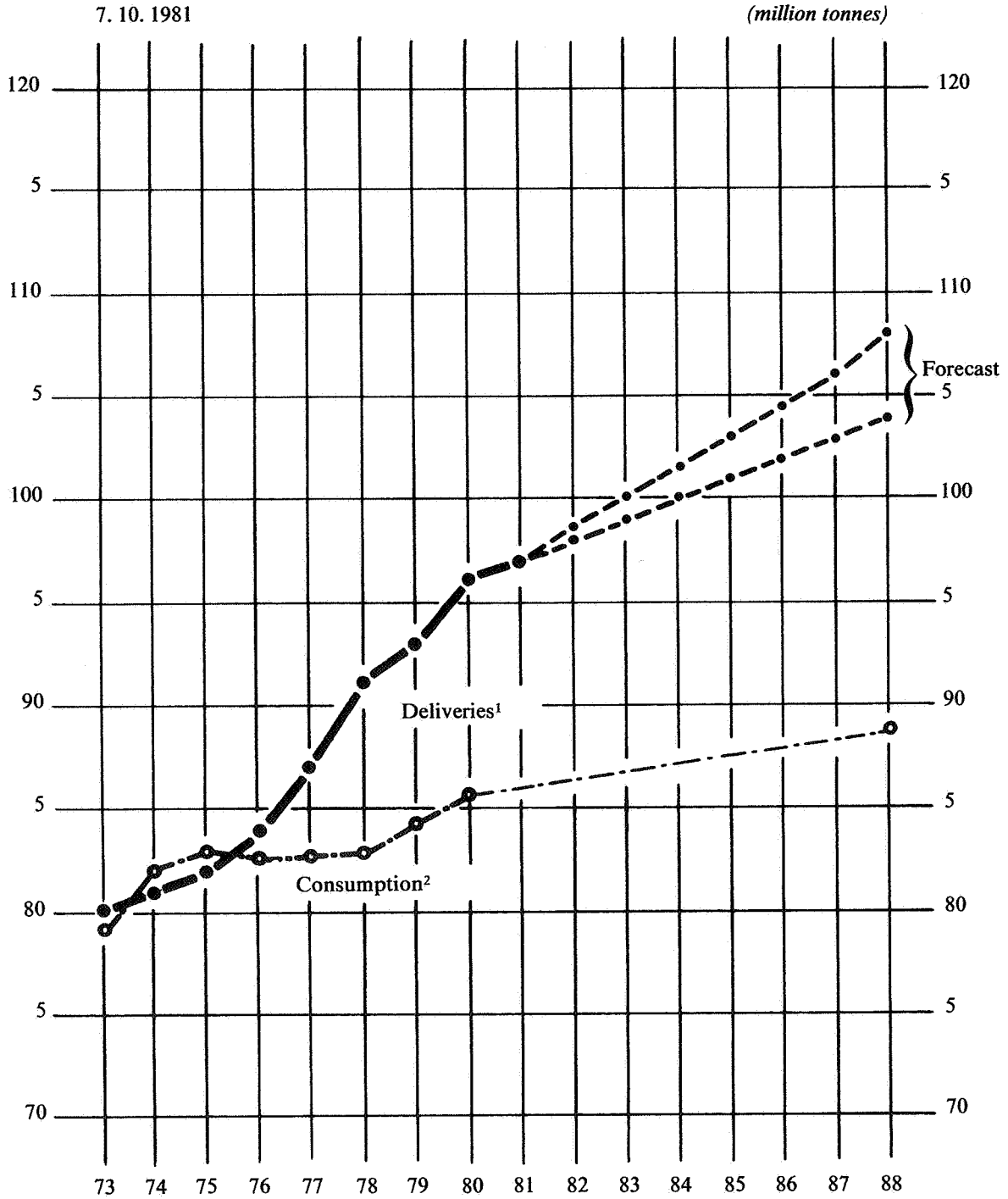


Sugar EUR 10¹



¹ Includes French Overseas Departments.
² White sugar equivalent.
³ Under Community responsibility.

