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THE AGRICULTURAL SITUATION IN THE
EUROPEAN ECONOMIC COMMUNITY

Report 1972

VOLUME I

- Economics aspects
- Structure
- Markets

SUMMARY

General economic development and the position of agriculture therein

The year 1971 was marked by a continuous inflationary movement which, at Community level, involved a general price rise of 6.5-7% and a wage increase of about 12%. Real economic growth per head may be estimated at about 3.3%.

Price development

The relative decrease of the economic role played by agriculture in the general economy of the Community - its contribution to the gross national product fell from 5.8% in 1969 to 5.3% in 1970, while the farming population in 1970 represented only 12.9% of the total working population, as against 13.8% in 1969 - is paralleled by growing integration of this branch of activity into the economy as a whole. As a result the development of the economy as a whole has an increasing effect on agriculture. In 1971 the price index for agricultural inputs showed a substantial increase in various countries, but the general level of prices of farm products in the Community remained the same as in 1970. It should, however, be pointed out that at the end of 1971, the price index of animal products was considerably higher than the average level of 1970, while that of vegetable products was a great deal lower. As a consequence, the terms of trade for farm products continued on the whole to deteriorate in 1971 although during the last quarter a certain improvement seems to have occurred compared with the same period in 1970.

Production and consumption

In view of the development of the terms of trade, unfavourable as regards income formation, there is a reverse tendency due to the growth of agricultural production and to a considerable increase in labour productivity (1).

(1) For lack of sufficient statistical data, the present report refers only to gross productivity and not to net productivity.

During the period 1965-69 (1), agricultural output expanded by 3.5% per year in terms of volume. As might be expected, the percentages of increase differed considerably according to product. During the above-mentioned period, average annual production increases amounted to 3.4% for cereals, 6.3% for rice, 3.2% for sugarbeet, 1.3% for fishery products, 3.5% for apples, 5.8% for pears and 2% for milk.

The exceptionally favourable weather conditions in 1971 led to a very large harvest of cereals (77 million tons), 14% more than in 1970. Similarly, the sugar harvest was 15% higher than in 1970. These results were obtained despite the fact that the total area under cereals was slightly smaller and that for sugarbeet only a little greater than the previous year. The trend towards a reduction of dairy stock continued in 1971 (-2.4%).

Over against these percentages of annual increase in agricultural output, it may be seen that, on the whole, the rates of increase in the consumption of food products were substantially lower in certain cases; total consumption even fell off. For the period 1960/61-1970/71 the average annual percentages of decrease were 0.4% for cereals and 0.6% for whole milk. Although total annual consumption showed an increase for butter (1.8%), fruit (2.0%), sugar (2.4%), fats and oils (2.4%), the increase is nevertheless limited and may be partly attributable to population growth.

(1) Average for 1964/65/66 and for 1968/69/70.

Productivity and structural changes

This expansion of production must to a large extent be attributed to the increase in yields. Thus, during the period 1965-69, the average yield showed an annual increase of 3.7% for cereals and 1.7% for sugarbeet, while dairy production increased by about 1.5% per cow per year.

In the same period, labour productivity rose by 7.5%-8% per year due to two opposing trends: on the one hand, the continuous decrease in the farming population (4.2% per year), and an increase, referred to above, in the volume of production (3.5 %) per year, on the other.

Nevertheless, it is certain that labour productivity could continue to grow at the same rate if more were done to adapt structures, which would involve considerable investment. A certain positive development can, however, already be discerned in this respect. Over the period 1960-67, the number of holdings in the Community of one hectare and over showed a 1.7% annual decrease; in 1967-70 this figure was 3.9%. Nevertheless, the average size of holdings in the Community (12.7 ha in 1970, 11.4 ha in 1967, 10.4 ha in 1960) continues to hamper the necessary speed-up in the modernization of agriculture.

Market situation of certain agricultural products

The generous 1971 harvest has made necessary considerably greater action for the stabilization of markets.

In view of the favourable development of sugar prices on the world market, it may be expected that the financial burdens which the Community has to carry in connection with the utilization of 1971/72 sugar surpluses, which are larger than in the previous years, can probably be carried completely by the industry.

After a favourable development in 1970 and 1971 on the market for dairy products, new sales difficulties have arisen and lead to rapidly increasing butter stocks. Largely as a result of the growth in yield per cow,

dairy production has increased, all the more so because the relation between the price of milk and that of feed concentrates (oilcake) continued to improve.

On the other hand, a certain scarcity involving substantial price rises was a feature of the beef and veal market in 1972.

In 1961/72 the development of prices of apples, pears, peaches and tomatoes on the market again necessitated intervention, the scale of which was much more limited, however, than in 1970/71 for apples and pears but much greater for peaches and tomatoes.

Although wine harvest in 1971 showed results comparable to the average of previous years, the size of stocks has, in particular, weighed on wine prices.

Public expenditure under national and Community agricultural policies

In 1971 total public expenditure under agricultural policies at national and Community level was about 7.5 thousand million u.a. (a 7% increase compared with 1969) representing 32% of the gross value added in the agricultural sector. About 28 % of this amount was accounted for by expenditure under the Community policy on markets and prices representing a substantial fall (about 15%) as against 1969 due to the improvement of the situation on the cereals and dairy products markets. On the other hand, total outgoings in 1971 under the structural policy and social policy, each representing about 30% of overall expenditure, exceeded those of 1969 by 9% and 11% respectively. The remainder (5%-6%) is expenditure for compensatory measures taken after the revaluation of the German mark in 1969.

A comparison of the development of various categories of structural measures shows that a much larger amount than before was spent to increase the mobility of farm labour and to improve the structure of markets. Under

the structural policy, expenditure for the improvement of agricultural infrastructures, which benefits the entire rural population, still takes up the largest share (over 26%) of total expenditure.

x

x x

The present report does not deal with the development of incomes in the agricultural sector; an ad hoc report on this question will soon be submitted to the Council.

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Report
on the Agricultural Situation

Introductory Notes

This report is presented in two volumes. The first contains an analysis of the agricultural situation in the European Economic Community based on the statistical data and figures available at the end of May, 1972. This being so, the report contains an analysis of the agricultural market situation during the 1970/71 and 1971/72 seasons, while for other subjects dealt with, economic and structural facts are for the most part analysed with reference to 1970 or, where possible, 1971. All tables containing statistical data and figures are contained in an annex appearing in a second volume.

This report is unusual in that it contains no sections on agricultural incomes; this is because, in compliance with a request from the Council (1), the Commission is preparing a separate report on this subject; this it hopes to be able to submit to the Council during the autumn of 1972. For the most part, this report will draw upon information available from the Community accounting information network.

The report envisaged in Article 4, paragraph 2 of Regulation (EEC) No 1308/70 of the Council concerning the common organisation of the flax and hemp markets is contained within this report.

New data having come to light since the drafting of the last report on the agricultural situation, the following text also contains an analysis of the structural situation in agriculture, as envisaged in Article 2 of Council decision of December 4, 1962 concerning the coordination of agricultural structural policies. This analysis does not cover national policies pursued in this field. The Commission believes that, following the Council decisions of March 24, 1972 in respect of

(1) Decisions taken by the Council during its meeting held between March 13 and March 24, 1972

structural policy in the Community, it is more expedient to analyse these factors within the framework of the information which the Commission is required to submit annually to the European Parliament and the Council, as laid down in Article 22, paragraph I of the Council directive of April 17, 1972 concerning the modernization of farm holdings, Article 15 of the Council directive of April 17, 1972 concerning incentives for the abandonment of agricultural activity and the use of the agricultural land in question for structural improvement, and Article 16 of the Council directive of April 17, 1972 concerning socio-economic information and the professional competence of persons working in agriculture (1).

Introductory notes made in previous reports as to the comparability of available statistical data remain valid for this report, although the Commission would here like to stress the need for accelerating the process of community harmonisation and coordination of national statistics, as well as the need to have as up-to-date statistical information as possible. In order to bridge gaps in official statistics, the Commission has been constrained to draw in certain cases upon other sources of information or to make its own estimates.

On the eve of the enlargement of the Community, the Commission has deemed it useful to include in the second volume of this report numerical information concerning the four candidate countries and the Community of "Ten". In the absence of harmonised and coordinated statistics, this information is incomplete, and not always fully comparable.

(1) Official Gazette of the European Communities No L 96, April 23, 1972

The annex in the second volume falls into two parts, the first containing the Member States and the Community of "Six", and the second the candidate countries, the Community of "Six" and the Community of "Ten".

The reference period for this report, in particular the years 1970 and 1971, was punctuated by various events, especially in the monetary sphere; also, measures both specific and of more general import were adopted in the field of the Common Agricultural Policy, for example new common market organizations. These features have already been noted and commented upon in the fourth and fifth "General Reports on the Activities of the Communities", presented by the Commission to the European Parliament.

A. GENERAL ECONOMIC FACTORS INFLUENCING THE AGRICULTURAL SITUATION

1. General Economic Situation (1)

Agriculture was affected by the impact of general economic development even more strongly than the previous year.

Salient features of this development included in particular the continuing rapid rise in prices and incomes generally, as well as monetary upheavals.

These developments inevitably affected the economic situation in agriculture as well as the conduct of Community agricultural policy, notably in the field of common market organisations.

The disturbing persistence of inflationary trends made for a pronounced increase in agricultural production costs. Moreover, 1971 was marked by monetary upheavals necessitating special measures under the Common Agricultural Policy to prevent any large or sudden drop in farm prices resulting from the floating of certain currencies, the effect of which in turn would have been to depress agricultural incomes (2).

The accelerating rise in prices, already apparent in 1970, continued in 1971. The increase in the gross domestic product of the Community came to some 6.9%, compared with 6.8% approximately in 1970. The rise was greatest in West Germany (7.7%) and the Netherlands (7.5%), and least in Luxembourg (1.5%) and Belgium (5.8%). At the same time, consumer prices in the Community rose by 5 to 6%.

The dramatic rise in personal incomes remained higher than the growth in productivity, and certainly helped to boost the general level of prices. For 1971, the increase in wages per capita in the Community was around 12%, compared with 12.7% (3) in 1970.

- (1) See tables A/1.1 and A/1.2 in Annex 1, part 1
- (2) See the Fifth General Report on the Activities of the Communities, 1971, page 228.
- (3) Calculated at fixed exchange rates.

Economic growth slowed down perceptibly. The Community in fact recorded a growth rate in the volume of gross domestic product per capita of 3.7%, far lower than the rate recorded in 1970 (4.7%).

This decline in the growth rate occurred in all Member States, albeit to differing extents. Provisional data for 1971 show that in Luxembourg the annual rise fell from 3.1% in 1970 to 0.7% in 1971, in Italy from 4.6% to 1.4% in West Germany from 4.4% to 2.8%, in Belgium from 5.6% to 4.2%, and in the Netherlands from 4.7% to 4.0%. In France alone did the volume of gross domestic product per capita remain at a reasonably high level: at 5.0% in both 1970 and 1971.

Continuing inflationary trends on the one hand, and real economic growth as indicated above on the other, combined to produce a growth rate in the value of gross domestic product per capita estimated for the Community at 10.4% (12.8% in 1970). Nevertheless, differing trends observed in Member States as regards both the development of general price levels and real economic growth, made for considerable differentials between the rates of growth of gross domestic product per capita at current prices in 1971 as between Member States. This was highest in the Netherlands (11.8%) and France (11.3%), followed by West Germany (10.7%), Belgium (10.2%) and Italy (8.1%) and Luxembourg (2.2%).

For 1972, an easing of growth is expected in the Community for the economy generally, and for prices and incomes per capita.

2. Relative importance of the agricultural sector in the economy as a whole (1)

In 1970, as for sometime past, the downward trend in the share of "agriculture, forestry and fisheries" in overall economic activity continued. In the Community, the proportion of gross domestic

(1) See tables A/2.1 and A/2.2 in Annex 1, part. 1

product covered by this sector fell from 5.8% in 1969 to 5.3% in 1970, an average percentage higher than that obtaining for West Germany (3.1%) and Belgium (3.9%) but lower than that recorded in Italy (8.9%), France (5.9%) and the Netherlands (around 6.2%) (1).

The relative importance of agricultural employment in overall employment within the Community continues to decline sharply, but the percentage recorded (12.9% in 1970 compared with 13.8% in 1969) is still more than double the share of agriculture in gross domestic product as shown above. In global terms, this difference shows the disparity between farm incomes and non-farm incomes still obtaining in the Community.

Again, the relative importance of agricultural employment varies considerably from country to country. Whereas in 1970 the percentage stood at 19.6% (19.5% in 1971) in Italy, 14.2% in France (13.5% in 1971), and 11.1% in Luxembourg (10.1% in 1971), it was only 4.8% in Belgium, 7.3% in the Netherlands, and 9.0% in West Germany.

In all Member States except the Netherlands, the annual rate of decrease in the farming population in 1970 was much sharper than in the previous year. It was 8.4% in Italy (5.5% in 1969), 5.2% and 5.0% respectively in Belgium and West Germany (5.0% and 3.7% in 1969), and 4.3% and 3.7% respectively in Luxembourg and France. On the other hand, the annual rate of decrease in the Netherlands fell from 3.4% in 1969 to 2.9% in 1970.

Provisional data available for 1971 show a very pronounced drop in the rate of decrease in the active farming population in Italy; the rate in fact reached only 0.8%. At the same time, this rate was maintained at a high level in 1971 in France (3.8%) and Luxembourg (4%).

As in previous years, trade in agricultural products in 1970 was a major component of overall Community trade. Imports of such products in trade with third countries actually accounted for 27.4% of all imports; as for intra-Community imports, the proportion was 15.2%, while for exports these percentages came to 8.2% and 15.1% respectively.

(1) Data for Luxembourg not yet available.

3. Prices of agricultural production factors and products (1)

The inflationary trends observed in the economy as a whole continued to exercise their influence on the economic situation in agriculture. Both agricultural incomes and prices of inputs in fact showed an appreciable increase.

Agricultural Incomes

Data on indices of farm incomes in 1971 are still not available, except for Belgium. In 1970, these indices showed a sharp rise in all Member States, ranging between 8.7% in Belgium (where the provisional index for 1971 shows no change) and 17.5% in Italy.

Input Prices (2)

It is to be regretted that there is still no general index computed with reference to Community criteria as regards prices of the means of production in agriculture. Special priority should be given to the establishment of such a statistical tool.

In its absence, as in previous years, we are constrained to draw upon national statistics, which unfortunately are not homogeneous.

As and where national statistical data are to hand for 1971, it appears that in France and Germany especially, the trend towards accelerating

(1) See tables A/3.1 to A/3.7 in Annex 1, part 1.

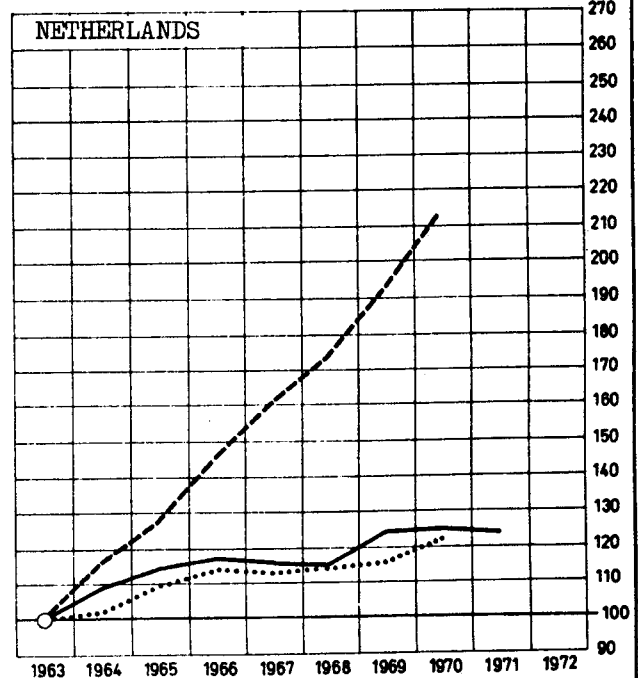
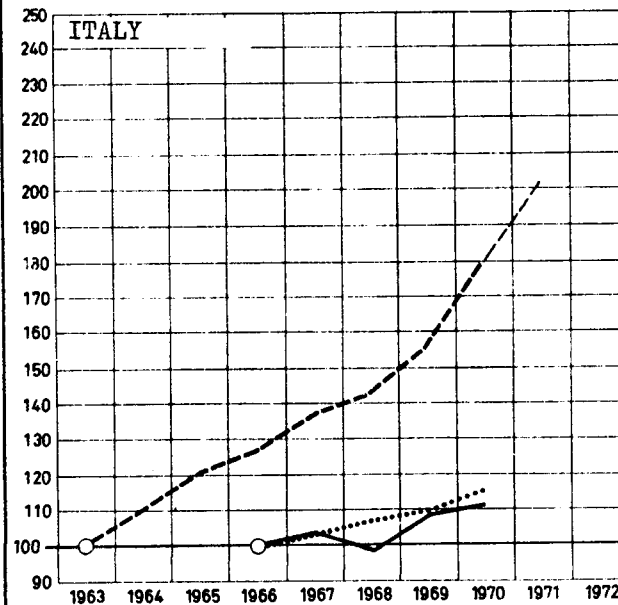
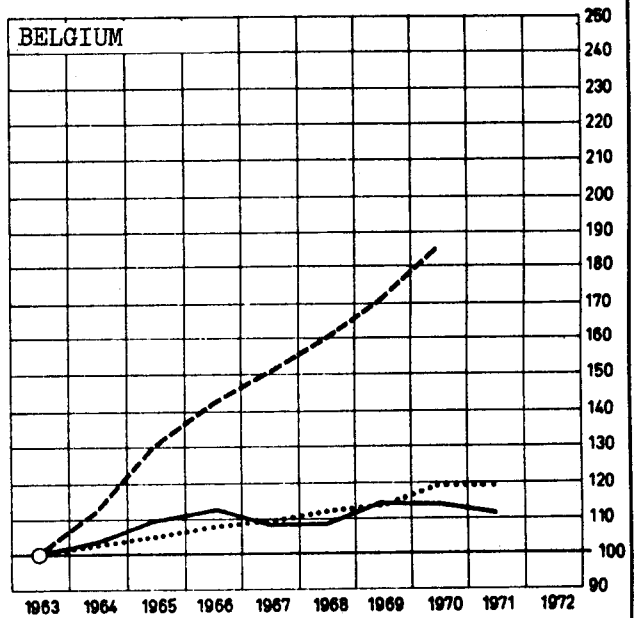
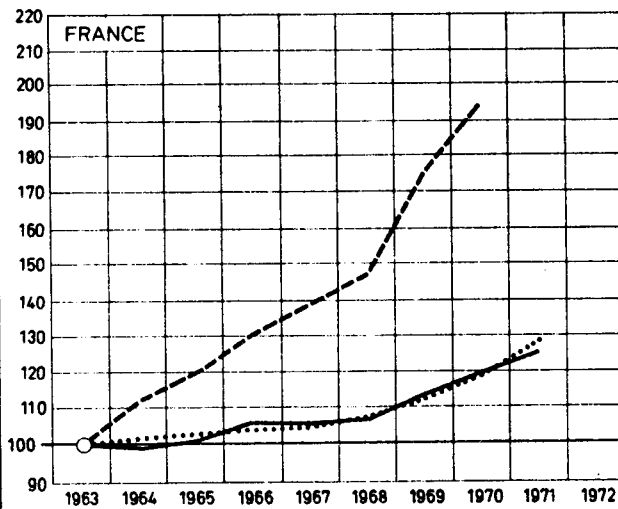
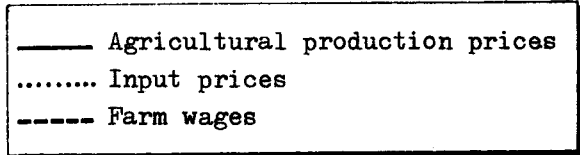
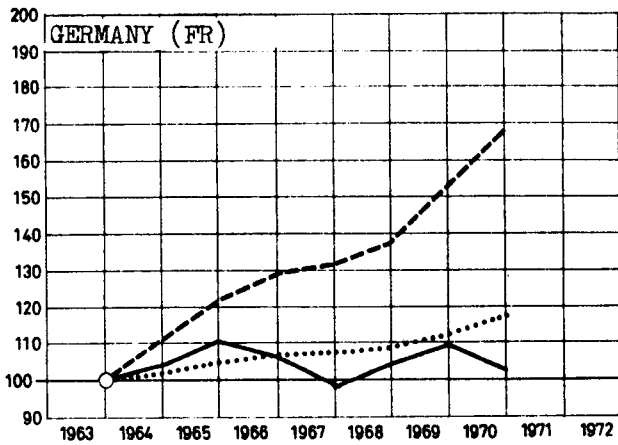
As in previous reports, indices for Member States agricultural production prices and prices paid by farmers for inputs, together with agricultural

incomes, are based, in this report, on national statistics.