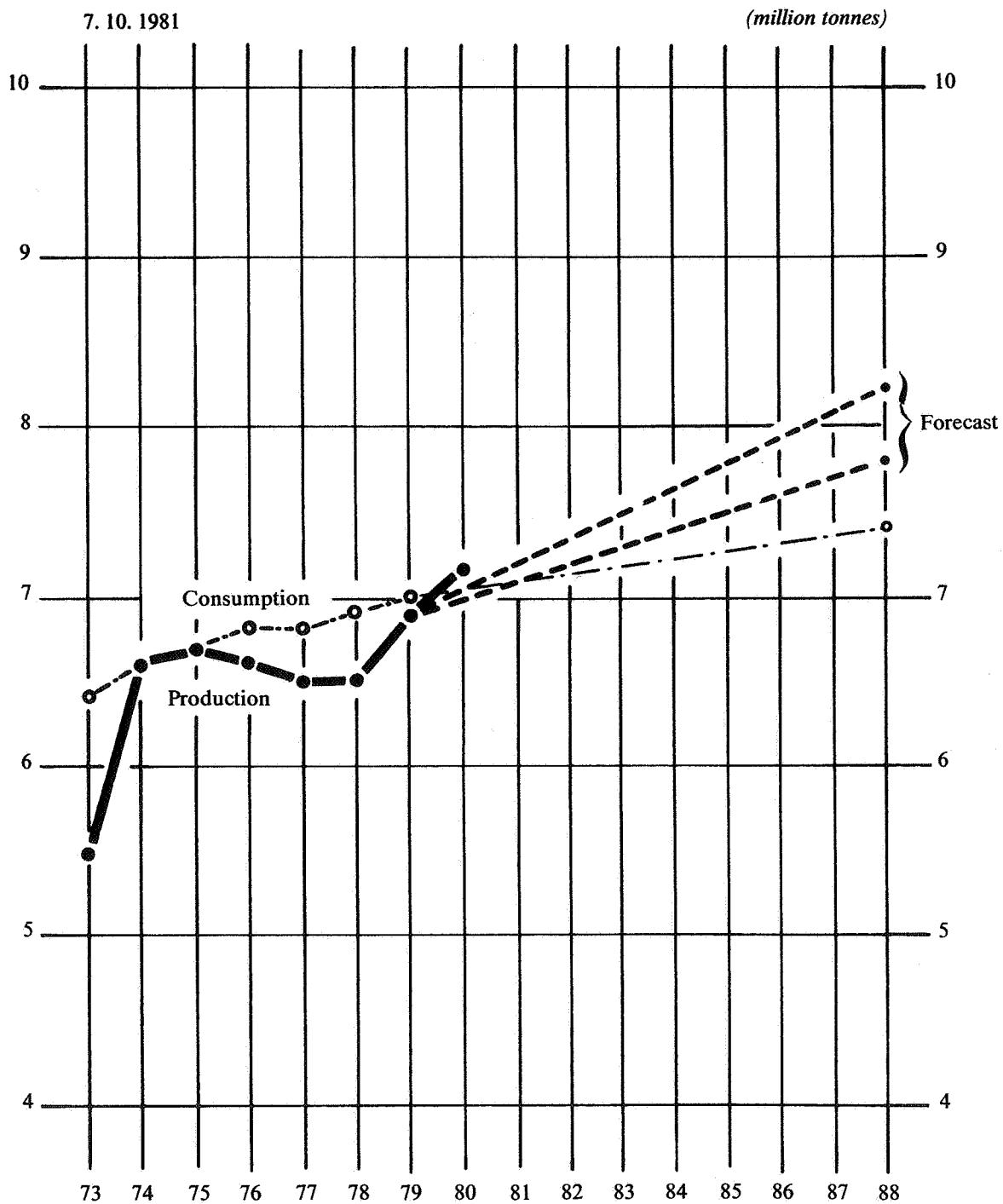
Milk EUR 10



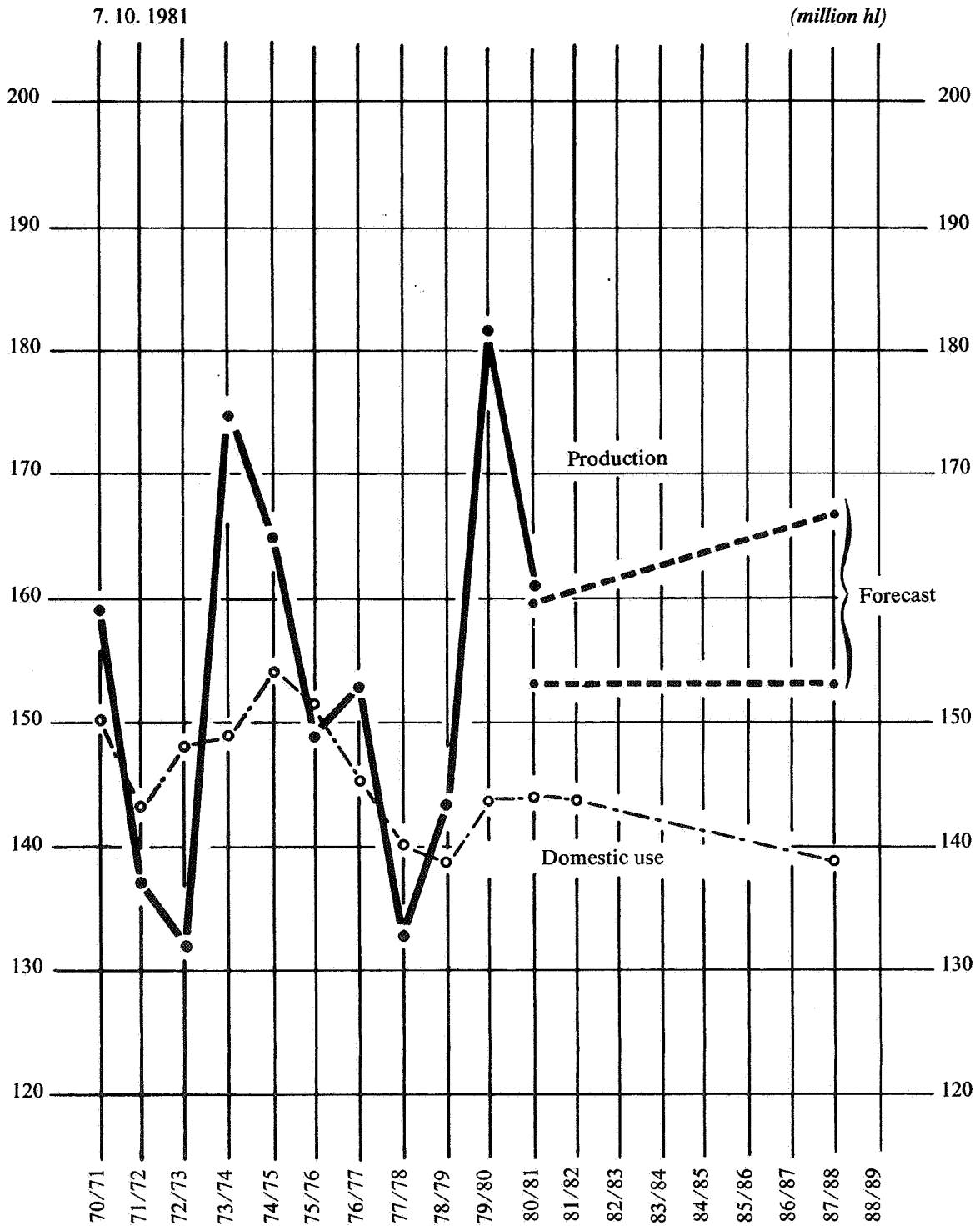
¹ Deliveries to dairies, except for Greece (where total milk production has been used).

² Excludes consumption of dairy products consumed on the farm. Consumption is calculated on the basis of the whole milk equivalent of each product (i.e. butterfat basis).

Beef and veal EUR 10



Wine EUR 10



N. B.: Excludes quantities distilled with the aid of subsidies.

Selected structural data on agricultural holdings (1975)**

	EUR 9	D	F	I	NL	B	L	UK	IRL	DK	GR	EUR 10
I. 1. All holdings												
— number of holdings ('000)	5 835	908	1 315	2 664	163	138	6.2	281	228	132	(956)	(6 791)
— ha agri. area ('000)	86 549	12 399	29 464	16 486	2 086	1 468	136	16 469	5 077	2 966		
— livestock units ('000)	86 957	15 919	23 475	10 892	6 272	3 611	179	16 506	5 994	4 110		
— standard gross margins ('000 ESU)	39 602	7 461	12 605	8 411	2 899	1 296	63.5	4 298*	931*	1 636*		
2. 'Small' holdings												
— number of holdings %	60	44	40	83	16	42	32	38*	68*	24*		
— SGM %	12	9	7	33	2	6	6	4*	27*	4*		
3. 'Big' holdings												
— number of holdings %	11	14	16	3	46	19	23	26*	3*	25*		
— SGM %	51	46	53	35	77	55	53	75*	21*	58*		
4. 'Main occupation' holdings												
— number of holdings %	56	56	69	40	83	65	79	86	76	76		
— SGM %												
5. 'Dual active' holders												
— number of holdings %	27	42	20	29	19	24	23	23	n.a.	20		
— SGM %												
II — labour input:												
• annual work units ('000)	7 543	1 234	1 950	2 827	254	140	12.4	626	325	177		
— agri. labour force:												
• total number of persons working on agri. holdings ('000)	12 710	2 215	3 069	5 390	332	221	15.8	756	474	236		
• of which full time %	28	29	34	16	46	44	61	59	39	49		
• of which 65 years and older %	16	13	14	19	7	10	18	12	16	13		
— persons with main occupation in the sector 'agriculture' ('000)	6 791	1 319	1 899	2 270	255	123	7	520	228	170		

Source: Labour Force Sample Survey 1979.

* As the SGMs were calculated over the reference period 1972-74, comparison of UK, IRL and DK with the six original Member States is questionable as the three countries were in that period only starting to adapt to the common agricultural policy.

** For explanations see page 102.

Selected structural data per product (1975) * — EUR 9

	Dairy cows	'Other' cattle (beef)	Pigs	Laying hens	Broilers	Cereals	Sugar beet	Fruit and veg. ¹	Olives	Vineyards	All products
I											
1. All holdings with ...											
— number of holdings	2 164	2 722	2 216	3 052	1 599	3 580	365	1 342	726	1 827	5 835
— % of all agric. holdings	37	47	38	52	27	61	6.3	23	12	31	100
— number of ha/head	25 020	55 380	66 242	277 000	241 000	25 761	1 862	1 806	1 113	2 516	86 549
— % of all ha						30	2.2	2.1	1.3	3	
— % of total agri. activity	22	14	6.4	1.2	0.3	21	3.2	10	0.13	7.3	100
2. 'Small' holdings:											
— number of holdings	37	39	47	55	57	51	20	59	87	69	60
— number of ha/head	10	13	7	10	10	12	3.3	22	55	30	12
3. 'Big' holdings:											
— number of holdings	16	16	12	10	8	13	38	11	2.3	6	11
— number of ha/head	42	43	60	67	61	54	77	47	20	33	51
4. 'Main occupation' holdings:											
— number of holdings	77	n.a.	68	65	n.a.	63	n.a.	n.a.	n.a.	n.a.	56
— number of ha/head	88	n.a.	79	71	n.a.	79	n.a.	n.a.	n.a.	n.a.	n.a.
5. Holdings with 'dual active' holder:											
— number of holdings	20	20	25	23	22	25	14	24	31	26	27
— number of ha/head	10	12	15	16	15	14	9	17	27	20	n.a.
II											
6. 'Specialized' holdings											
— number of holdings	786	246	53	18	7.6	406	n.a.	n.a.	200	485	
— number of ha/head	13 316	9 814	16 119	n.a.	n.a.	5 814			n.a.	1 409	
— % of holdings with ... holdings	36	9	2.4	0.6	0.5	11			28	27	
— % of holdings with ... ha/head	53	18	24	n.a.	n.a.	23			n.a.	56	