Since there are divergencies between Member States for methods of determining and weighting prices for differing products, erroneous conclusions would be drawn from any comparison of the levels of these indices. It is therefore more meaningful to compare trends, as manifest in each Member State.

- (2) In general, overall national indices as shown in tables A/3.1 and A/3.2 relate to the prices paid by farmers for fertilizers, power, machinery, buildings, seeds and plants, breeding and working stock, and general running costs.

INDICES OF AGRICULTURAL PRODUCTION COSTS, OF INPUT COSTS
AND OF WAGES IN AGRICULTURE
1963 = 100 or 1963/64 = 100



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Diagram 1

prices for inputs continued. In France, this price index rose by +7.2% over 1970, compared with +6.2% in 1970 over 1969. As regards Germany, the index for the 1970/71 season compared with 1969/70 rose by +4.9%, compared with +3.3% for the preceding period.

These increases may in particular be attributed to the rising price of machinery, and fuel, although in France especially fertilizer and feed prices also showed a sharp upward trend.

In contrast to the trends followed in Germany and France, the general price index for agricultural inputs in Belgium in 1971 came to just about the same level as the previous year.

Land prices and rents

As important as land prices and rents and other elements are in relation to the economic performance of farm holdings, numerical data is still fragmentary and incomplete. However, such data as are available bear witness to major differences between such price levels and rents as between Member States. Land prices can in fact be seen to range between 5,500 u. a. and 7,130 u. a. per hectare in 1970 in North Rhineland/Westphalia, as against 1,100 u. a. /1,200 u. a. on average in Italy, while for rents, figures vary between 32 u. a. per hectare in France and 68 u. a. /ha on average in Belgium.

Information to hand seems to indicate that in 1970, compared with 1968, there was a markedly rising trend in land prices in France, and a slight rise in the Netherlands, while in Italy the trend seemed to be moving rather towards stabilization.

Both in Belgium and in France and the Netherlands, the only countries for which numerical data are available for the period 1968-1970, farm rents rose slightly.

Credit costs in agriculture

Terms and costs of credit for agriculture vary considerably between Member States as a result of variations between their capital markets, the organisation of credit, and intervention by the authorities. Interest rates applying to credit obtained by farmers during the first half of 1970 on current operations were relatively high in Italy (10 to 12%), and relatively low in Luxembourg (6.5 to 7.5%) and France (4.4 to 7.5%). Nevertheless, it should be stressed that in all Member States the state itself intervenes to alleviate the financial burden to farmers, at least for certain operations deemed specially important for the realization of agricultural policy objectives, at times to the extent of reducing the level of interest to between 1 and 3%.

In France, effective interest rates are generally very low as the result of subsidies advanced to the Caisse Nationale du Credit Agricole, while for some operations they may be even lower, the Government having prescribed special conditions for the same. On the other hand, direct government intervention on interest rates in the Netherlands is very limited, although under certain conditions a specific fund offers guarantees to farmers. In all other Member States, it is a widespread practice to grant interest reductions on loans contracted in particular for the realization of certain investments in the production and marketing sectors for agricultural products.

Producer prices for agricultural products

The general index of agricultural producer prices (excluding VAT) for 1971, as calculated by the S.O.E.C. for the Community as a whole came to about the same level as in the previous year, i.e. 105.5 (base 1966 = 100). This is the result, however, of two opposing trends, for while the price index for arable products underwent a marked decline of 7.5%, that for animal products rose by 5.4%.

The development of producer prices for agricultural products in 1971 was markedly different in France compared with other Member States (1). France in fact was the only country where the general index of agricultural prices compared with 1970 rose appreciably by 4.4% compared with 5.9% the previous year. This seems to have been largely attributable to the adaptation of French agricultural price levels to those of common agricultural prices, following the devaluation of the French franc in 1969. The Luxembourg index showed only a marginal increase (0.2%), while in some Member States (1) quite a noticeable drop was recorded; the general index in fact suffered a marked drop in West Germany of 6.2% in 1970/71 compared with 1969/70, while in Belgium the 1971 drop as compared with 1970 was 2.3%. In the Netherlands the index came out at the same level as in 1970. The foregoing observations, however, fail to provide a faithful illustration of the trend that has set in since August/September 1971, since when there has been a marked rise in the general agricultural price index in both West Germany and Belgium. Indeed, a comparison of the index for the fourth quarter of 1971 with that for the fourth quarter of 1970 shows a rise of 9% in Germany, and of 5% in Belgium. In France, the rise was no less than 9.6%.

The rise in the French agricultural price index can be ascribed to be increase in the price index for animal products (6.6%), which in 1971 in all

(1) Data still not available for Italy for 1971

Member States showed a marked improvement. Comparing the index for the fourth quarter of 1971 with that for the fourth quarter of 1970, the rise was 9.8% in West Germany, 12.4% in France, 11.6% in the Netherlands, and 9.4% in Belgium. Against this, the index for arable product prices showed very different tendencies as between Member States. Whereas in West Germany and France it rose by 6% and 2.9% respectively, again comparing the final quarters of 1971 and 1970, in the Netherlands and Belgium the index actually fell considerably by 13.3% and 9.1% respectively in this same period.

It must finally be noted in these comments on general national agricultural producer price indices that, in the medium term, quite differing trends affected them as between Member States.

When we compare 1971 (or 1970/71 for West Germany) with 1966 (or 1966/67 for West Germany), the base period selected for the tables provided in the Annex, it can be seen that the general agricultural price index reached 119.4 (excluding VAT) in France, against 106.5 (including VAT) in the Netherlands, 99.8 in Belgium (excluding VAT) and 97.0 in West Germany (including VAT).

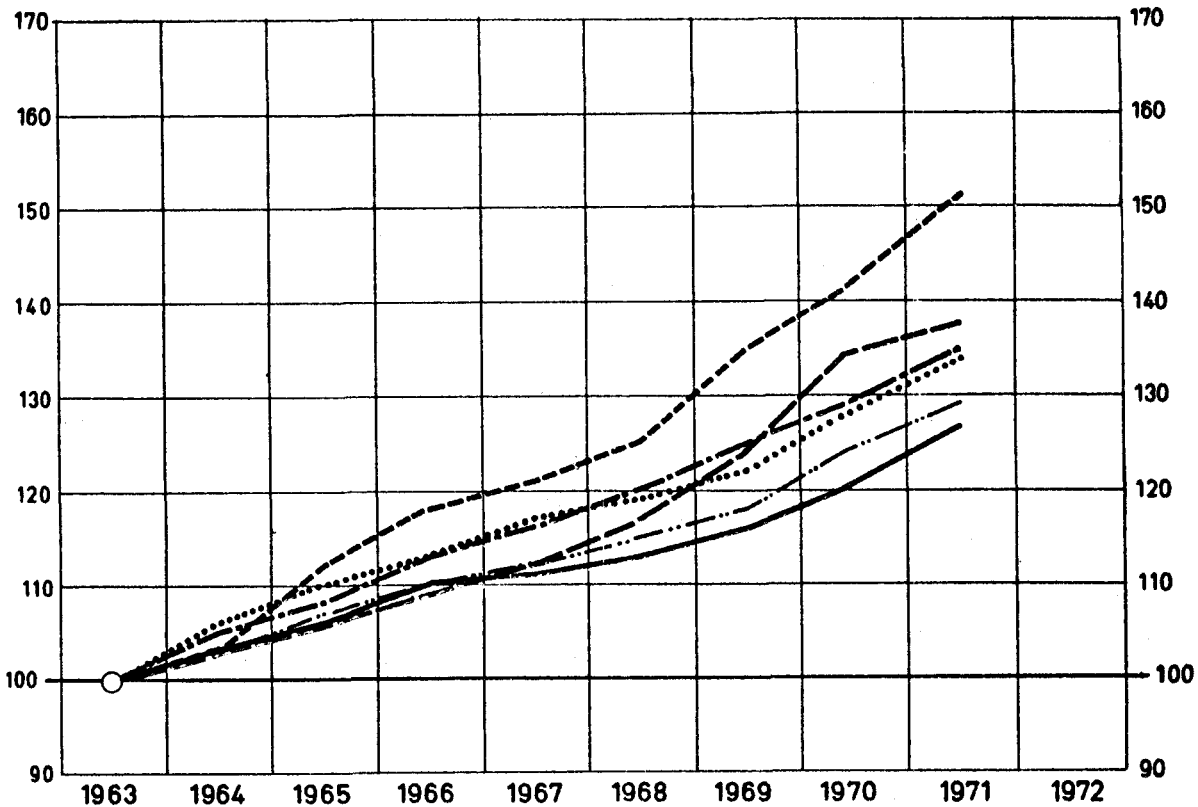
In all Member States, the index of prices of food, drink, and tobacco rose more sharply than that of agricultural product prices. On a base of 1966 = 100, the indices stood in 1971 at 106.4 in West Germany, 125.0 in France, 114.8 in Italy, 119.8 in the Netherlands, 115.1 in Belgium and 118.7 in Luxembourg. The development of these indices, however, was less rapid than that of the general level of prices as measured in the prices of gross domestic product.

Terms of Trade

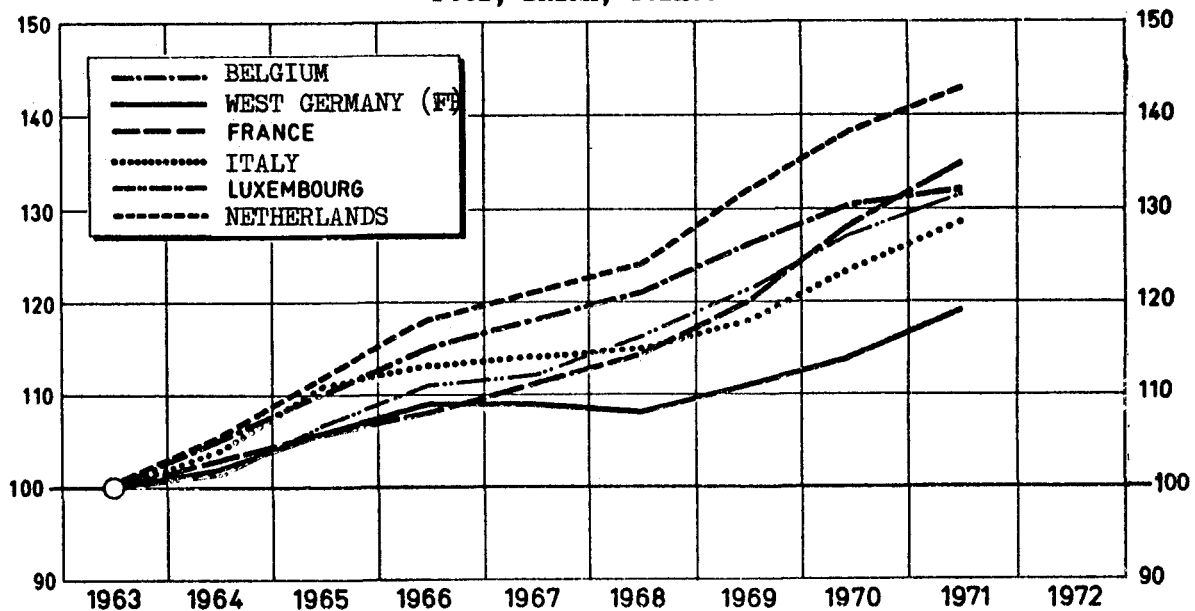
The development of the ratio between prices received (a) and prices paid (b) by farmers, that is to say the terms of trade in agricultural products $\left(\frac{a}{b}\right)$ constitutes an important determinant of the trend in agricultural income.

INDICES OF CONSUMER PRICES AND OF PRICES OF FOOD,
DRINK AND TOBACCO
1963 = 100

CONSUMER PRICES



FOOD, DRINK, TOBACCO



- BELGIUM
- WEST GERMANY (F)
- FRANCE
- ITALY
- LUXEMBOURG
- NETHERLANDS

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Diagram 2

In the absence of suitable statistics, these terms of trade cannot be calculated in respect of the prices of all input items, wages, land prices and rents. Here there is still an unresolved problem of the satisfactory weighting of the various factors, while certain data are still lacking. This means that we are compelled to calculate terms of trade on the basis of available national statistical data, concerning input items on the one hand (1) and prices of agricultural products (2) on the other.

Bearing in mind the imperfections in the statistical series used, we can still discern a continuing trend towards a deterioration in the "terms of trade" apparent in the 1970 report. This trend was especially marked in West Germany where, on a base of 1966/67 = 100, the ratio $\left(\frac{a}{b}\right)$ mentioned above fell from 98.7 in 1969/70 to 88.3 in 1970/71. In Belgium, the decline was from 92.1 in 1970 to 90.5 in 1971, and in France from 99.0 in 1970 to 96.4 in 1971. Data are still lacking for Italy, the Netherlands and Luxembourg in 1971. Available data for the fourth quarter of 1971 show a slight improvement over the same quarter of 1970 in Germany and France.

Note that in each Member State, excepting Luxembourg, for which no data on this score are available at all, terms of trade in agricultural products are below the level recorded in the base year (1966 or 1966/67).

(1) See table A/3.2 in Annex 1, part 1

(2) See table A/3.5 in Annex 1, part 1

4. Agricultural Production and productivity in agriculture (1)

a) Final agricultural production

Composition

According to information provided by agricultural economic accounts, the value of final agricultural production would appear in the Community in 1970 to total 37,690 million u.a.; in relation to this amount, the relative proportion for each Member State was 25.6% for West Germany, 33.8% for France, 27.0% for Italy, 8.6% for the Netherlands, 4.8% for Belgium, and 0.2% for Luxembourg.

In the Community, final production in 1970 in relation to the number of hectares of agricultural land in use, accounted for a sum of around 540 u.a./ha, while in relation to the number of people engaged in agriculture, the figure was around 4,000 u.a. per person.

In the Community, the value of animal production in 1970 accounted for the largest share (57.5%) of final agricultural production (dairy sector: 17.7%, cattle sector: 15.0%, pig sector: 13.3%, egg sector: 4.1%, and poultry meat sector: 3.8%). For the same period, the value of arable production accounted for 42.3% of the total for the Community; the most significant arable crops in the Community being cereals (10.1%), fruit and vegetables (12.3%), and wine (7.4%). Italy is the only Member State in which the value of arable production was relatively more important (61.6% of final output). Animal production, in other words, was the more important side in all other Member States (West Germany 73.7%, Luxembourg 73.2%, Belgium 70.0%, Netherlands 67.5%, France 55.9%).