7. 'Small' specialized holdings:										
— % of specialized holdings	37	66	40	46	45	73	94	76		
8. 'Big' specialized holdings:										
— % of specialized holdings	14	5	26	26	21	10	0.7	6		

* For explanations see page 102.
 1 Fresh vegetables and fruit, excluding citrus: a further breakdown is available.

Annex 6 (continued)

Notes and explanations

1. The data are based on the '1975 Community survey on the structure of agricultural holdings', which is the most recent source of data allowing this degree of detail of structural analysis.

2. Data for Greece, based on the Greek structure survey held in 1977 (which followed the 1975 Community outline), will be added where possible, when they have been analysed in the SOEC.

3. Terminology used

— % of total 'agricultural activity': share of a particular agricultural enterprise (e.g. cereals) in total agricultural enterprises (sum of all crops and livestock) expressed in standard gross margins (SGM: see below point 4).

— 'Small' holding¹ is defined in economic terms as a holding of less than 4 European size units (ESU) (see below point 4).

— 'Big' holding¹ is defined in economic terms as a holding of 16 ESU or more.

— 'Main occupation' holding: is a holding where the holder works on his holding for at least half of the normal full working time.

— 'Dual active' holder: is a holder who besides his agricultural work on the holding has another gainful occupation.

— 'Specialized' holdings: are those holdings belonging to a Community typology type (principal or particular types) e.g.: specialized cereal holdings are the holdings belonging to the typology type 11: 'cereals'; i.e. cereals account for at least two thirds of the holding's total SGM (see below point 4).

— 'Small' and 'big' specialized holdings: are defined in the same way as 'small' and 'big' holdings above.

4. Community typology of agricultural holdings

— In order to be able to group agricultural holdings in more or less homogeneous classes of size of business and of type of farming (agricultural activity) a Community typology was established (Commission Decision 78/463 of 7.4.1978: OJ, L 148, 5.6.1978). The size of business and the type of farming are calculated using an economic criterion: the standard gross margin (SGM).

— By standard gross margin is meant the balance between the monetary value of production and the value of certain direct costs involved in this production. SGMs were calculated for each agricultural product, for each region. The reference period for the calculation was 1972-74.

— SGMs are expressed in European units of account (1972-74 ref. period).

¹ One could say that a holding is 'small' if it has not more than about 10 ha of wheat and no other agricultural activity since such an area of this crop is on average equal to about 4 ESU. This area varies from region to region according to the return per ha (examples: Netherlands and Belgium: about 8 ha of wheat; Denmark, Cologne, Picardy and the Venetian plain: about 9 ha; Corsica about 30 ha). By analogy a holding would be considered 'big' with an area of about 40 ha wheat and more. If instead of wheat, dairy cows were used as a measure, a holding would be 'small' with less than about 11 dairy cows (ex.: Netherlands: 9 cows; Western Ireland: 18 cows; in the mountains of Sardinia: 27 cows) and 'big' with about 45 or more dairy cows.

Annex 7

Expenditure from the EAGGF Guarantee Section and own resources

	(million ECU)									
	1973	1974	1975	1976	1977	1978	1979	1980	1981**	1982 ²

I. EAGGF Guarantee Section (excluding fisheries but including refunds in respect of food aid)

Total	3 927 ¹	3 094 ¹	4 513 ¹	5 576 ¹	6 822 ¹	8 657	10 418	11 292	11 580	13 919.3
Variation		-833 -21.2 %	+1 419 +45.9 %	+1 063 +23.6 %	+1 246 +22.3 %	+1 835 +26.9 %	+1 761 +20.3 %	+874 +8.4 %	+288 +2.6 %	+2 339.3 +20.2 %
										←-----+17.5 % per year-----→
										←-----+23.3 % per year-----→ ←-----+10.1 % per year ³ -----→

II. Development of expenditure from the EAGGF Guarantee Section as a percentage of the general budget of the Communities (in %)

	77.7	67	69.3	69.2	74.0	74.2	72.6	69.2	62.8	62.0
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III. Own resources, subject to a limit of 1 % VAT (excluding 'Other revenue')

Total	8 260	(9 180)*	(10 120)*	(12 120)*	(14 080)*	14 961	16 379	17 821	20 015	23 090
Variation		+920 +11.1 %	+940 +10.2 %	+2 000 +19.8 %	+1 960 +16.2 %	+881 +6.3 %	+1 418 +9.5 %	+1 442 +8.8 %	+2 194 +12.3 %	+3 075 +15.4 %
										←-----+12.5 % per year-----→
										←-----+12.8 % per year-----→ ←-----+12.1 % per year-----→

IV. Variation of agricultural own resources

Levies	438	280	534	1 040	1 817	1 873	1 678	1 535	1 310	1 818
Sugar levies	105	81	86	133	320	406	465	470	464	907
Total	543	361	620	1 173	2 137	2 279	2 143	2 005	1 774	2 725
Variation		-182 -33.5 %	+299 +71.7 %	+553 +89.2 %	+964 +82.2 %	+142 +6.6 %	-136 -6.0 %	-138 -6.4 %	-231 -11.5 %	+951 +53.6 %
										←-----+23.6 % per year-----→
										←-----+36.4 % per year-----→ ←-----+8.3 % per year-----→

* Estimated figures, since VAT was not taken into consideration for the year in question.

** The 1981 figures correspond to the the 1981 draft budget adopted by the Council on 19.10.1981.

¹ For the purpose of comparison the expenditure previous to 1978 has been converted from million IMF u.a. to million ECU. Likewise, the figure for 1973 was adjusted to correspond to 12 months of payments.

² The figures shown for 1982 are those of the amending letter to the 1982 preliminary draft budget, incorporating the addendum required by the currency realignment of 4 October 1981. The sum of 13 913.3 million ECU breaks down into 13 819.3 million ECU in Chapters 10 to 29 of the Guarantee Section and 100 million ECU in Chapter 100.

On the basis of this amending letter the Council adopted the draft of the amending letter to its 1982 draft budget, but with a different breakdown between the Guarantee Section and Chapter 100: this provides for the Guarantee Section 13 147.3 million ECU and for Chapter 100 772 million ECU. But this latest decision does not complete the budgetary procedure, since Parliament's decision and a final reading in the Council have still to come.

³ If, for the purpose of comparison, the estimates of expenditure for 1982 are adjusted to cover only the nine Member States as in 1979 and if the 1979 and 1980 expenditure is adjusted to take account of actual expenditure by the Member States in 1979 but not charged until 1980, then the rate of increase between 1979 and 1982 comes out to 7.6 % per year instead of 10.1 %.