Development

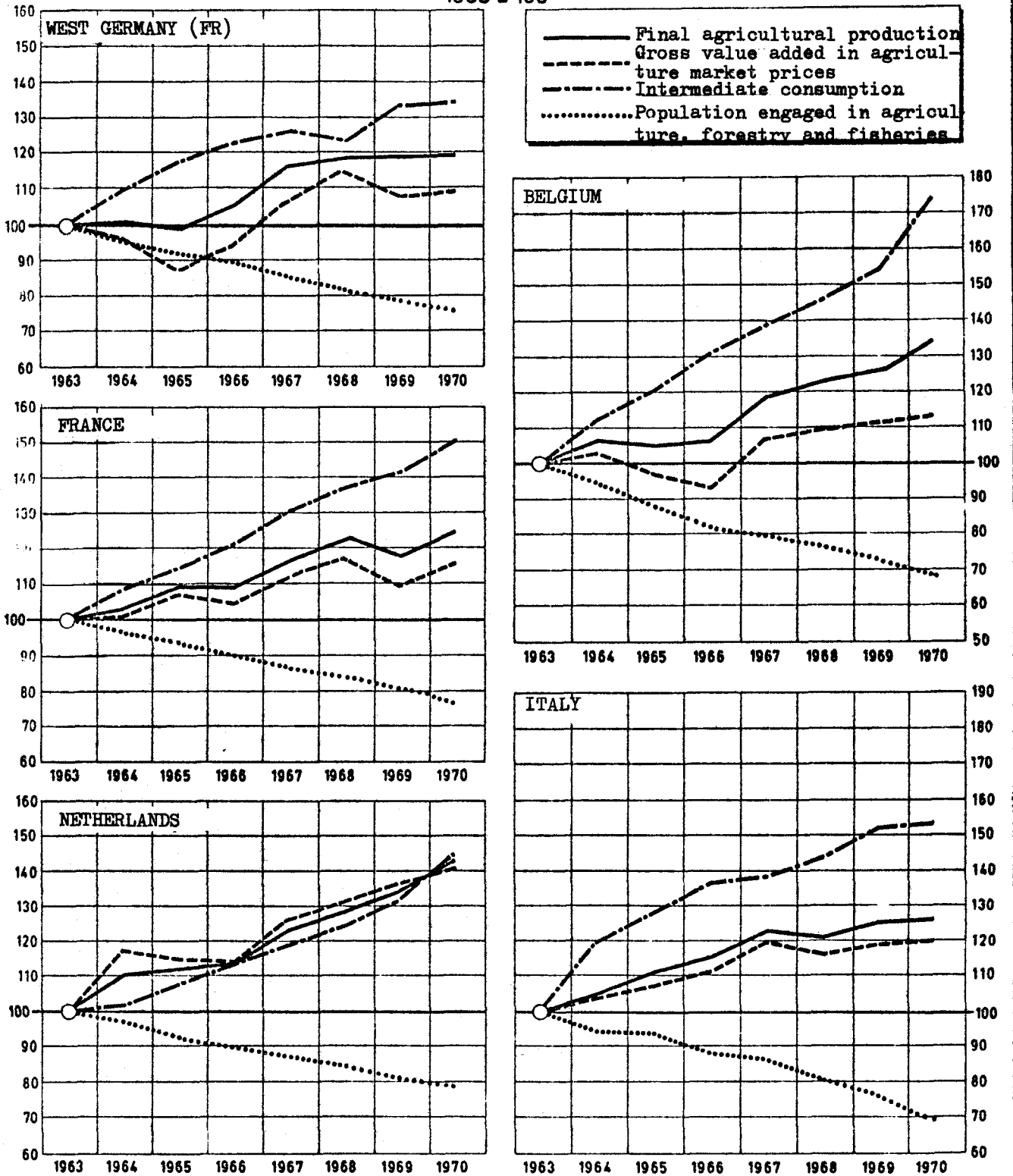
The tendency for growth in agricultural output at 1963 prices to ease off, apparent in 1968 and 1969, appeared to have ceased, and volume growth rose by 3% in the Community in 1970. The rate of growth varied

(1) See tables A/4.1 to A/4.7 in the Annex, part 1.

(2) Note that for lack of sufficient statistical data, account had to be taken of final production and total employment in agriculture, forestry and fisheries; note also that we are here concerned with total employment and not labour units.

DEVELOPMENT OF FINAL PRODUCTION, OF INTERMEDIATE CONSUMPTION AND OF GROSS VALUE ADDED AT 1963 PRICES, AND OF THE POPULATION ENGAGED IN AGRICULTURE, FORESTRY AND FISHERIES

1963 = 100



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Diagram 3

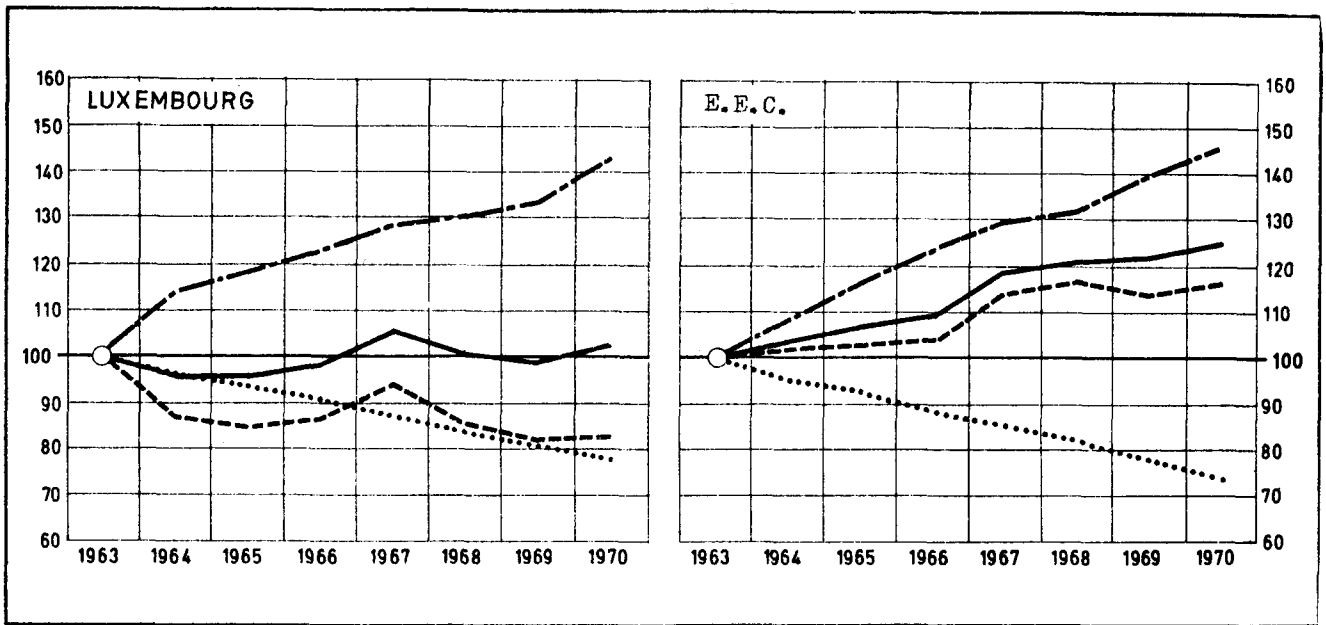


Diagram 3
(continued)

quite distinctly from one Member State to another, although remaining positive for each; thus it was highest in the Netherlands (6.5%) and Belgium (6.2%) and lowest in West Germany and Italy (0.5%).

In order to form an impression of the trends emerging in the medium term, while eliminating seasonal factors (in particular climatic conditions), an annual variation rate for the volume of final agricultural production has been calculated for the period "1965" - "1969" (1). The net trend in the Community emerges as a 3.5% rate of growth; in Member States, average annual variation rates proved highly divergent; + 4.8% in the Netherlands and Belgium, + 3.8% in West Germany, + 3.2% in France, + 2.9% in Italy, and + 1.0% in Luxembourg.

As regards the development of the value of arable and animal production at 1963 prices in the Community, these too increased steadily between 1969 and 1970, by 4.2% and 3.0% respectively. Fairly divergent trends in this field over the period in question again emerge for individual Member States; some slight recession in arable production occurred in Italy and Belgium, for instance, as a result, in Italy's case, of declining olive oil and fibre crop production. On the other hand, animal production rose in volume in all Member States except Luxembourg (0.6%).

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Attention should also be drawn to the fact that the very favourable climatic conditions of 1971 had, amongst other things, the effect of producing a very large cereals crop, exceeding the 1969 harvest which had itself been considered one of the largest ever; in 1971, the total cereals crop (excluding rice) came to 77 million tonnes for the Community, amounting to an increase of some 9% over 1969 (and almost 14% over 1970). Similar results were achieved with sugar, production of which, according to estimates, was

(1) "1965" = average of 1964, 1965, 1966
"1969" = average of 1968, 1969, 1970

very high in 1971, amounting to 8.1 million tonnes of refined sugar (15% more than 1970 and 9% more than 1969, again a year considered good for the harvest in this product).

These crops were obtained in the Community in spite of a slight diminution in areas under cultivation for cereals (1971/70: 0.5% and 1971/69: 0.8%), but with the help of a modest increase in the area of sugar beet cultivation (1971/70: 1.9% and 1971/69: 0.8%).

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Development trends for animal and arable production between 1969 and 1970 are dissimilar to those observed in the medium term (i.e. "1965" - "1969"); as in the Community average growth rates are actually quite near one another (3.3% for arable production and 3.5% for animal production) for the period in question.

These rates again conceal quite divergent trends between Member States. Between "1965" and "1969" in West Germany, for instance, arable production developed apace (4.4%), as it did in France (4.0%), compared with 1.1% in Luxembourg and 2.2% in Italy. Conversely, animal production grew annually at a more rapid pace in Belgium (5.8%), the Netherlands (5.3%), and Italy (4.1%). Again, it is noteworthy that some key forms of arable production rose more swiftly on an annual basis in West Germany, such as soft wheat (6.0%), barley (7.0%) and some fruits (peaches: 9.9% and apples: 8.4%); and again in France, with maize (17.5%) and some fruits (pears: 7.8%, apples: 7.0%, and peaches: 6%). During this same "1965" - "1969" period, the Community showed an annual rate of increase in the volume of production of the order of 2.0% for milk and 3.9% for eggs.

b) Intermediate consumption

Composition

In 1970, intermediate consumption accounted, in the value of final agricultural production, for a proportion of 49.6% in West Germany, 46.0% in Belgium, 40.0% in Luxembourg, 33.1% in France and 23.0% in Italy (1).

(1) Statistical data as yet not available for the Netherlands. In 1968, the percentage was 44.8%.

In 1970, animal feed costs were the most important item in the value of intermediate consumption in every Member State (highest in Belgium with 69.2%, followed by Italy with 55.7% and Luxembourg with 51.7%) (1). The second largest cost factor was fertilizers and soil dressings, amounting for instance to 18.4% of the value of intermediate consumption in France.

Development

The volume of intermediate consumption in the Community increased appreciably (4.3%) in 1970, compared with the previous year, while the preceding annual growth rate had been up to 5.9%. The increase was weakest in West Germany (0.6%) and Italy (1.3%), while it was most marked in Belgium (12.8%), and the Netherlands (10.9%); in the latter two countries, it stemmed in particular from a characteristic increase in the consumption of animal feeds (14% in Belgium and 11% in the Netherlands).

c) Gross value added

According to the same statistical sources, gross value added at factor cost (2) would appear in 1970 to come to 24,595 million u.a. for the Community (3), with individual Member States accounting for the following shares of the total: 22.0% for West Germany, 34.0% for France, 33.1% for Italy, 6.8% (3) for the Netherlands, 3.9% for Belgium and 2.0% for Luxembourg.

In the Community, gross value added at factor cost per number of hectares of agricultural land in use was calculated for 1970 as a unitary amount of some 350 u.a. per hectare, while in relation to the number of people employed in agriculture (4), the unitary amount was about 2,600 u.a. per person.

(1) Statistical data as yet not available for the Netherlands

(2) Gross value added at market prices plus subsidies, but minus indirect taxes

(3) Estimated

(4) In the absence of sufficient statistical data, this embraces total employment in agriculture, forestry and fisheries

Development

As regards development trends in gross value added at 1963 market prices (1), taking into account increases in final production and intermediate consumption respectively, there emerges an increase in this value of 2.3%, as compared with a drop of 2.2% in 1969 over 1968. Here again, as with final agricultural production, the previous trend towards decline in the Community at large seems to be fading.

With Member States an even more striking reversal in the situation may be discerned. Thus in France, West Germany and Luxembourg, each of which in 1969 showed a negative change (-6%, -5.4% and -4.1% respectively), 1970 revealed a positive variation in volume (+ 5.3%, + 0.4% and + 0.8% respectively).

d) Productivity (2)

During the period "1965" - "1969", productivity per hectare of agricultural area in use in the Community, calculated from the volume of final production or of gross value added, and taking into account a diminution rate in the area in use of 0.4% per annum, showed an annual average growth rate of 4.0% and 3.5% respectively. These rates conceal fairly wide discrepancies between Member States, which, measured against the development of final production per hectare, varied between over 5.0% (Belgium and the Netherlands) and less than 1.0% (Luxembourg), with Germany, Italy and France filling the intermediate positions (4.4%, 3.2% and 3.8% respectively).

Examination of the trend in average yields per hectare during the period "1965" - "1970" reveals widely differing annual growth rates for various relatively important products. In the Community, for instance, average growth rates emerged

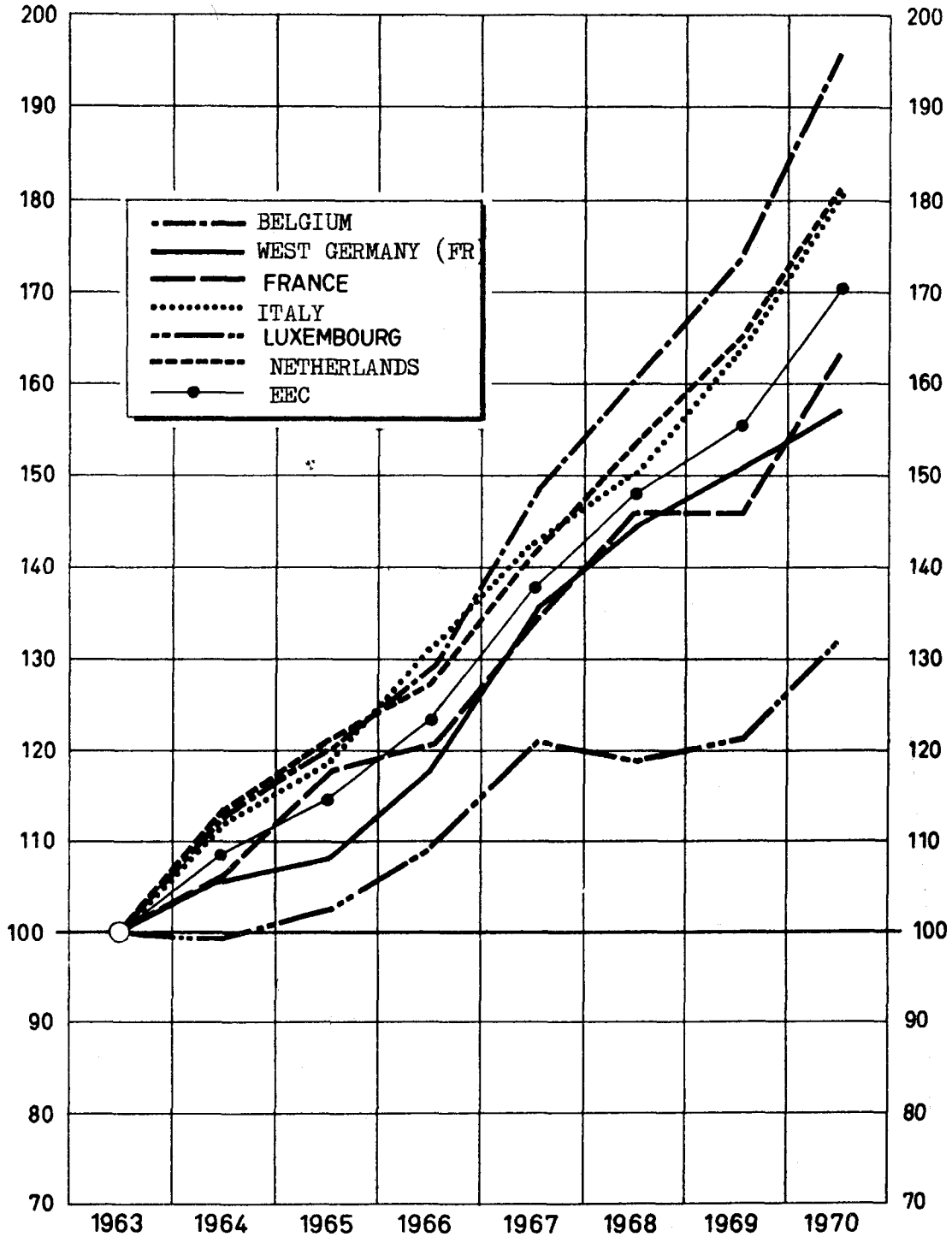
as 7.5% for durum wheat, 6.8% for maize and between 2.0% and 3.7% for other cereals, 1.7% for sugar beet and 3.4% for potatoes.

(1) Parallel data for gross value added at factor cost not available.

(2) In the absence of adequate statistical data, this report is concerned only with gross productivity, and not with net productivity,

DEVELOPMENT OF LABOUR PRODUCTIVITY IN AGRICULTURE IN EEC COUNTRIES
(calculated on the basis of final agricultural production at constant
"1963" prices per person engaged in agriculture)

1963 = 100



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Diagram 4

The average annual increase in final production (3.5%), coupled with the continuing fall in the number of people engaged in agriculture (4.2% per annum) during the period "1965" - "1969" signified an appreciable rise in labour productivity. The annual rate of growth here is 8.1%, calculated from the volume of final production, and 7.5% calculated from gross value added at constant prices. According to either method of computation, these annual rates worked out at 8.0% and 8.8% respectively in West Germany; 7.3% and 6.3% in France; 8.2% and 7.7% in Italy; 8.3% and 7.8% in the Netherlands; 10.0% and 8.5% in Belgium, and 4.7% and 2.8% in Luxembourg.

Over the same period (at constant prices and exchange rates), these figures compare with an annual rate of growth in gross domestic product per capita of around 5%. In all Member States, the latter rate is lower (Germany 4.7%, France 4.9%, Italy 6.0%, Netherlands 4.9%, Belgium 3.9%) than the annual growth rate for gross value added in agriculture, except in the case of Luxembourg (2.9%).

5. Demand for foodstuffs (1)

In all E.E.C. Member States, a diminishing proportion of private expenditure by households is spent on food, drink and tobacco. In 1970, this proportion came to between 30 and 33% for Member States, with the exception of Italy (42.2%), whereas in 1960 it had been between 35 and 42% for the five other Member States, and 47.3% for Italy. Thus in 10 years, there has been a reduction of differentials between the various proportions of consumption going for "food, drink and tobacco" in E.E.C. Member States, excepting Italy, where households still devote a large proportion of consumer spending to this item. In 1960, France had shown a high percentage (42%), placing it closer to Italy (47.3%); but in 10 years, this proportion has dwindled rapidly, to no more than 33% in 1970, while Italy has yet to effect this structural change in its private consumption patterns.

As national statistical criteria are not identical, estimates only can show that in 1970 household expenditure on drink came to about 6% of total private consumption outlays, while that on tobacco came to around 2-3%, and that on foodstuffs to about one quarter of consumer spending, except in Italy, where it was nearer one third.

(1) See tables A/5.1 and A/5.2 in Annex, part 1.

Although the proportion of expenditure on food has declined, in terms of household consumption, food consumption in itself has continued to increase over the past ten years. This is due partly to population growth, of the order of 10%, but also to consumption per capita.

Consumption (per capita and overall) has developed in various ways, according to the product in question. For some, such as potatoes and cereals (including wheat), there has been something of a decline compared with 10 years ago. Again, individual consumption of liquid milk has declined somewhat and overall human consumption of milk at best stagnated. On the other hand, consumption of other products has in some cases risen appreciably. In all, increases come to about one-quarter for butter and some other fats, fruit and vegetables. The amount was about one-third for sugar and eggs, and about one half for cheese and meat, compared with 1960/61.

As regards potatoes, whole milk and cereals (excluding rice), there was a marked decrease in overall consumption of, respectively, 0.98%, 0.56% and 0.38% per annum. But increase rates recorded for other products such as butter, fruit, vegetables, sugar, fats, eggs and meat, in terms of overall annual improvement, were respectively 1.77%, 1.97%, 2.16%, 2.41%, 2.44%, 2.77% and 3.95%.

For the last year covered by figures (1970/71), consumption per capita was as follows: Butter (1): 5.6 kg; cheese: 10.7 kg; eggs: 13.9 kg; fats (1) excluding butter: 21 kg; sugar: 33.8 kg; meat 66.7 kg; fruit: 71.8 kg; whole milk: 73.7 kg; wheat: 77.7 kg; potatoes: 81.8 kg; vegetables: 115.8 kg.

These trends stem from substitutive tendencies in the pattern of consumption. Take for example meat. Within overall meat consumption, poultry meat and "other" meats (e.g. rabbit) have enjoyed an increase in their share of overall consumption of one half. Poultry meat now accounts for some

(1) Figures relate to the year 1969/70

15% of meat consumption. All other meats have lost ground in relative terms though in general supplies have increased in volume; the slackening trend has been most marked with horse meat (almost 40%), sheepmeat and goat's meat. This goes also for pigmeat, which nevertheless ranked higher in the consumption chart than beef. Total meat consumption in 1970/71 thus broke down as follows: cattle meat (beef and veal): 34.8% (37.3%); pigmeat: 35.7% (37.2%); poultry meat: 15.3% (10.3%); sheep and goat's meat: 1.7% (2.0%); horsemeat: 1.5% (2.4%); other meats: 3.5% (2.4%); edible offals: 7.1% (8.3%) (1).

We may therefore sum up the situation as follows. Whereas there is an ever-increasing range of foodstuffs on offer, there is a general decline in consumption of the established staple foods, both in relative and in absolute value. Consumption of more expensive foodstuffs and those better suited to modern living such as meat, fruit and vegetables has increased by comparison with the past. Consumption of sugar and fats has also continued to rise. We may also ascribe the trends emerging in part to agricultural policy measures taken at certain junctures (e. g. promotion of butter marketing). The ultimate determining factor, however, was changes in incomes, and in the structure of prices, and the adaptation of consumption habits to new modes of living. Such fresh habits affect significantly the way in which production is orientated, even though percentage differences may at times be very slight.

(1) Figures in brackets relate to the period 1960 to 1969

B. AGRICULTURAL STRUCTURES

As far as structural development is concerned, the few new items of data to hand since the last report are concerned essentially with the utilization of land, the structure and size of holdings, in hectares, and the active farming population.

For want of the results of the census for 1970, it would seem that we may still derive some benefit from the information accruing from the inquiry into farm holding structure in 1966/67, which concerned itself with the distribution, by type, of farm holdings: changes in the pattern since that time have been relatively modest.

1. Soil Utilization (1)

The total area of land in use in the E.E.C. decreased by 0.8% during the period 1968-1971 (2), falling to slightly over 69.6 million ha. During this same period, the total area of land in use for farming fell quite sharply in the Netherlands (4.5%), to a lesser extent in Luxembourg (2.5%), Belgium (2.2%) and West Germany (1.0%); there was a relatively small decline in France (0.5%) and Italy (0.4%).

No major change occurred in terms of the overall utilization of farming land in the E.E.C. apart from one or two slight alterations in the various Member States. Thus for instance, the proportion of arable land to the global area of farming land in the E.E.C. fell from 55.3% in 1968 to 55.1% in 1971; the change in area of permanent pasture was in fact even smaller than this (38.0% in 1968 to 38.1% in 1971). Only Germany exhibited a modest increase in its area of arable land, a factor which in all other Member States decreased. Developments in the area of permanent pasture again show Germany on a trend

(1) See tables B/1.1 and B/1.2 in Annex, Part 1.

(2) With exceptions only as explicitly cited in this section B.1., the period of development in question is 1968 to 1971 throughout.

divergent from that obtaining in the other Member States; it showed a slight decrease, while the other countries all recorded a modest increase.

The proportion of pluriannual crops within the total Community farming area remained constant (6.8%). In France, the Netherlands, Belgium and Luxembourg, this proportion fell, while in Italy, which has the largest share of E.E.C. pluriannual cultivation, there was a slight increase.

The total area of woodland increased by 1.0%, to reach 28.4 million ha. This accounted for 24% of the entire E.E.C. land area. In all Member States the proportion of land given over to forestry as against the total area of the country remained virtually level during the period in question, except in France, where it increased by 1.0% to account for 26%.

Turning to trends in the main crops, the total area of cereal cultivation (including rice growing) appears to have risen by almost 1.0% in the E.E.C. It was however only Germany and France that showed any extension of their cereals area to the tune of 3.2% in Germany, and 2.5% in France (period 1968-1971).

Root crop cultivation was affected by the somewhat unfavourable trend of prices in recent years. The total area under root crop cultivation in the E.E.C. fell by rather over 10%, a development that was especially marked in France and Germany.

The total area under sugar beet cultivation in the E.E.C. rose by 1.7% while that of oil seeds enjoyed marked expansion. Compared with the 1968 index,

the oil seed area of the E. E. C. was worth 134 points in 1971. Crops in decline, however, included in particular potatoes (-13.5%), pulses (-6.5%) and forage crops (-1.7%).

Despite disappointing market trends and the grubbing that resulted, the area of fruit cultivation in the E. E. C. diminished scarcely at all.

This area covered 1.06 million ha in 1971, or 2.5% less than in 1968. Indeed, it expanded slightly in Italy (0.5%), where no grubbing took place, while in France, any diminution in this area was only minimal.

Vineyard areas fell in toto by 1.8% in the E.E.C., as the result of a slight decrease in the French vineyard area and that of Italy, and an increase in that of Germany.

2. Structure of holdings (1)

a) Number and size (2)

Compared with previous years, the period 1967-1970 saw a major acceleration in the decrease in numbers of farm holdings of over one hectare in the E.E.C. The annual rate of decrease in the number of holdings over 1 ha was 1.7% approximately in the period 1960-1967, but 3.9% in the period 1967-1970.

This meant that the drop in absolute number of holdings was from 5.62 million in 1967 to 4.98 million in 1970. Nevertheless, this had a limited effect on the average size of holdings in the Community; this rose from 11.4 ha in 1967 to 12.7 ha in 1970.

The accelerating decrease in number of farms mentioned above was common to all Member States, although to varying extents. The most rapid fall in farm numbers was in Italy, where it amounted to 4.2% during the period 1967-1970, as against about 1.0% in the period 1961-1967. Next came the Netherlands, where the decline rates for 1966-1970 and 1959-1966 respectively came to 5.2% and 1.8%.

(1) See tables B/2.1 and B/2.5 in Annex, part 1.

(2) The total number of holdings referred to in section a) is that constituted by farms of one ha and over.

During the period 1967/70, the lowest rate of decrease was in France (3.4%), with a fairly modest acceleration over previous years (2.9% in the period 1963/67). With Belgium, the annual decrease was 4.0% in the period 1967/70 against 3.7% between 1957 and 1967. The annual decrease in the number of farm holdings of one hectare and over was 4.1% in Luxembourg during the period 1967/70.

The effect of the trend described above on the average size of farms of 1 ha and over was somewhat different according to the Member State in question. Between 1967 and 1970, this average size rose from 19.1 ha to 21 ha in France (+10%), from 17.2 ha to 19.4 ha in Luxembourg (+12.8%), from 11.0 ha to 13.0 ha in the Netherlands (+18.2%), from 10.5 ha to 11.6 ha in Belgium (+10.5%), and from 7.1 ha to 7.7 ha in Italy (+8.5%).

In the E.E.C., analysis of the development of the number of farms according to size group and the area in farming use reveals firstly that the number of holdings of 20 ha and more as a proportion of the total number of holdings rose from 14.4% in 1967 to 16.8% in 1970. Again, the number of farms in the category, "20 to 50 ha" rose by 0.7% per annum, and that of "50 ha plus" farms by 3.1% per annum. The total area under farming use in these two categories of holdings accounted for 59.7% of the total area occupied by holdings of 1 ha and over in the period under consideration (54.7% in 1967), while the annual increase in the area under cultivation by holdings of 20 ha to 50 ha in size was 1% and that for holdings of 50 ha plus was 3.7%. Conversely, the proportion of holdings of less than 20 ha fell to 83% of the total number of farms of 1 ha and over,

The number of farms of between 1 and 5 ha area fell by 5% per annum; that of farms of 5 to 10 ha by 5.5% per annum, and that of farms to 10 to 20 ha by 3.8% per annum. The decrease in the area covered by farms in these three categories followed almost exactly the rate set by the fall in their numbers. In all, these farms had under cultivation 40.3% of the total area of farming land in the E. E. C. in 1970.

Only France and Italy showed any deviation from the trend described for the E.E.C. in this particular, although here too the proportional number of farms falling within the classification 20 to 50 ha also fell. But in France, the annual decrease in number of such farms came to 0.2% in the period 1967/70, with their share in the total number of French holdings of 1 ha and over dropping to 26%. In Italy, the fall was 1.7% per annum for the same category of farm, and its share of the total fell in 1970 to 3.7% of the farms of 1 ha and over. In the other countries, the number of 20 to 50 ha holdings rose: in Germany by 3.8%, in Belgium by 3.2%, in the Netherlands by 1.8% and in Luxembourg by 1.3%.

In Italy the number of farms of less than 20 ha fell by some 4.4% per annum, while such farms still accounted for 94.6% in the total number of 1 ha and over holdings, in 1970. In the other countries, the annual percentage variation in 1970 was 5.3% in France, 7.6% in Luxembourg, 6.5% in the Netherlands, 5.0% in Belgium, and 4.7% in West Germany. In these countries, the proportion of farms of less than 20 ha in size in all holdings of over 1 ha dropped to 65.5% in France, 57.9% in Luxembourg, 81.5% in the Netherlands, 84.9% in Belgium, and 83.7% in Germany.

b) Type of holding

The 1966/67 survey of agricultural structures provides a detailed picture of the relative importance (number of holdings, area and labour force) of the various types of farming.

On the basis of this survey, a breakdown was compiled of the number of farm holdings under the following heads: annual crops, horticulture, fruit farming, viticulture, olive growing, cattle rearing, sheep and goat farming, pig rearing and poultry farming.

On the basis of the statistical information provided in the Annex (1), a breakdown has been constructed of the various specializations of holdings under three headings, "mainly", "mixed, with emphasis on" and "others" (2)

This classification shows that in 1966/67 rather over 55% of all farms in the E.E.C. were so organized that their main activity comprised 68% or more of the total value of production ("mainly" category).

Some 34% of the holdings fell into the bracket, "mixed, with emphasis on" (34 to 68% of the total value of production), and 1.7% of farms had no particular specialist activity ("others" category). However, these percentages vary considerably from one country to another. The proportion of holdings falling into the "mainly" category for instance was largest (69.8%) in the Netherlands and Belgium (63.2%), Italy (61%) and France (59.2%), while in Luxembourg this category dropped to 30.4%, and in Germany to 31.1%.

Inter alia, the findings of the structural survey reveal that 43% of farm holdings in the E.E.C. had orientated their activities towards production of cattle meat, horsemeat, sheepmeat and goat's meat. These holdings included a 20.4% proportion "mainly" geared to cattle production, while 22.6% came under the heading of those "with emphasis on" production of cattle meat.

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- (1) See tables B/2.3 to B/2.5 in Annex, part 1
(2) "Mainly" is understood to imply holdings in which the particular specialisation accounts for 68% or more of the total value of what they produce. Thus holdings reliant especially on cattle rearing are taken to be those that have 68% or more of the total value of their output accruing from cattle rearing. "Mixed" holdings "with special emphasis" are taken to include farms with 34 to 68% of the total value of their output accruing from a particular specialization. In the "others" category there thus fall holdings where no specialization predominates, or in which no particular item of production accounts for more than 33 % of the total value of output.

The latter category included 13.5% combining cattle rearing with annual crops, 6.9% cattle rearing with conversion farming (1) and 2.2% cattle rearing with pluriannual crops. Equally, 10.8% of all E.E.C. farms still engaged in cattle rearing as a secondary activity (less than one-third of the value of production).

Considerable differences in these percentages come to light for individual Member States. Thus the percentage of holdings "mainly" engaged in cattle rearing fluctuates between 12.4% (Italy) and 38.5% (Belgium) of the total number of farms in the country in question. Turning to "mixed" farms "with emphasis on" cattle rearing, the percentage scatter is even wider, ranging between 12.9% in Italy and 52.6% in Luxembourg. In the other Member States, these percentages came to 43.3% in Germany, 25.6% in France, 23.4% in Belgium and 13.7% in the Netherlands.

As far as annual crops are concerned, the structural survey shows that 9.7% of farm holdings were "mainly" orientated towards this, while 10.9% of farms were of the mixed type "with emphasis on" annual crops. These farms include 6.1% combining annual crops with cattle rearing, 3% annual crops with pluriannual cultivation, and 1.8% annual crops with conversion farming.

This sector again shows wide variations as between Member States. The number of farms for instance practising "mainly" annual crops came to 15.6% of the total number of holdings in Italy, whereas the equivalent figure for Luxembourg was only 1.1%, in Germany 3.0%, in Belgium 3.9%, in France 5.5%, and in the Netherlands 6.8%. The proportion of "mixed" farms "with emphasis on" annual crops was largest in Italy (13.9%). The lowest proportion for this type of farm was returned for the Netherlands (1.8%).

(1) Conversion farming: pigs, poultry, calves.

As regards the pluriannual crops sector, 5.6% of holdings emerge as "mainly" devoted to fruit growing, 8.2% to viticulture, 2.7% to olive farming, and 1.1% to a combination of such pluriannual forms of cultivation. Pluriannual cultivation is more common in France and Italy.

The number of holdings given over "mainly" to conversion activities, i.e. those that derive at least 68% of the total value of production from the raising of pigs, poultry and calves, in 1966/67 accounted for only 2.7% of the total number of farms, while 4.5% of those categorised as "mixed" had as their chief activity conversion farming. The swift expansion of the conversion sector in recent years may however have altered these percentages somewhat, in particular when it comes to mixed holdings that have conversion as their "predominant" activity. Conversion farming is in fact mainly concentrated in Belgium and the Netherlands. In these countries, the proportion of holdings with conversion as a "predominant" activity as against the total number of farms came to 12.9% in the Netherlands and 7.6% in Belgium. At the other extreme, this proportion was as low as 1.3% in Italy and 1.4% in France.

The proportion of holdings orientated towards horticulture within the total number of E.E.C. farms came to 4.2% in 1966/67. In this sector, the Netherlands headed the list with 14.7% of the total number of that country's farms, followed not very closely by Belgium, with 7.4%. Germany comes at the bottom of the list, with 2.4%

3. Livestock (1)

The cattle population of the E.E.C. has been steadily falling since 1968, with the largest decrease occurring between 1969 and 1970. In 1969, the fall was of 0.3% over 1968, and this followed by an acceleration of the trend, resulting in a 2.1% decline in 1970 over 1969. The fall between 1970 and 1971 was somewhat less marked (1.1%). In all, the drop in numbers of the Community's cattle stock was 3.5% during the period 1968/1971.

The diminution of the Community cattle count applied to dairy cows as well as fatstock, although in the latter sector the fall was less marked than with dairy cows. The fatstock count fell in 1971 by 0.2% over 1970, and by 0.9% over 1968.

Dairy stock in the Community showed a steady regression throughout the period 1968/71 (5.9%), with the rate for 1970/71 at 1.4%.

In recent years, pig farming has developed apace in the Community. In 1971, with a head count of 49.4 million, the pig stock was 15.6% higher than in 1968, although in fact the 1971 level was 3.2% below that of 1970. This last drop may however be deemed a temporary low in the normal pig cycle, rather than a matter of structural evolution. The main expansion of the pig stock was in Belgium, the Netherlands and France.

Movements in goat and sheep rearing in the Community were of only limited scope. In 1971, the total number of goats and sheep was 1.3% higher than in 1968, whereas the corresponding figure for 1971 was 0.8% lower than that for 1970. These percentages were dictated largely by developments in France and Italy, where the major producers in this sector are located.

(1) See table B/3.1 in Annex, part 1

In the absence of other more recent data than those cited in the 1970 report on the situation in agriculture, it is impossible to provide any more up to date information on the recent structural evolution of the stock rearing sector, in terms for instance of the number of farmers, the average size of herd per holding etc.

4. Labour and capital (1)

a) Development of the active farming population

The reduction in the number of persons employed in agriculture in the various Member States of the Community continues at a steady pace. This trend emerges clearly from analysis of available statistical data. Such a study also brings to light year-to-year fluctuations, reflecting prevailing economic conditions both in agriculture and in other sectors.

The average annual decrease in the E.E.C. was 4.3% during the period 1960/70, as against 5.9% in 1970 against 1969. The figures vary considerably for the various types of active farm population (heads of holdings, family labour and wage-earning labour); there are equally certain divergencies between one Member State and another. The fall in the active farming population between 1969 and 1970 was least marked in the Netherlands, and was even, in contrast to other Member States, less sharp than in 1968 to 1969. It seems likely that the prospect of an improvement on January 1, 1971 in the regulations governing the abandonment of holdings, as operative in that country since 1964, helped to restrain departures in 1970.

The most significant fall in 1970 occurred in Italy, where it was 8.4% of the active farming population, followed by Belgium (5.2%), West Germany (5.0%) and Luxembourg (4.3%). There were again large discrepancies between percentage falls in the numbers of heads of holdings. During the decade 1960/70, the highest percentage rate of fall here was in Luxembourg (4.5%), followed by Italy (3.9%).