Annex 7 (continued)

**Expenditure from the EAGGF Guarantee Section, by sector, since 1973
(excluding fisheries)**

(million ECU)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 amending budget No 2	1982 amending letter ²
Cereals and rice	1 061.5	384.0	592.7	674.3	643.4	1 130.4	1 606.7	1 728.0	1 963	2 179.6
Sugar and isoglucose	141.2	106.1	271.2	229.3	598.4	878.0	939.8	575.2	700	1 222.5
Olive oil	246.2	109.5	158.7	143.4	177.1	182.1	388.2	317.9	453	674.0
Oilseeds and protein seeds	84.3	14.3	40.5	119.1	105.2	186.6	279.7	429.9	579	629.0
Fibre plants and silkworms	7.0	12.0	15.0	20.7	14.8	15.9	18.1	17.2	57	114.0
Fruit and vegetables	31.7	58.5	72.6	185.1	178.2	100.7	442.8	687.3	715	860.0
Wine	11.1	41.0	141.3	133.8	89.9	63.7	61.9	299.5	618	409.0
Tobacco	124.5	166.4	200.5	185.4	205.2	216.1	225.4	309.3	327	643.0
Other (seeds, hops, apiculture)	20.7	20.7	32.4	40.1	28.0	31.4	40.2	38.2	52	57.0
Milk and milk products	1 583.6	1 257.9	1 193.7	2 277.7	2 924.1	4 014.7	4 527.5	4 752.0	3 675	4 350.2
— expenditure prior to co-responsibility	(1 583.6)	(1 257.9)	(1 193.7)	(2 277.7)	(2 948.2)	(4 170.8)	(4 621.0)	(4 974.9)	(4 178)	(4 770.2)
— co-responsibility levy	(—)	(—)	(—)	(—)	(-24.1)	(-156.1)	(-94.1)	(-222.9)	(-503)	(-420.0)
Beef	18.3	322.1	923.3	615.9	467.7	638.7	748.2	1 363.3	1 497	1 415.0
Sheepmeat and goatmeat	—	—	—	—	—	—	—	53.5	190	234.0
Pigmeat	107.2	69.7	56.9	29.0	37.3	45.0	104.9	115.6	162	159.0
Eggs and poultry	25.5	18.2	9.4	15.1	25.6	38.1	79.5	85.5	104	116.0
Non-Annex II products	27.7	13.7	23.9	67.0	136.3	208.5	252.2	221.3	360	426.0
Total common organization of markets	3 490.5	2 594.1	3 732.1	4 735.9	5 631.2	7 749.0	9 715.1	10 993.6	11 452	13 488.3
Accession compensatory amounts	289.1	346.4	444.8	402.0	201.1	27.2	0.2	0.1	5	3.0
Total COM + ACA	3 789.6	2 940.5	4 176.9	5 137.9	5 832.3	7 776.1	9 715.3	10 993.7	11 457	13 491.3
MCA	147.4	153.5	335.6	438.2	98.9.3	880.3	708.4	298.5	163	428.0
Provisional appropriations	—	—	—	—	—	—	—	—	-40	p.m.
Overall total	3 927.0	3 094.0	4 512.5	5 576.1	6 821.6	8 657.4	10 423.7¹	11 292.2	11 580	13 919.3

¹ Including 6 million ECU relating to the clearance of earlier accounts.

² See footnote 2, page 103.

Annex 7 (continued)