The number of family helpers fell considerably in Italy and in

(1) See tables B/4.1 to B/4.5 in Annex, part 1.

Belgium. To understand the percentage reduction rate in family farm labour in Italy, one must bear in mind the movement there towards wage-earning labour, as a result of the social benefits that stem from it. The average annual drop in the number of wage-earning workers in the E. E. C. was 3.8% during the period 1969/70, while in 1970 it came to 6.6% against 1969. Luxembourg and Italy especially in 1970 saw an appreciable increase in the reduction in the wage-earning labour force, comparing the trend with previous years. Whereas the downward trend ran at 3.1% per annum in the period 1960/70 in Italy, it came to 8% for the 1969/70 season, the equivalent percentages for Luxembourg being 5.2% and 9.1% respectively.

Considering the evolution of the active farm population in the light of age categories, no significant modification seems to have occurred since 1968. Within the limits allowed by the data so far available, it would appear that in all Member States the proportional importance of the 65-plus age group fell between 1968 and 1970; from 8.7% to 8.4% in West Germany, from 8.4% to 7.1% in France, from 6.6% to 5.0% in Italy, and from 4.6% to 4.4% in Belgium. However, the proportion of people within the categories, aged 14 to 24, and aged 25 to 34 also fell in all Member States, with the result that the age pyramid of the active farming population failed to improve. In other words, there was scarcely any alleviation of the problem of the ageing farming population, particularly in view of the fact that the proportion of persons falling within the categories, aged 45 to 54, and aged 55 to 64 increased quite markedly between 1968 and 1970. The former category varied between 20.4%

in Germany and 23.5% in Belgium, while the latter varied between 20.7% in Germany, and 23% in France. The decline in the active population in the 14 to 24 age bracket does moreover mean that the decline in the active farming population will be maintained in the future.

b) Capital

There is clearly a close link between the fall in the active farming population on the one hand, and the increase in farming investment on the other. Unfortunately, we have as yet no Community-wide system of statistics in detail on the formation of capital and investments at farm level. Just the

same, certain indicators on this score can be found in an O.E.C.D. study (1) which reveals that in the period 1957/1967 the annual average percentage increase in the value invested per hectare varied considerably between one Member State and another (2.4% to 10%). Again, significant variations appear in the nature of such investments; the average annual increase in the value of capital invested in livestock for instance varied between 2.2 and 6.3%, that in deadstock between 3.6% and 14%, and the capital invested in land, between 2.2% and 10.6%.

As far as more recent years are concerned, numerical data for analysis are available only for West Germany (2) and Belgium (3).

The data for Germany reveal that the total amount of investments (4) per hectare in the period 1965/66 - 1970/71 increased by 7.2%. During this same period, there was a rapid growth in capital per labour unit. This increased amounted to close on 49% during the period in question, i.e. to an average increase of some 7% per annum.

In Belgium, the development of capital per labour unit, and per hectare showed a growth of, respectively, 33% and 16% during the period 1966/69 - 1970/71. The largest increase was recorded for capital invested in livestock, while working capital per hectare remained virtually unchanged.

(1) Capital and Finance in Agriculture; Volume 1, OECD, Paris 1970

(2) Agrarbericht 1972

(3) Development of Agricultural and Horticultural Economy 1970 - 1971

(4) Includes all capital goods, as well as working capital, regardless of ownership.

C. OVERALL TRADE AND DEGREE OF SELF-SUFFICIENCY (1)

1. Trade with third countries

a) Imports

Total imports of agricultural and food products

The value of total imports of agricultural and food products in 1971 was 12,027 million u.a., or an increase of some 4.1% over the previous year. This increase stemmed mainly from rising imports of food products, oilseeds and fats and oils.

Within the overall value of agricultural products and foodstuffs imported from third countries in 1971, 5.8% came from the four acceding countries, this percentage being much lower than that for imports of all types of products from the same. The opposite however applies when it comes to exports (see b).

Imports of "regulated" products (2)

The increase in imports of products governed by regulations that was observed in preceding years continued in 1971.

In terms of real value, imports of these products rose from 5,198 million u.a. in 1969 to 5,992 million u.a. in 1970, and to 6,528 million u.a. in 1971, amounting to a 9% increase between 1970 and 1971, and to 26% since 1969.

Imports from the industrialised countries showed a marked growth, rising from 2,715 million u.a. in 1969 to 3,268 million u.a. in 1970, and 3,704 million u.a. in 1971, or an increase of 13% between 1970 and 1971, and 36% since 1969.

(1) See tables C/1.1 to C/3.1 in Annex, part 1.

(2) Regulated products are : pigmeat, cereals, fresh fruit and vegetables, eggs, poultry, wine, rice, dairy products, beef, fats and oils, sugar, fish, tobacco, flax, hemp and hops.

Imports from the U.S.A. rose from 1,254 million u. a. in 1969, to 1,583 million u. a. in 1970 (+26%) to 1,766 million u. a. in 1971 (+12%), while for imports from E. F. T. A. the increase was smaller (648 million u. a. in 1971, compared with 629 million u. a. in 1970, or +3.0%).

Imports from developing countries rose but slightly. They climbed from 2,147 million u. a. in 1970 to 2,180 million u. a. in 1971, an increase of 1.5%.

Imports from East Bloc countries also showed a rise. These increased from 572 million u. a. in 1970 to 640 million u. a. in 1971, a rise of 12%. This increase was occasioned mainly by the pigmeat sector (+20%), eggs (+43%), poultry (+18%), cattle (+15%), fats and oils (+18%).

Imports of "non-regulated" agricultural products (1)

In absolute value, 1971 imports of non-regulated agricultural products totalled 6,399 million u. a. Compared with 1970, this constituted a drop of 0.4%. This was in fact the first decrease since 1967, when imports came to 5,261 million u. a.

b) Exports

Overall exports of agricultural and food products

Exports of agricultural and food products to third countries have continued to grow throughout the past four years. In 1971 this growth was especially marked, coming to a real value of 4,134 million u. a. against

(1) See page 39 footnote (2)

3,684 million u.a. in 1970, an increase of 12%. This growth stemmed mainly from developments in imports of food products, which rose from 2,493 million u.a. in 1970 to 2,815 million u.a. in 1971, an increase of 13% and in drinks and tobacco (+ 15%) and fats and oils (+ 50%).

In 1971, exports to the acceding countries amounted to a significant proportion (19.5%) of all exports of agricultural and food products to third countries. This proportion in fact compares with 14.0% for "all products".

Exports of "regulated" agricultural products

Overall, exports of regulated products increased steadily. These rose from 1,993 million u.a. in 1969 to 2,395 million u.a. in 1970, and 2,774 million u.a. in 1971, a growth of 16%.

Since 1969, exports to East Bloc countries have increased greatly (117 million u.a. in 1969, 230 million u.a. in 1970 - i.e. + 97% - and 249 million u.a. in 1971 - + 8%). In 1971, the growth in exports of regulated foodstuffs affected also the U.S.A. (+ 4%), the E.F.T.A. countries (+ 15%) and the developing countries (+ 22%). This growth was due mainly to exports of fruit and vegetables (+ 31%), eggs (+ 57%), poultry (+ 45%), milk (+ 38%), fats and oils (+ 73%) and sugar (+ 58%).

Exports of "non-regulated" agricultural products

Exports of non-regulated agricultural products rose from 1,289 million u.a. in 1970 to 1,360 million u.a. in 1971, an increase of 5.5%. For the industrialised countries, the rise was from 959 million u.a. in 1970 to 1,012 million u.a. in 1971, also an increase of 5.5% (E.F.T.A. 541 million u.a. in 1970 and 573 million u.a. in 1971, or + 6%; U.S.A. 199 million u.a. in 1970 and 203 million u.a. in 1971, or + 2%).

With developing countries, exports of non-regulated products developed favourably (from 230 million u.a. in 1969 to 268 million u.a. in 1971, or + 8%).

There was however a regressive trend when it came to East Bloc countries (58 million u.a. in 1970 and 55 million u.a. in 1971, or a drop of some 3.5%).

2. Intra-Community trade

In 1971, the value of intra-Community trade continued to increase, both for regulated products (21.7%) and for non-regulated products (15.0%).

With regulated products, the development of trade affected all sectors except flax, (-16.9%) in particular wine (+47.9%), rice (+35.1%) fats and oils (+38.2%) and hemp (+33%). West Germany (+22.5%) and Italy (+33.6%) were the countries that contributed most markedly to the growth in purchases from other Member States.

In 1970, intra-Community receipts for all agricultural products covered about half (52%) the amount of equivalent extra-Community imports. In 1971, this proportion rose to 60%.

The development of receipts by each Member State in relation to the overall quantity of products purchased inside the Community was as follows: for agricultural products taken as a whole:

	1970	1971
B. L. E. U.	14.8%	14.1%
France	15.0%	14.5%
Germany	41.1%	41.8%
Italy	17.7%	19.3%
Netherlands	11.4%	10.4%
E. E. C.	100.0%	100.0%

3. Degree of self-sufficiency (1)

The self-sufficiency ratio is a statistical device enabling us to

express the degree to which a country's domestic needs in one or more products are covered by production of this or these products by the country in question. The main agricultural products may be classified at E. E. C. level according to degree of self-sufficiency (2):

(1) See table C/3.1 in Annex, part 1.

(2) Except where specifically stated, the figures in brackets relate solely to the year 1970/71; for further details, see table C/3.1

- products for which the E.E.C. was a net exporter in 1968/69, 1969/70 and 1970/71: soft wheat (102%), sugar (106%, excluding overseas departments), butter (104%), cheese (102%), powdered milk (148%) and condensed milk (154%).
- products for which the E.E.C. was more or less self-sufficient in 1968/69, 1969/70 and 1970/71: fresh vegetables, pigmeat, poultry meat, eggs, whole milk, skim milk;
- products for which the self-sufficiency ratio of the E.E.C. is subject to variations around 100% due to economic circumstances: rye (104% in 1968/69 and 94% in 1970/71), barley (91% in 1970/71 and 107% in 1968/69), rice (91% in 1968/69 and 134% in 1970/71, excluding brokens), wine (95% in 1968/69 and 104% in 1970/71);
- products for which the E.E.C. was a net importer in 1968/69, 1969/70 and 1970/71: durum wheat (75%), oats (88%), maize (65%), "other cereals" (1) (15%), fresh fruit (88%), citrus (52%), fish (89% in 1969/70) vegetable fats and oils (40% in 1969/70), slaughter fats (81% in 1969/70), fats and oils of marine origin (7% in 1969/70), and beef (88%).

(1) Chiefly millet and sorghum

D. THE AGRICULTURAL MARKETS FOR VARIOUS PRODUCTS

1. Season 1970/71

1. Cereals (1)

Supply situation

The final harvest returns for 1970 are little different from the provisional data contained in the last agricultural situation report. The cereals harvest, recorded as 67.3 million tonnes, was one of the four largest harvests of the past twenty years.

During the 1970/71 season, cereals consumption increased in the Community, to reach approximately 77.8 million tonnes. Human consumption scarcely exceeded the previous year's level, confirming that the decrease in per capita consumption which set in some years ago has continued. On the other hand, use of cereals in animal feeds went on increasing, as the result of the rising output of fat pigs, eggs and poultry. At a consumption level of 16.5 million tonnes, maize remained the preferred forage cereal crop. The amount of wheat used for animal feeding was 8 million tonnes, some half of which was used in denatured form. Thus once again denaturing appeared to be a necessary device for disposing of surpluses.

Over 80% of the marketed wheat fed to animals was denatured.

Trade

Despite the fact of a smaller crop and lower carry over stocks, the

volume of intra-Community trade was nevertheless maintained in 1970/71 at the same level as in the previous season. Over 75% of the transactions made were deliveries of French cereals, which thus more than doubled compared with the average for the years 1965/66 and 1966/67. Only the Northern countries of the Community participated in this trade for in Italy, as the result of inadequate regionalization of cereal prices, and the reduction in the levy on feed grains authorised for this member country, there was a marked for preference products from third countries.

On the other hand, exports to third countries fell far below the record level of the previous year. In wheat, the Community was scarcely

(1) See tables D/1.1 to D/1.13 in Annex, part 1

represented at all on commercial export markets. In all, 50% of the total quantity of wheat exported took the form of deliveries made as food aid, while the remainder was largely exported to traditional African markets. But exports of wheat flour (1.5 million tonnes) remained at the level of the previous year.

The high level of demand for feed grains had the effect of pushing imports from third countries up to a record level during the 1970/71 season. The import surplus was 15.8 million tonnes, compared with 5.6 million tonnes during the 1969/70 season. The increase was most pronounced in West Germany, where imports almost doubled in quantity against the previous year. This increase was boosted by major purchases of quality wheat from abroad for the Federal reserve stocks.

World Market situation

During the season 1970/71, the world wheat market was almost in equilibrium. This stemmed from the fact that harvests fell in consequence of reductions in the area under cultivation in the major exporting countries, and from increased demand for wheat for animal feed, offsetting the smaller offers of American maize (down 12.3 million tonnes).

As yet incomplete data seem to indicate that the volume of wheat trade came to 55 or 56 million tonnes, amounting to an increase of some 4 million tonnes over the season ^{1969/70}. This growth in the world market redounded solely to the United States, Canada and Australia, which were able to boost their exports to the largest commercial markets of West Europe, and to Japan and the developing countries. This made for firm world market prices, well above the previous year's levels, while the wheat stocks of the exporting countries were very much reduced.

In consequence of the increased needs of East and West European countries, as well as Japan, world trade in feed grains in 1970/71 attained the record volume of 44 million tonnes, exceeding the previous year's level by 5.4 million tonnes, and necessitating

increased recourse both to stocks and to feed wheat. With imports in excess of 15 million tonnes, the Community emerged as a major purchaser. Such a pattern led inevitably to strong upward pressure on world market prices.

Prices

Cereals prices fixed in the Community for the season 1969/70 remained unchanged during the 1970/71 season.

With a smaller crop and increased demand, market prices in all Member States and for all cereals moved well above intervention prices. In West Germany however prices were lower than in the previous two seasons, by reason of lowered intervention prices following the revaluation of the DM in 1969.

Producer prices, except in the case of bread grains in West Germany, were all higher than the previous year.

II. Outlook for the 1971/72 and 1972/73 seasons

The 1971 cereals crop has once again raised the problem of Community surpluses. With a total of 76.7 million tonnes, production was 9% in excess of the previous record of 1969. This resulted almost entirely from the improvement in yield per hectare in all Member States and for all cereals. In coming years, because of improved cultural techniques and increased recourse to the most productive varieties, we must expect further improvements in unit yields. Peaks recorded in some areas indicate that we have yet to reach the ultimate in yields, but at the same time improvement in quality does not invariably follow quantitative increases.

Soft wheat production showed the largest increase (+ 4 million tonnes), which meant that, despite the 2% increase in intervention price, market prices nonetheless in the first 8 months of the 1971/72 season settled below the previous year's level in most Member States, and also failed to realise hopes that producers' returns would improve. Rising prices on the French wheat market could be ascribed exclusively to the effects of the devaluation, and the expressing of intervention prices in French francs,

so that, after August 1, 1971, these were fully adjusted to common price levels and, leading, in the case of wheat, to a supplementary rise of over 9%.

With barley, the 1971/72 season began with very low market prices, at times lower than the intervention price. Although production increased by

over 2 million tonnes compared with the previous year, demand remained very weak during the harvest. Moreover, the unfavourable price situation for barley compared with maize and the deterioration in its competitive position as a result, both had deleterious effects. The fact that by mid-September 1971 market prices had firmed up, subsequently to move well above intervention price, stemmed solely from heavy demand in a number of third countries, making for an unexpected stabilization of the barley market. Not only maize, but also surplus soft wheat benefited from this turn of events, to the extent that a denaturing volume of 3.6 million tons seems likely once again.

The size of the cereals crop compelled the intervention authorities to stock a quantity of cereals which by April 1972 was well in excess of the tonnage of the entire 1969/70 season. As far as barley was concerned, there was a particularly large proportion of winter barley, the minimal required quality of which always provides a strong motive for intervention. Up to the present, the quantities subjected to intervention amount to almost 13% of the entire crop. Again, it was borne out once more that scope for intervention on this cereal right from the first month of the season makes for a very quiescent storage and marketing situation; almost all purchases of winter barley by the intervention organisms must have taken place during the first two months. As regards rye, the major intervention previously occurring continued. The increase for breadmaking rye, envisaged in Community regulations, had to be implemented to the amount of 113,000 tons (previous year: 39,000 tonnes). The main causes behind this persistence of the problem were the unfavourable price differential as between rye and forage crops, and a

regionalization of intervention prices which does not take proper account of the market situation.

By virtue of healthy export demand, some 650,000 tons of intervention barley were in fact marketed. 340,000 tons of wheat were sold, most of which was delivered as food aid. It was only possible to sell 80,000 tons of breadmaking rye on the German market, however, by granting a transport subsidy.

Intervention stocks as held at April 11th, 1972 by the intervention authorities totalled 1.98 million tonnes of cereals, compared with 1.24 million tonnes in April 1971.

In the 1971/72 season, we may expect considerable progress in intra-Community trade. At the end of February, quantities delivered came to a total of 5.6 million tonnes, compared with 3.6 million tonnes during the same period of the previous year. For the first time since a common market organization came into force, sizeable quantities of soft wheat could be sold by France to Italy, where market prices settled at just about threshold price level.

The highest rate of growth was recorded for deliveries of French maize which, at the end of February, totalled almost 2 million tonnes, or slightly more than the 1970/71 total. Reasons for this should be sought not only in offers at prices more keen than those for third country products, or in the strong growth of production in the Northern Loire area, but also structural improvements in the export trade in the productive regions of Northern France.

As the main effort in maize marketing effort shifted more towards the Community market, exports to third countries fell; they totalled only about 209,000 tonnes in February. On the other hand, exports to third countries of soft wheat and barley, having fallen back during the 1970/71 season to a considerable extent, now moved upwards again. All in all, the current season should see exports of soft wheat (including food aid) reach 5 million tonnes, and those of barley perhaps 3 million tonnes. This estimate takes account of the fact that, under the trade agreement concluded on February 4th., 1972 with the United States, the Community

undertook to increase its normal carryover stocks of 2.4 million tonnes by 1.5 million tonnes of wheat, and to operate the restitution system until the end of the season, so as to obviate any alteration of trading flows in its favour.