**Expenditure from the EAGGF Guarantee Section, by sector, since 1973
(as a percentage of total expenditure)**

	1973	1974	1975	1976	1977	1978	1979	1980	1981 amending budget No 2	1982 amending letter ¹
Cereals and rice	27.0	12.4	13.1	12.1	9.4	13.1	15.4	15.3	17.0	15.7
Sugar and isoglucose	3.6	3.4	6.0	4.1	8.8	10.1	9.0	5.1	6.1	8.8
Olive oil	6.3	3.5	3.5	2.6	2.6	2.1	3.7	2.8	3.9	4.8
Oilseeds and protein seeds	2.1	0.5	0.9	2.1	1.5	2.1	2.7	3.8	5.0	4.5
Fibre plants and silkworms	0.2	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.5	0.8
Fruit and vegetables	0.3	1.9	1.6	3.3	2.6	1.2	4.2	6.1	6.2	6.2
Wine	0.3	1.3	3.1	2.4	1.3	0.7	0.6	2.7	5.3	2.9
Tobacco	3.2	5.4	4.5	3.3	3.0	2.5	2.2	2.7	2.8	4.6
Other (seeds, hops, apiculture)	0.5	0.7	0.7	0.7	0.4	0.4	0.4	0.3	0.5	0.4
Milk and milk products	40.3	40.7	26.5	40.9	42.9	46.4	43.4	42.1	31.7	31.3
— expenditure prior to co-responsibility	(40.3)	(40.7)	(26.5)	(40.9)	(43.2)	(48.2)	(44.3)	(44.1)	(36.1)	(34.3)
— co-responsibility levy	(—)	(—)	(—)	(—)	(-0.3)	(-1.8)	(-0.9)	(-2.0)	(-4.4)	(-3.0)
Beef	(0.5)	10.4	20.5	11.0	6.9	7.4	7.2	12.1	12.9	10.2
Sheepmeat and goatmeat	—	—	—	—	—	—	—	0.5	1.6	1.7
Pigmeat	2.7	2.2	1.3	0.5	0.5	0.5	1.0	1.0	1.4	1.1
Eggs and poultry	0.6	0.6	0.2	0.3	0.4	0.4	0.8	0.8	0.9	0.8
Non-Annex II products	0.7	0.4	0.5	1.2	2.0	2.4	2.4	2.0	3.1	3.1
Total COM	88.8	83.8	82.7	84.9	82.5	89.5	93.2	97.4	98.9	96.9
Accession compensatory amounts	7.4	11.2	9.9	7.2	3.0	0.3	0.0	0.0	0.0	0.0
Total COM + ACA	96.2	95.0	92.6	92.1	85.5	89.8	93.2	97.4	98.9	96.9
MCA	3.8	5.0	7.4	7.9	14.5	10.2	6.8	2.6	1.4	3.1
Provisional appropriations	—	—	—	—	—	—	—	—	-0.3	p.m.
Overall total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

¹ See footnote 2, page 103.

Annex 8

Expenditure from the EAGGF Guarantee Section, by sector, as a percentage of final agricultural production

	1980 expenditure as a % of EUR 9 final agricultural production for 1980	1981 expenditure as a % of EUR 10 final agricultural production for 1980
Total cereals and rice	12.0	13.0
Sugar beet	18.2 ¹	21.8 ¹
Olive oil	27.8	27.8
Oilseeds	56.7	76.0
Fibre plants and silkworms	29.3	26.5
Fruit and vegetables	5.4	5.1
Wine	5.3	10.8
Tobacco	77.3	50.0
Other crop products (seeds, hops)	8.8	11.9
Milk and milk products	21.4 ²	16.2 ²
Beef and veal	8.0	8.7
Sheepmeat and goatmeat	3.2	8.9
Pigmeat	0.9	1.2
Eggs and poultry	0.9	1.2
Total EAGGF Guarantee Section	11.4	10.9

¹ Without the sugar levies, 3.3 % and 7.4 % respectively.

² Without the co-responsibility levy, 20.4 % and 14 % respectively.

Annex 9

Estimated cost in 1982 of certain trade concessions under the CAP

(million ECU)

Concessions	Net cost in 1982	
1. Preferential sugar (1·3 million tonnes)	260	} 940 ¹
2. New Zealand butter (92 000 tonnes)	130	
3. Beef — various import arrangements	550	
4. Principal cereal substitutes:		
(a) imports of manioc (5·5 million tonnes)	500	} 650
(b) imports of corn-gluten feed (3·5 million tonnes)	150	
Total		1 590

¹ Figures taken from Volume 7A of the preliminary draft 1982 budget, page 26.

Note These figures are estimates based on the data in the preliminary draft 1982 budget and do not take account of certain positive effects on the Community budget or in particular of counter-concessions to the Community by other countries, or the existence of certain commercial cooperation arrangements.

The counter-concessions granted by non-member countries to the Community and the existence of certain commercial arrangements have beneficial effects on the Community which cannot be reflected in the budget.