The heavy yield of the Community's own harvest, the declining need for feed grains and increases in imports of substitute products all occasioned a fall in imports from third countries compared with 1970/71. In

February 1972, these totalled some 9.7 million tonnes (12.7 million the previous year), and were still 1 million tonnes or more higher than the level during the equivalent period of the 1969/70 season. Importers were undoubtedly more cautious because of the import tax, linked with monetary problems, and by the reduction to 30 days of the validity period for import licences, although these factors had no really decisive effect on the overall result.

At the outset, forecasts for world market movements in cereals in 1971/72 were very unpromising. However, increases in areas under cultivation (United States, Canada), increases in yields per hectare (West Europe), and the widening use of high-yield strains (Near East and Far East) combined in the wheat sector to achieve a record level estimated provisionally as some 340 million tonnes.

In the major exporting countries, production of feed grains also far exceeded the results of the previous year, but especially in the case of the record maize crop (141 million tonnes) obtained in the United States, which was the dominant factor here.

Again, the favourable trend shown in supply was occasioned largely by the heavy purchases of cereals by the U.S.S.R. from Canada (3.5 million tonnes of wheat) and from the United States (2.03 million tonnes of maize, 0.6 million tonnes of barley, and 0.3 million tonnes of oats), and the sale of 3.2 million tonnes of wheat by Canada to China.

In spite of these major sales, the world cereals trade failed to equal the previous year's high levels in 1971/72, to the extent that a further increase in carryover stocks may be expected.

According to the as yet incomplete information at hand, all Member States of the Community in 1972 except Italy showed an increase in cultivation of winter cereals, due to an overall increase of 19% in the area under winter barley.

On the whole, winter sowings were deemed very good.

Spring seedings were held up by excessive humidity in France and Italy, but were made very early in Germany and the Benelux countries under favourable climatic conditions. In Germany, the area under spring cereals was probably larger than the previous year. In France, a diminution is expected for spring barley, but an increase for maize.

2. Rice (1)

1. Season 1970/71

Supply situation

In spite of a modest increase (of about 1%) in areas sown (194,000 ha), production (at 728,000 tonnes of husked rice) was lower than in the previous season, as the result of unfavourable climatic conditions (table 1/2/1).

The supply rate (134%) was lower than that for the 1969/70 season (149%), but nevertheless remained at a high level (table 1/2/6).

Consumption per capita, noticeably in decline between 1968/69 and 1969/70 (from 2.2 kg to 1.7 kg) now stands at 1.6 kg. This drop can be ascribed in the main to growing consumer preference for protein over starch.

Trade (2)

Imports into the Community, having fallen in 1969/70 (227,000 tonnes), rose slightly in 1970/71 to reach 239,000 tonnes.

At the same time exports fell appreciably from 492,000 tonnes in 1969/70, to 365,000 tonnes in 1970/71.

Intra-Community trade showed some improvement (at 105,000 tonnes compared with 90,000 tonnes the previous season), most of this being in the form of round-grain rice.

World market situation

The world market situation continued to deteriorate in 1970/71. Supply was abundant, and an increase in the volume of world trade could only be achieved at the expense of steadily falling prices. Hence the value of rice on established E.E.C. export markets came to only about 40% of the normal price in the E.E.C.

(1) See tables D/2.1 to D/2.6 in Annex, part 1.

(2) Above comments are based on provisional data only.

Such exports as had to be made could only be effected by applying restitutions calculated to deal with the fairly slack supply situation with competitors. There were several instances in which the level of supply was such that too high a rate of restitution might have negated the economic advantages of the exercise. When these circumstances arose, no restitution was fixed.

Prices

On average throughout the 1970/71 season, except at the very beginning and the end, prices on the home market settled at intervention price.

Deliveries into intervention reached a maximum equivalent to 6% of the crop, and intervention stocks were cut by the end of the season, following withdrawals for sale, to 1.5% of the crop.

World market prices settled at a level some 12% lower than that of the 1969/70 season, which itself was quite low.

II. Outlook for the 1971/72 season

Areas sown in the spring of 1971 were slightly larger (about 196,000 ha), and production (778,000 tonnes) on the basis of provisional figures, appears to have been higher than that of the 1970 harvest (727,000 tonnes), albeit remaining lower than in 1969 (766,000 tonnes).

Bearing in mind technical limitations in cultivation, these figures seem unlikely to vary greatly during the coming seasons, unless production is widened to cover marginally cultivable areas.

Intra-Community trade is unlikely to undergo major changes, and should settle at quantities between 105,000 tonnes and 115,000 tonnes.

Imports from third countries may decline by a few thousand tonnes, as Community long rice looks like being able to satisfy the tastes of the Northern states of the E.E.C. This means that the total quantity imported in 1971/72 should come to around 230,000 tonnes, as against 239,000 tonnes in 1970/71.

Exports will probably settle at a slightly lower level than that of the 1970/71 season, as a result of some slight rise in intra-Community trade resulting from improvements to Community regulations as from September 1st, 1971.

Market prices have settled at a satisfactory level, having at times attained 5-6% above intervention price.

Intervention deliveries should be smaller in quantity than those of the 1970/71 season. In April 1972 no rice was subject to intervention.

Special measures adopted

Community regulations in the season 1971/72 were subjected to some decisive innovatory modifications.

The most important of these included the widening of the margin between intervention price and the theoretical indicator price at point of production; the revision of processing costs; the revision of corrective amounts both at intervention and for imports; the establishment of four threshold prices, two for husked rice, both round and long, and two for polished rice, both round and long.

The basic objective was to improve the fluidity of trade within the Community, and to revise price relationships as between the various grades of rice inside the Community and on the world market, in order to take account of trends emerging since 1967/68.

As from the 1971/72 season, it was agreed to include rice within the food aid programme. One operation (43,000 tonnes of round husked rice) has already been carried out in favour of Bengali refugees.

3. Sugar (1)

1. Season 1970/71

Supply situation

At Community level, areas under beet have remained on the whole constant during recent years. In terms of Member States, increased areas of cultivation in France were offset by a reduction in areas in Italy. Compared with averages for recent years, yields per hectare continued to rise. In the French overseas departments, unfavourable climatic conditions made for reduced yields and lower output of cane sugar.

Since the common market organization for sugar came into effect, basic quotas have totalled 6,480,000 tonnes. With the exception of Italy and the French overseas departments, basic quotas have generally always been met in the Community. Moreover, production between the basic quota and the maximum quota, and hence qualifying for production levies was considerable (some 700,000 tonnes in 1970/71). In 1970/71 production in excess of the maximum quota came to 107,000 tonnes in the Netherlands, and 18,000 tonnes in France, this having to be marketed outside the Community at the expense of these countries. Total output in the season 1970/71 came to 7,055,000 tonnes (compared with 7,434,000 tonnes in 1969/70).

Consumption of sugar for human purposes has increased steadily in recent years throughout the Community, and is now very close to the sum of the basic quotas already mentioned. We can moreover expect some increase in

consumption in Italy, where per capita consumption is still somewhat low. Consumption of sugar for animal feeding use is becoming increasingly confined to agriculture. As far as the chemicals industry is concerned, consumption now totals some 60,000 tonnes per annum or so. The Community's self-sufficiency ratio has stood at between 113 and 122% since 1968/69.

(1) See tables D/3.1 to D/3.7 in Annex, part 1.

Trade

Intra-Community trade continued to expand. Imports into Germany of refined sugar from third countries were confined almost exclusively to purchases from the G.D.R. There was a very marked rise in deliveries by Member States to Italy. The main refined sugar exporting countries were France and Belgium.

World market situation

The world market situation grew steadily more balanced during the 1970/71 sugar season. Prices showed a definite rise compared with previous years. The world sugar situation for 1970/71 was marked by production at a level below expected demand. In connection with this, stocks at the end of season scarcely covered 25% of anticipated demand, this percentage frequently being adduced as an indicator of the balance between supply and demand. Available estimates as to the world market situation in 1971/72 suggest that there will be net demand surplus. The theoretical prospect of disequilibrium seems overall to be borne out by price trends to date.

Prices

Prices fixed under the common market organization for sugar remained unchanged up to the end of the 1970/71 season. In the Northern part of the Community, beet farmers received 17 units of account a tonne for what was produced within the basic quota. In the amount produced between basic and maximum quota, both beet farmers and sugar manufacturers had at first to bear the maximum amount of the levy. Disposal of surpluses on the world market then developed well, and it was later possible to set the level of the levy somewhat lower. The difference was reimbursed to those concerned in conformity with Community rules. Ex-factory sugar prices remained for the first part at intervention price level in the main surplus areas. Prices in other areas were at times higher. France was the only country to experience sales to the intervention authorities.

II. Outlook for 1971/72

Areas under sugar beet cultivation in the spring of 1971 increased moderately in France. As the result of record unit yields, production in 1971/72 totalled almost 8.1 million tonnes (as against 7.05 million tonnes in 1970/71), some 1.3 million tons of which came within the portion of production falling between the basic quota and the maximum quota, with another 620,000 tonnes in excess of the maximum quota. Since during the current season world market prices have continued to follow a firm upward trend, it can be expected that the financial cost of disposing of the sugar accruing within the maximum quotas on the world market will be lower than during the previous season. Some of the levies already raised from producers could thus very well be reimbursed to those concerned: for the first time since the common market organization came into effect, Community resources set aside for the disposal of sugar surpluses will probably be fully accounted for by the industry.

At the start of the 1971/72 season, sugar prices set under the common market organization were improved, but not those of sugar beet. Taking account of an increase in standard quality and a lower base price for molasses, the real increase in the intervention price was 0.76 u. a. per 100 kg of white sugar. Sugar prices on the Community market remained at intervention price level in the main surplus areas. In consequence of the world market situation, it was on occasion possible to fetch good prices for the quantities produced in

excess of the maximum quota. Consumption of sugar for human foods continued to increase.

Initial estimates of areas under sugar beet cultivation in 1972 show slight increases in all Member States. The most marked rises appear for the Benelux countries (5 to 8%), followed by France (5%).

4. Olive oil (1)

1. Season 1970/1971

Supply situation

As indicated in the 1971 agricultural situation report for the E.E.C., the Commission decided to contend with the difficulties encountered in establishing an overall balance sheet for olive oil by intensifying its study of the problem. The conclusions reached in the course of this study are dealt with in a separate report.

Production

Requests for aid in favour of pressed and solvent-recovered oil covered:

- 460,000 tonnes approximately in Italy;
- 450 tonnes approximately in France.

By way of information, it may be pointed out that the provisional account drawn up by the International Oil Council shows that production of these oils during the season in question amounted to some 428,000 tonnes in Italy and 600 tonnes in France.

Trade

Imports from third countries came to some 202,000 tonnes; this figure exceeds by some 50,000 tonnes the record import level recorded in the previous season. The average level of imports during the past four seasons has been around 100,000 tonnes.

Such a major increase in quantities of imported oil is due in particular to rising Italian imports (173,000 tonnes compared with 133,000 in the previous season) and French imports (25,000 tonnes as against 18,000 tonnes in the previous season).

Spain was the main supplier.

Intra-Community trade, fairly weak in the past three seasons, found new

vigour, showing a net increase in volume, although still relatively unimportant (8,000 tonnes compared with 4,000 tonnes in the previous season). Exports of olive oil to third countries came to some 16,000 tonnes.

(1) See tables D/4.1 to D/4.8 in Annex, part 1.

Consumption

Increased consumption, reported by those in the industry in Italy for the 1969/70 season, appears to have continued during the 1970/71 season, chiefly by virtue of the favourable position enjoyed by olive oil in terms of its price relationship to oilseeds.

Steady growth in consumption can be discerned in recent years in France, Germany and the Netherlands, although consumption of this product in the Netherlands and Germany remains of little account.

Carry-over stocks

Price trends on the Italian market, especially during the initial months of the 1971/72 season, and in spite of the size of the crop reported, seem to indicate that stocks in Italy at the end of the 1970/71 season should be just about of the requisite size to cope with consumption needs during the bridging period between two seasons. For France, carry-over stocks are of very moderate size.

Price trends

Prices for the various grades of olive oil tended to grow firmer and as during the 1969/70 season, for some qualities and for some months of the season especially, prices were seen to move above the market indicator price for the grades in question.

This was especially true for "type" quality, production not having been large, which enjoyed very high, occasionally nominal quotations.

Conversely, with abundant quantities produced, the market for highly refined "lamp" grades was very active. During the season, average current prices for this were around the market indicator price calculated for the same.

On the world market, prices for the various grades of olive oil remained consistently high, and occasionally even topped the threshold price.

II.1971/72 season

Supply situation

Community market

Information so far available consists of:

- a) production estimate drawn up by the International Oil Council giving about 460,000 tonnes in Italy and 3,000 tonnes in France;
- b) applications for import licences which by February 1972 amounte^d to about 40,000 tonnes (of which Italy 24,000 tonnes and France 14,000);
- c) applications for export licences which by February 1972 amounted to about 5,000 tonnes (of which Italy 3,200 tonnes and France 1,300 tonnes).

World market

As far as the distribution of available supplies of olive oil is concerned, Spain which is normally the principal exporting country, is practically out of the market due to the poor level of production. On the other hand, Tunisia, which had a very good harvest, is in a position to offer considerable quantities of oil (to the order of 100 - 120,000 tonnes) on the world market. Morocco is also on the market but for very much smaller quantities than those offered by Tunisia.

Price trends

As a result of the poor level of supplies prices on the world market have increased considerably, especially from the beginning of 1972. Prices are still very high at present (April 1972). Similar trends are evident on the Community market.

In fact, prices for the different oils on the Italian producer market have been at a high level right from the start of the oil season. At present (April 1972) prices for all qualities exceed the calculated target price for the respective qualities at this point in the season - in some cases the difference is quite considerable. It should also be remembered that the Council of Ministers increased the common prices applicable for the current season by an even amount of 3.5UA/100 kg

Taking into account the above it is to be expected that oil prices will remain at a high level on both the world and Community markets during the season.

5. Oilseeds (1)

I.1970/1971 season

Supply situation

Production

Information regarding production was given in the preceding report.

All production was marketed before the end of the season. The only quantity offered for purchase by the intervention authorities was 700 tonnes of rapeseed in Germany.

Consumption

Available supplies of rapeseed oil in 1970/71 amounted to 362,000 tonnes against 293,000 tonnes in 1969/70 and 323,000 tonnes in 1968/69. Most of this oil resulted from EEC crushings, with imported oil representing only a negligible quantity. There was a considerable increase in Community production of rapeseed oil from 285,000 tonnes in 1969/70 to 444,000 tonnes in 1970/71.

In spite of the increase in crushings of rapeseed of Community origin crushings of imported seed increased even more sharply. This latter quantity rose from 109,000 tonnes of seed in 1969/70 to 455,000 tonnes in 1970/71 so that imported seed represented 40 per cent of total rapeseed crushed in the Community.

Available supplies of sunflower seed oil fell from 340,000 tonnes in 1969/70 to 290,000 tonnes in 1970/71, the same level as in both 1967/68 and 1968/69. The Community is still mainly dependent on imports which consist of seeds as well as oil. Imports of seed, however, declined from 258,000 tonnes in 1969/70 to 172,000 tonnes in 1970/71.

(1) See tables D/5.1 to D/5.7 in the appendix, Part 1.

Trade

Intra-Community trade

Intra-Community trade in rapeseed continued to increase in 1970/71, reaching 234,401 tonnes compared with 195,013 tonnes during the preceding season. This increase is due almost entirely to Italy whose purchases rose from 143,989 tonnes in 1969/70 to 214,302 tonnes in 1970/71.

Trade with third countries

Community imports of rapeseed increased considerably during the 1970/71 season, to 445,801 tonnes against 109,316 tonnes in 1969/70 and 209,472 tonnes in 1968/69. In contrast sunflower seed imports fell to 174,442 tonnes in 1970/71 compared with 282,291 tonnes in 1968/69 and 259,000 tonnes in 1969/70.

Prices

Information on prices was given in the preceding report.

II. 1971/72 season

Supply situation

Production of rapeseed and turnip rapeseed in 1971 reached a level of 889,200 tonnes against 806,000 tonnes in 1970 and 438,800 tonnes in 1966, the last year before the introduction of a common marketing regulation. The upward trend in production, noted since 1966, thus continued in 1971. However, this increase was not due as in earlier years to an expansion in area but to higher yields.

Rapeseed yields in 1971 were in fact the highest since 1967. Since a slight decrease in the French rapeseed area was only partially compensated by an expansion in Germany this meant a slight reduction in the total Community rapeseed area.

Production of sunflowerseed in 1971 (88,700 tonnes) was appreciably higher than in 1970 (56,800 tonnes) and 1969 (34,500 tonnes). Marketing of crops has proceeded normally for both rapeseed and sunflowerseed. Up to mid-May no seeds had been offered for intervention.

Consumption

The general tendencies noted in 1970/71 continued in the first half of the 1971/72 season. A comparison with the corresponding period of the preceding season shows a marked increase in available quantities of rapeseed oil from 200,000 to 286,000 tonnes. For sunflowerseed oil a comparison with the preceding season shows a decrease in both available supplies of oil as well as seed imports.

Trade

Intra-Community trade

During the first half of the 1971/72 season intra-Community trade in rapeseed amounted to 136,181 tonnes against 94,487 tonnes during the same period of the 1970/71 season. This increase is entirely due to Italy whose imports increased from 82,899 to 125,651 tonnes.

Trade with third countries

The upward tendency in imports of rapeseed from third countries, noted during the 1970/71 season, continued during the first half of the 1971/72 season. Compared with the same period of the 1970/71 season these imports almost doubled, rising from 123,000 to 239,000 tonnes.

On the other hand imports of sunflowerseed fell; during the first half of the 1971/72 season they amounted to 59,000 tonnes against 117,000 tonnes during the corresponding period of the 1970/71 season.

Situation on the world market

The situation on the world rapeseed market in 1971/72 was marked by the significant increase (+ 35 per cent) in the Canadian crop from 1,600,000 tonnes in 1970 to 2,200,000 tonnes in 1971, which strengthened Canada's position as the world's leading exporter of rapeseed. World production during these two years rose from 7,000,000 to 7,800,000 tonnes. It should, however, be remembered that the development of world rapeseed prices is also influenced by the production and available supplies of other oilseeds.

Prices

Prices of Community seed

Prices in France, the principal rapeseed producer, at the beginning of the 1971/72 season were between 0.70 and 1.30 UA above the intervention price. Prices fell during September and October 1971 but subsequently recovered and settled between 0.40 and 1.00 UA above the intervention price.

Prices of imported seed

During the 1971/72 season world prices cif Rotterdam for rapeseed were relatively low compared with the 1970/71 season. Prices began the season at 14 dollars/100 kg. They then fell to 12 dollars/100 kg during the second half of September. In subsequent months prices fluctuated between 12 and 13 dollars/100 kg to reach a low of 11.25 dollars at the beginning of January 1972. Prices subsequently increased steadily to 13.5 dollars in the course of the second half of April 1972.

III Outlook for the 1972/73 season

The French rape area in 1972 is estimated at 310,500 ha against the final figure for 1971 of 316,500 ha. A slight decrease from 94,700 ha in 1971 to 92,000 ha is also forecast in Germany.

In view of the slight reduction in area in these two countries who supply more than 95 per cent of Community production of rapeseed, and considering it is most unlikely that 1972 yields will equal the high level attained in 1971 Community production of rapeseed in 1972/73 is expected to fall below that this season.

Canadian rapeseed growers' planting intentions published on March 15, 1972 reveal a sharp reduction. The sown area for rapeseed in 1972 could be 37 per cent less than that harvested in 1971.

Cotton seed (1971/1972 season)

The decline in the cotton area noted for some years in Italy, the sole producing country of the Community, was halted in 1971 with the area reaching 5,200 hectares compared with 4,800 in 1970. This trend can probably be mostly attributed to the grant of subsidies as from the 1971/72 season.

6. Flax and hemp, silkworms (1)

A. Flax and hemp

I 1970/71 season

Supply situation - Production

Information relating to production was given in the preceding report.

Trade

Trade in straw flax is limited to imports by Belgium from France and the Netherlands. During the 1970/71 season these imports amounted to 51,700 tonnes against 81,900 tonnes in 1969/70.

There is no trade in hemp straw since it is processed in the production regions.

Exports of flax fibres to third countries showed a marked decrease in the 1970/71 season: they fell to 39,600 tonnes against 50,800 tonnes in 1969/70. Hemp exports reached 2,000 tonnes against 1,200 tonnes in 1969/70.

On the other hand, imports from third countries of both flax and hemp fibres increased sharply. Respective figures were 29,500 tonnes and 18,400 tonnes against 17,400 tonnes and 11,200 tonnes in the preceding season.

Prices

In accordance with the provisions laid down therein member states applying EEC regulation No 1523/71 regularly transmit quotations for flax fibres.

However, since these data are only available from September 1971 the movement of prices can be followed only from that date.

(1) See tables D/6.1 to D/6.7 in the appendix, part 1

II 1971/72 season

Supply situation - Production

Sowings of textile flax in the Community had fallen to 51, 600 hectares in 1970 but in 1971 they rose again to 63, 900 hectares, thus almost equalling the area in 1969 and 1968.

On the basis of yields obtained by the SOEC the production of fibres would be 47, 800 tonnes in 1971 against 46, 900 tonnes in 1970. However, the average yield quoted to 750 kg of fibres per hectare is clearly underestimated.

On the basis of estimated yields advised by Member States in accordance with Community regulations the Community flax harvest in 1971 yielded 116, 600 tonnes of fibres representing an average yield of 1, 775 kg

In 1970 the professional organisations had put the average fibre yield at 1, 100 kg, which gave a fibre production of 56, 500 tonnes.

According to information provided by Member States 2, 385 hectares of flax for linseed oil production were planted in 1971 with a yield of 1 385 kg per hectare, which gives a seed production of 3, 300 tonnes.

Since the production of linseed from textile flax can be estimated, according to data provided by Member States, at 39, 400 tonnes, Community production of linseed in 1971 can be put at 42, 700 tonnes.

There was a further decline for textile hemp. According to information provided by the French authorities the area of paper hemp in that country reached 4, 350 hectares in 1971.

Trade

No statistical data regarding trade during the 1971/72 season are available.

Prices

Since the autumn of 1971 rising quotations have been noted for all types of fibres. This is due to the fact that on the one hand the insufficient supply of fibres from the 1970 meant the absorption of fibre stocks and on the other demand was sufficient to absorb fibres from the 1971 harvest as and when they became available on the market.

No quotations for hemp fibres are available.

Prices for linseed which had fallen to a very low level recovered following an improvement in the situation for this product on the world market.

III Estimates for the 1972/73 season

Estimates made by the professional organisations on sowings for 1972 are as follows:

- textile flax: 57,000 hectares
- linseed oil: 500 to 600 hectares
- textile hemp: 600 to 700 hectares
- paper hemp: 4,300 hectares

Regarding textile flax the following data should be noted: (the following estimates replace those given in the last report).

Initial stocks: 62,400 tonnes

Assuming a stabilisation in demand this should reach 117,500 tonnes

Estimated intake is 99,800 tonnes of which 20,000 tonnes from third countries and 79,800 tonnes (57,000 ha at 1,400 kg/ha) from the Community's 1972 harvest.

Consequently a rise of 17,700 tonnes is indicated in stocks, giving final stocks of 44,700 tonnes.

IV Estimates for the 1972/73 season (1)

Initial stocks: 44,700 tonnes.

Assuming a stabilisation in both requirements (117,500 tonnes) and in imports (20,000 tonnes) the necessary intake of fibres from the 1973 should reach 97,500 tonnes.

Regarding hemp it should be noted that contrary to the situation for paper hemp considerable difficulties are being met in maintaining the production of textile hemp.

- (1) In accordance with the provisions of article 4, paragraph 2 of (EEC) regulation No 1308/70

Silkworms

The raising of silkworms in the Community is virtually limited to Italy.

The decline in this sector which has been evident now for some years continued in 1971. During that year about 21 000 boxes of silkworm eggs were set in Italy, which yielded 750 tonnes of cocoons.

7. Milk and dairy products (1)

1. 1971/72 season

Supply situation

Milk production

The trend observed in the course of the two preceding years continued in 1971. Both the number of dairy cows and the production of milk again fell slightly. During the early months of the year deliveries to the dairies stayed at practically the same level as during the preceding year but recovered sharply during the second half, particularly towards the end of the year, so that the final figure for 1971 is expected to be higher.

In 1971 milk production which was of the order of 73 million tonnes exceeded consumption by some 4 million tonnes, sales of milk and dairy products at market prices within the Community accounting for only about 69 million tonnes. About 3.5 million tonnes of milk were exported to third countries in the form of various dairy products and some 0.5 million tonnes supplied in the form of "butter oil" and skimmed milk powder under the world food aid programme.

Butter

The downward trend in butter production continued in 1971. Since 1968 - the year when it reached its highest level to date - Community production has fallen by about 50 000 tonnes per annum. Consumption, however, declined even more sharply during the reference period so that production again exceeded consumption at market prices to the tune of about 170 000 tonnes.

(1) see tables D/7.1 to D/7.9 in the appendix, part 1.

In spite of the magnitude of this excess of production stocks again fell slightly for exports almost reached the high level of the previous year (180 000 tonnes).

The situation on the world market completely changed in 1971. Butter prices rose from 50-55 UA per 100 kg to about 120 UA per 100 kg towards the end of the year. The production of butter fell too in certain major exporting countries outside the Community, and several state trading countries were obliged to import. In the face of this situation the United Kingdom, which is the leading importing country, suspended the import quota system in force for nearly ten years.

Skimmed milk powder

Here too production continued to fall. The principal reasons for this trend are a decrease in the quantity of skimmed milk resulting from the manufacture of butter and increased demand for milk for the manufacture of cheese and casein.

No reliable statistics regarding consumption are yet available. Nevertheless, there is good reason to believe that sales for calf feeding declined for the first time. This situation can probably be explained by the general rise in the price of skimmed milk powder in the Community. Production again exceeded consumption by about 100 000 tonnes. Nevertheless, the sustained level of exports brought a decline in stocks and forced the Community to put a brake on exports.

Cheese

Both production and consumption of cheese showed an increase of the order of 60 000 to 70 000 tonnes. Trends in intra-Community trade continued favourably. In spite of the volume of production no difficulties were experienced on the cheese market.

The increase in consumption noted for some years continued with slightly rising prices. So there was still no need for intervention on this market in 1971.

Preserved milk products

The production and consumption of condensed milk have hardly varied for some years. For some years the slight decline in per capita consumption and the stagnation in exports to third countries have deterred any expansion in Community production.

Taking into account about 35 000 tonnes of partially skimmed milk powder manufactured for export, there was an increase in the output of whole milk powder. Under the international agreement on minimum prices the export price for whole milk powder has been fixed at 55 UA/100 kg FOB. Actual prices obtaining on the world market, however, have been appreciably higher.

The situation for casein recovered in 1971 after some years of poor production. Imports were less than in 1970 and exports higher. Casein prices increased appreciably both in the Community and on the world market as had been the case for skimmed milk powder.

Support measures and milk producer prices

The common target price for milk with a 3.7% fat content delivered dairy was raised from 10.3 UA to 10.9 UA per 100 kg (+ 5.8%) as from April 1 1971 and from 10.9 UA to 11.7 UA per 100 kg (+ 8%) as from April 1 1972.

Intervention prices for butter, skimmed milk powder and certain varieties of Italian cheese and the subsidies granted for skimmed milk and skimmed milk powder for animal feeding were consequently adjusted on each occasion.

In 1971 purchases of butter at the intervention price amounted to only 50 000 tonnes, i.e. about 200 000 tonnes less than in 1970. On the other hand private stock of butter and cream (nearly 170 000 tonnes) increased by about 35 000 tonnes compared with the preceding year.

Intervention purchases of skimmed milk powder were limited: only some 17,000 tonnes were taken in by the intervention organisations in 1971.

Milk producer prices in 1971 developed favourably in all member states; the increase expressed in national currency, varied according to country (table D/7.6)

II Outlook for the 1972/73 season

In 1970 and especially in 1971 the situation for dairy products completely changed on both the world market and in the Community. Following the decline in milk production in nearly all parts of the world and measures taken to promote sales the massive stocks of butter and skimmed milk powder were reduced. At the same time market prices for all products reached hitherto unknown levels during the 1971/72 winter.

But at the beginning of 1972 a reversal in trend became evident in the Community as well as in other major dairy producing countries. The high prices brought a marked fall in the consumption of butter and at the same time stimulated milk production. It should, however, be noted that the dairy herd has not increased and that the growth rate for production is due solely to higher yields per cow.

This can no doubt be explained mainly by the growing consumption of concentrates, (oilcake). Whereas during the 50's the return from nearly 2 kg of milk was necessary for the purchase of a kilo of soya meal, since the devaluation of the dollar, the revaluation of various European currencies and the

rise in milk prices the return from just over a kilo of milk is sufficient. This factor runs the risk, especially in the longer term, of creating a new situation which would force us to reconsider present views on the development of production and the consumption of milk and dairy products.

The rapid build up of butter stocks (more than 100,000 tonnes in mid April) presages new marketing difficulties in the 1972/73 dairy season, for this product at least.

8. Beef and veal (1)

I The year 1971

Supply situation

Development of the cattle herd

According to census taken in Member States at the end of 1970 the Community's cattle herd was estimated at 51,311,100 head, which represented a decline of 2.1%. The number of cows declined by 3.6%, the number of heifers of a year and more by 0.5% and of animals younger than a year by 0.1%; beef animals of a year and over (+3.0%) and young cattle intended for slaughter before the age of 6 months (+9.4%) showed increases.

According to provisional figures recorded at the end of 1971 in Member States of the Community the total herd had meanwhile decreased by 1.1% or 577,400; the total number of cows was down by 1.4% or 298,300 and that of young animals of less than 12 months intended for rearing by 2.2% or 223,800 head. The number of beef animals had fallen by 0.3% or 15,700 head.

Development of production and consumption

In 5 Member States slaughtering of home produced fat cattle increased in 1971 by 4.2%; on the other hand, calf slaughterings decreased by 1.5%.

In Italy total slaughterings of fat cattle and calves appear to have fallen by 8.4%

Community production of beef and veal (carcase weight, fat included) increased

by 1.3% in 1971. This increase, which was particularly sharp in France, was most marked during the first half of 1971. However allowing for the seasonal development in production the growth rate weakened considerably during the second half of 1971 and the early months of 1972.

Beef and veal consumption increased by only 2%, a rate common for all countries of the Community.

(1) see tables D/8.1 to D/8.11 in the appendix, part 1

The degree of self-sufficiency for the Community has been quite stable from 1968 to 1971; in 1971 this rate was 89.4%. The 1971 deficit amounted to 522 943 tonnes.

Trade

Intra-Community trade, which had been maintained at the same level from 1968 to 1970, increased by more than 15% in 1971. This increase was the result of an expansion in trade between France and Italy, the latter having imported more live fat cattle as well as more fresh and chilled beef.

Imports of beef and veal from third countries in 1971 differed little from those in 1970 either from the point of view of quantity or from the list of countries of origin. Exports to third countries in 1971 which were likewise much as the same as in 1970 consisted for the most part of lots of frozen meat for the United Kingdom and Greece.

Prices

Prices of fat cattle on the Community market increased sharply in 1971/72 compared with 1970/71 (+ 5.207 UA or + 7.6%). Prices for calves on the Community market increased by 4.957 UA per 100 kg liveweight or + 4.7%. The increase in prices took place mainly at the end of 1971 and the beginning of 1972. For fat cattle the advance over the corresponding period of 1970/71 was 3.6% from April to September while that from October 1971 to March 1972 was 11.8%. A similar phenomenon was noted for calves. While the average price from April to September was 1.1% below that during the corresponding period of 1970 the period October 1971 to March 1972 showed a rise of 10.3% over the same months of 1970/71.

The weighted Community average price for fat cattle in 1971/72 amounted to 102.73% of the guide price and that for calves 116.63% of the guide price. The difference between the highest national prices and the lowest was 6.801 UA for fat cattle and 16.163 UA for calves.

Import prices for fat cattle increased very sharply during 1971/72 compared with 1970/71 (+ 5.455 UA or 11.5%); for calves the increase over 1970/71 was only 1.562 UA or 2.1%.

It should be noted here that since 1968/69 Community prices for cattle increased by 8.979 UA, i.e. 13.8% in four years, and those for calves by 10.039 UA, i.e. + 9.9% over the same period.

On the other hand import prices increased by 13.718 UA or 34.1% for fat cattle and by 18.054 UA or 32.1% for calves.

Market support measures

For fat cattle the levy averaged 9.5 UA/100 kg liveweight in the case of the 100% levy. During the 1971/72 season the levy was applied 100% for 11 weeks, 75% for 24 weeks, 50% for 4 weeks, 25% for 4 weeks and not at all for 9 weeks.

The full levy for calves averaged 8.1 UA/100 kg liveweight. During the 1971/72 season the levy was applied 100% for 5 weeks, 75% for one week only, 50% for 2 weeks and 25% for 3 weeks. No levy was applied on calf imports during the remaining 41 weeks.

In accordance with international agreements in the beef and veal sectors reduced levy rates were applied for certain imports from Austria and Denmark as well as Yugoslavia.

In addition the prefixing of levies on chilled meat became possible following the commercial agreement concluded with Argentina.

No Community intervention measures were applied during 1971

Export refunds in the beef and veal sector were generally of only relatively minor importance.

Import regulation for frozen meat

The levy for carcasses or sides of frozen meat in 1971/72 was fixed on average at around 8 UA/100 kg net weight. This levy was appreciably reduced during the second half of the marketing season, following the rise in world market prices for frozen meat.

During 1971 the Community imported about 41,775 tonnes, bone-in equivalent of meat for the manufacture of preserved meat products containing only beef and jelly. Imports of frozen meat intended for the manufacture of meat preserves other than those mentioned above amounted to 107,964 tonnes in 1971, with a levy reduction from 75 to 90%.

Total frozen meat imports have remained very stable from 1969 to 1971.

II Forecasts for 1972

The beginning of 1972 has been marked by very high prices both within and outside the Community. This trend will probably persist throughout 1972 since beef and veal production will decline in all Member States with the exception of France where an increase in production has been forecast. The decline in calf slaughterings will very likely continue while slaughterings of bulls will increase often to the detriment of steers. As a consequence of the decline in the dairy herd, slaughterings of cull cows will fall. Third country suppliers of the Community will probably have smaller export surpluses in 1972 than in past years.

On the basis of forecasts of -1% to -2% in Community production in 1972 compared with 1971 and an increase of +0% to +1% in Community consumption in 1971 in 1972 compared with 1971 the probable deficit in 1972 will range between 550 000 to 650 000 tonnes.

9. Pigmeat (1)

I. 1971

Production

After a sharp increase during the previous two years, the number of pigs fell slightly again in 1971. There were 49.5 million head in December 1971 as against 51 million a year before. This cyclical reduction was noted particularly in Italy, Germany and Luxembourg, whilst in Belgium the number of pigs increased slightly.

So far as the structure of production is concerned, the trend towards a reduction in the number of pig breeders and larger production units continued, thus allowing an improvement in productivity and the competitiveness of the product. The number of pigs per farm more than doubled between 1965 and 1970.

In addition, there is a trend towards concentration of production in certain regions of the Community which offer particularly favourable competitive conditions for this branch of agriculture.

Total pigmeat production (slaughterings of home-produced and imported animals) amounted to about 6.2 million tonnes in 1971, nearly 9.9 per cent more than the previous year. The average slaughter weight of pigs was 88 kg as in the previous year.

Demand and consumption

In 1971, demand for pigmeat at the wholesale level fell very

slightly in terms of value (calculated from expenditure on pigmeat), whilst the volume of consumption increased very sharply following the evolution of supplies. Supplies on the home market (production minus export surplus) - about 8 per cent higher - could only be absorbed at relatively lower prices than in 1970.

The degree of self-sufficiency in the EEC was in the order of 101.5 per cent in 1971, supplies having been considerable for cyclical reasons. A slight drop must be expected in 1972.

Trade

The increase in intra-community trade also continued in 1971. Intra-community trade in fresh pigmeat reached about 370 300 tonnes. In the case of the other products in this sector, except bacon and lard, a continuous increase was also noted. Total intra-community trade increased from 609 000 tonnes in 1970 to 701 800 tonnes in 1971.

(1) See tables D/9.1 to D/9.7 in the annex, part I

Trade with third countries

Trade with third countries is balanced on the whole. The volume of imports corresponds more or less to the volume of exports, considered in the long term. The balance varies from one year to the next, however, according to the cyclical development of supplies and prices in the Community. In 1971, in spite of low prices in the EEC, imports remained at a normal level, whilst exports increased, to 292 000 tonnes, as a result of price support measures which favoured exports.

Whereas imports were principally composed of live pigs, fresh meat and offal, exports were made up essentially of lard, canned meat as well as carcasses and cuts of pigmeat.

Situation on the world market

Demand for pigmeat is generally increasing throughout the world, particularly in those countries where the standard of living is rising. Production is following the same trend.

In the seven EFTA countries, production increased continuously from 1967 to 1971 following the development of consumption and export opportunities.

A reduction in production of 2 to 3 per cent approximately is expected in 1972.

In the USSR, the largest pig producing country in the Eastern bloc, the number of pigs has increased considerably since 1969 following a continuous decline in previous years. In the other Eastern bloc countries, supplies were still relatively small in 1971, with the result that the Community was able to make large scale exports to those countries.

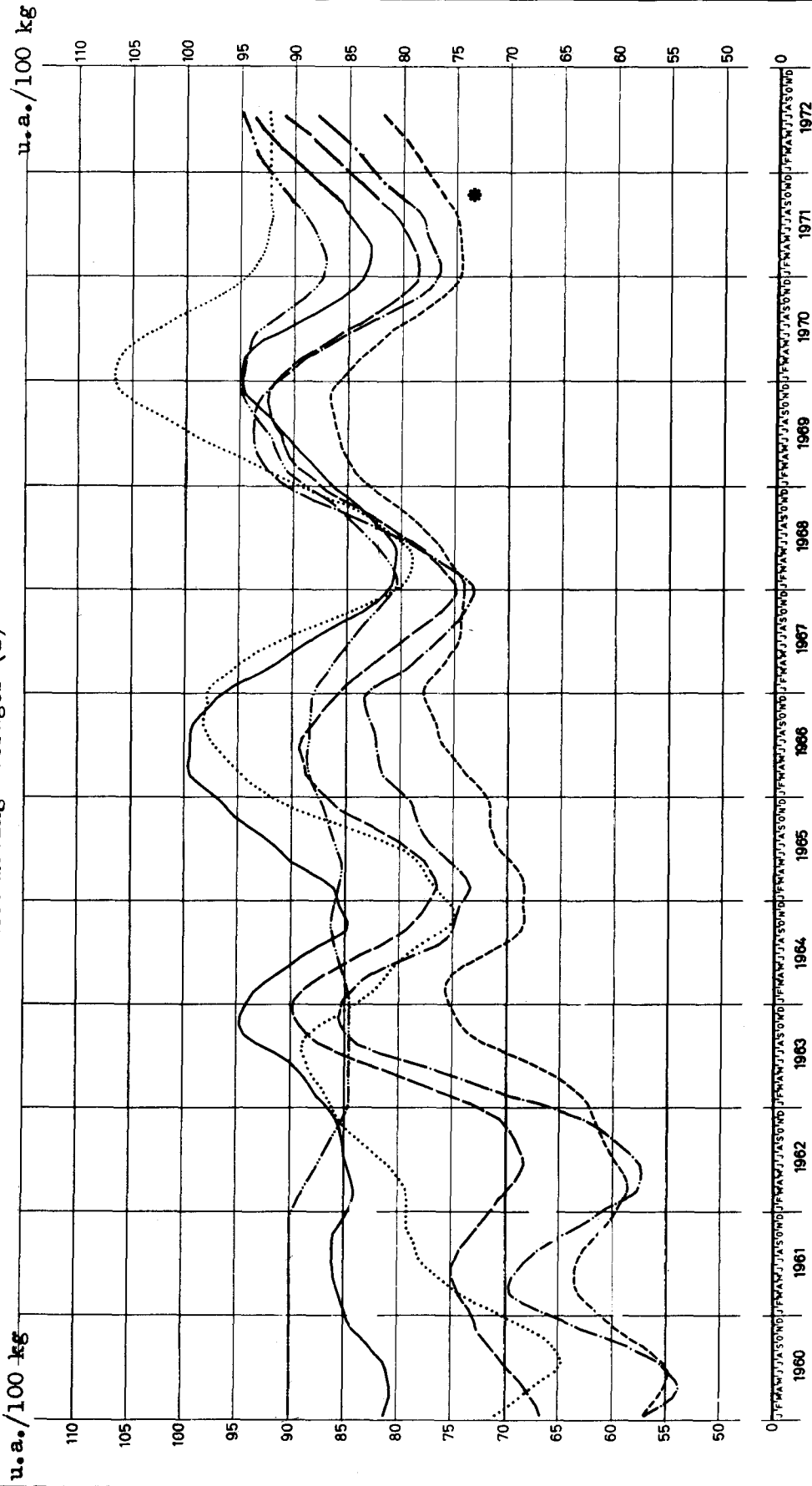
Prices

The cycle of high prices of 1969 and 1970 having come to an end, very low prices were recorded in the spring of 1971 (see diagram). As a result of timely price support measures it was possible to restrict the drop in the reference price to the level of the basic price. During the second half of 1971, prices increased again to an average level. Relatively high prices are expected during the second half of 1972.

Development of pig prices (1)
in the EEC countries

12 month moving averages (2)

(u.a./100 kg dead weight)



(1) Prices for the reference quality
(2) Calculated after conversion of the original prices into u.a. at the exchange rates valid in each of the months in question

* forecasts

DIAGRAM 5

CEE-05-70319

Price stabilisation measures

Owing to the collective effect of all the measures taken in 1971 to support prices and their timely introduction, that is:

- the raising of supplementary levies on imports
- the fixing of export refunds for certain basic products
- aid for private storage and
- withdrawal operations by the intervention organisations of member states, it was possible to stabilise the average price on the reference markets of the EEC at a level fluctuating between 78 and 80 u.a. per kg of pigmeat dead weight.

The quantities stored by the private sector and the very small quantities bought in by the public sector were put back onto the market in autumn 1971 without difficulty.

II. Forecasts for the coming year

After remaining at an average level from mid 1971 to mid 1972, prices can be expected to reach a level well above the long term average from autumn 1972 onwards, and during the first six months of 1973 - taking into account the foreseeable supply and demand situation. In 1974, lower prices must again be expected.

10. Eggs (1)

After the record production of 47 000 million eggs in the Community in 1970, which had disastrous consequences on the evolution of prices and the profitability of egg farming, the market situation improved noticeably in 1971. Total egg production fell, in absolute terms by 500 million units, which corresponds to about 1 per cent compared with a growth rate of about 6 per cent the previous year. This relatively small reduction, which only occurred in the Netherlands, Belgium and Italy, whilst production stagnated in West Germany and even showed a slight increase in France, resulted in an indispensable stabilisation on the market, especially during the second half of 1971, and showed once again the important influence of marginal quantitative fluctuations on the development of the egg market.

The consumption of eggs in the Community cannot be clearly determined as precise information on changes in stocks of egg products are not available. Disregarding the stocks built up in 1970, calculations show a stagnation in total consumption in 1971 and a slight reduction in per capita consumption; in actual fact, egg consumption probably increased slightly. Differences in consumption in individual countries within the Community remain great. The highest per capita consumption, about 275 eggs, is indisputably in West Germany. Belgium and Luxembourg follow with about 260 eggs per inhabitant. Consumption is distinctly lower in France at only 220 eggs, whilst the average for the last three years is about 215 eggs in the Netherlands and only 197 eggs in Italy. However, in countries with low levels of consumption a fairly sharp increase in consumption can be expected in the next few years.

The increased egg production has made it possible to cover the requirements of the Community completely since 1970. While a small surplus in external trade in shell eggs appeared for the first time in 1970, imports were again higher than exports in 1971. This is due, in particular, to deliveries from those Eastern bloc countries which concluded an agreement guaranteeing the maintenance of the sluicagate price. On the other hand, in 1971, exports of egg products again exceeded imports into the Community.

(1) See tables.

Egg prices, which had fallen sharply in 1970, returned to normal from the beginning of 1971 onwards. This development is due to several factors. In 1970, the unfavourable price situation caused the early culling of hens and a limitation in the breeding of pullets. In addition, fowl pest, which broke out in the Netherlands first, caused a ban on imports of eggs into other member countries and thus a relaxation of the pressure of supplies. Certainly, prices weakened towards the middle of the year, but they firmed markedly again later. Even if hatchery egg settings suggest a reduction in production in the immediate future, a cyclical increase in supplies and a reduction in producer prices in the egg sector can again be expected at the end of 1972.

Under the present economic conditions which are characterised by a rapid change in structure towards the formation of large egg farms, pressure of supplies at minimal profit margins can also be expected in the medium term. The economic sector will therefore have to redouble its efforts to adapt production to foreseeable demand in order to avoid new periods of ruinous competition.

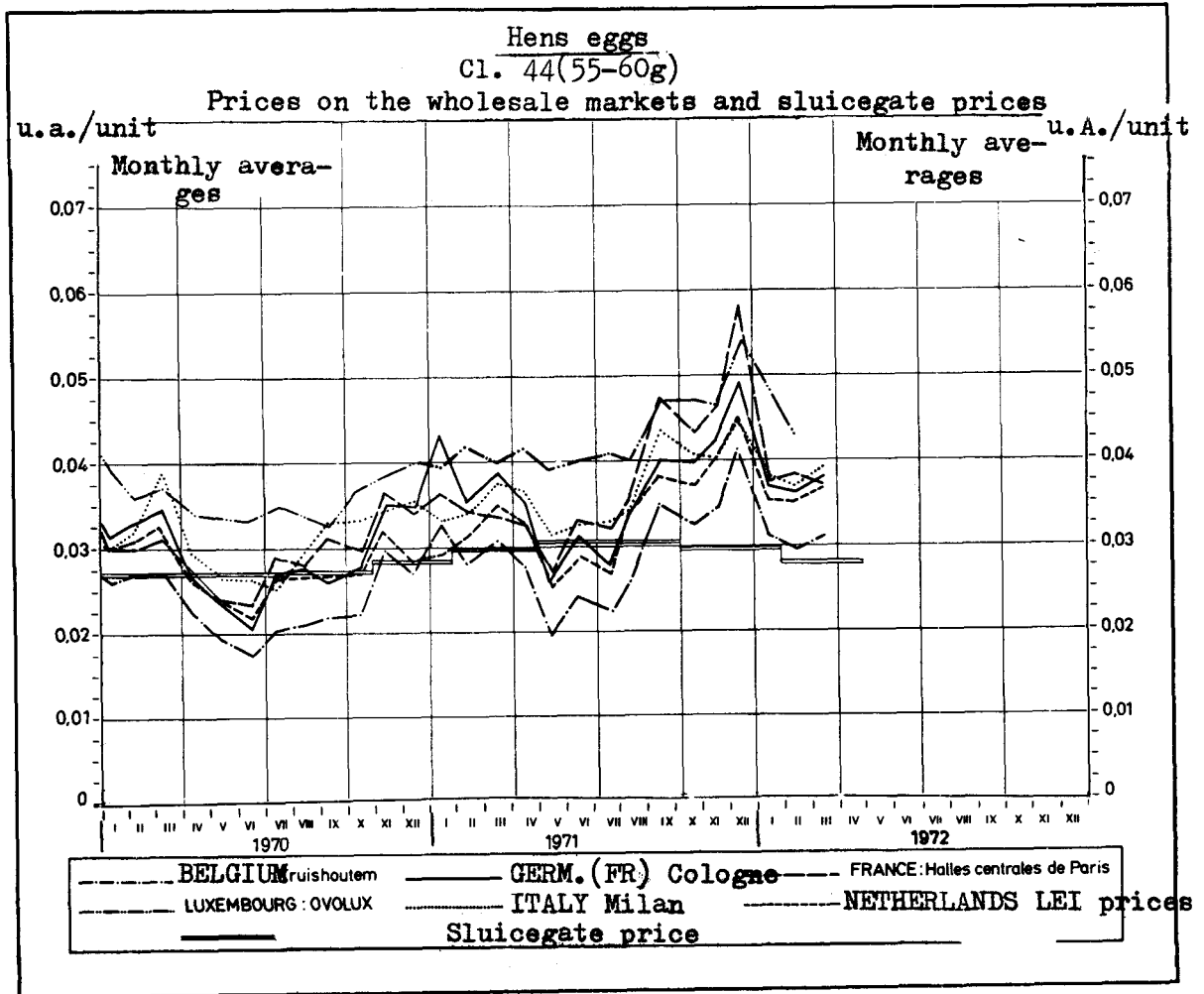


Diagram 6

11. Poultry (1)

In 1971 poultrymeat production in the Community followed a steady upward trend, which has been observed for some years and which has no equal in magnitude except - at a higher level - in the United States, with an increase of 4.3 per cent over the previous year. As production in the Community has been increasing more rapidly than consumption for some years now, the degree of self-sufficiency has risen steadily giving rise, for the first time in 1970, to net surpluses in the Community amounting to about 34 000 tonnes in 1971. As the growth rate of poultrymeat consumption is also high in certain third countries, these surpluses, which are, however, coming into competition with supplies from the United States, Denmark and some East European countries, have found outlets particularly in the USSR and the Mediterranean countries thanks to export restitutions.

In 1971, the per capita consumption of poultrymeat in France reached 14.9 kg, by far the highest level in the Community. Italy was in second place with 11.7 kg. In West Germany and Belgium and Luxembourg, the average consumption was about 8.0 kg, whilst in the Netherlands, by far the greatest exporter in the Community, it does not seem to have even reached 5 kg per head of population. West Germany, the world's principal importer of poultrymeat, covered nearly 93 per cent of her considerable requirements by imports from member countries in 1971. Community imports from third countries consist essentially of geese and ducks from East European countries, and poultry pieces bought principally from the United States.

The prices of table chickens fell again in 1972 in the Benelux countries and West Germany, which can be explained by fierce competition in the most important centres of high consumption in the Community. The development of prices in France, and particularly in Italy, on the other hand, seems to have been more favourable.

As a result of the development of settings of hatchery eggs of table strains, a reduction in the growth rate of production of table chickens, which represent about 65 per cent of total poultrymeat production in the Community, can be expected.

(1) See tables D/11.1 to D/11.6 in the annex, part I

At the same time, a temporary reduction in the production of boiling fowl can be expected as a result of the massive slaughterings in 1970 and 1971. So far as duck and turkey meat is concerned, the state of the markets is principally determined at the wholesale level by the Netherlands, the main exporter, although larger quantities are produced in France, Italy and West Germany.

Finally, the future prospects of the market in the poultrymeat sector will be determined by the attitude of the economic groups concerned with production. A steady increase in demand can certainly be expected but the heavy competition which also characterises this sector generally leads to insufficient profitability which can only be improved by adjusting production to realistic outlets in a balanced market.

12. Fruit and vegetables (1)

Supply situation

Production

Community fruit production fell by 3.70% in 1971 compared with 1970. This development is due to a marked decline in production in nearly all the member states and more particularly in France and Italy.

In particularly a reduction in the production of apples and pears of 5 and 12 per cent respectively was noted.

Peach production, on the other hand, increased by about 10% compared with production in 1970.

Vegetable production in 1971 was also 4% down compared with the previous year. This occurred in most member states except Belgium, where production increased slightly, and in the Netherlands where it remained at practically the same level as the previous year.

There was a marked reduction in the production of cauliflowers of 7% and in the production of tomatoes in the order of 8%.

Consumption

No marked change in the consumption was noted in 1971. The principal characteristics were the high degree of self-sufficiency as in the past. It amounted to 88 for fruit and 99 for vegetables for the 1970/71 season.

Trade

Total imports of fruit and vegetables from all origins increased by about 6 per cent for fruit and 4.5% for vegetables during 1970.

(1) See tables D/12.1 to D/12.7 in the annex, part I

This increase mainly concerned imports from third countries, imports from member states for both fruit and vegetables having remained practically unchanged compared with 1969.

Fruit and vegetable exports, whether to third countries or to other member states, remained more or less at the 1969 level.

World market situation

During the 1971/72 season citrus production both in Italy (the member state which produces these products) and in the producing countries in the Mediterranean basin as a whole, showed a considerable increase.

Since then it has been necessary to take measures to ensure the marketing of large community stocks on the one hand and to compensate for the reduction in offering prices for imported citrus fruit at the frontiers of the Community on the other.

Prices

In 1971/1972 the price situation led to withdrawals particularly of apples, pears, peaches and tomatoes under the Community market stabilisation system.

Whilst there was a major reduction in withdrawals of apples and pears compared with the 1970/1971 season, withdrawals of peaches on the other hand increased considerably compared with the previous season.

In the same way withdrawals of tomatoes from the markets are relatively high, but only represent a small proportion of total production.

Measures for the reorganisation of fruit production

Data collected on the application of EEC regulation No. 2517/69 of the Council defining certain measures for the reorganisation of fruit production in the Community show that applications for grubbing premiums accounted for 107 000 ha at the end of the 1970/71 grubbing season, 10 000 ha more than on March 1 1971, the date on which the last survey was carried out.

The greatest part of these applications concern the grubbing of apple trees.

As grubbing can continue up to March 1 1973, the final results of the application of the above-mentioned regulation will not be known before that date.

However at the end of the 1970/1971 grubbing season nearly 31 000 ha have already been grubbed compared with 26 000 ha on March 1 1971.

13. Wine (1)

I. 1970/71 season

Supply situation

At 154,2 million hectolitres, the 1970 harvest was a record for the countries of the Community. This is particularly true of France, Luxembourg and Germany as, in comparison, Italian production was relatively smaller. The quantity harvested considerably exceeded average consumption and therefore caused disturbances on the market.

Trade

The Community's trade with third countries was practically in balance during the 1970/71 season. As imports from third countries declined in relation to the period preceding the application of regulation No. 816/70, intra-community trade increased. It nearly doubled, rising from 6.0 million hectolitres during the 1969/70 season to 10.1 million hectolitres in 1970/71.

World market situation

The situation on the world market - in comparison with the Community - was characterised by a reduction in trade and rather low prices.

Prices

As a result of the surpluses, the prices of all types of table wine remained below the threshold price for intervention throughout the season in nearly all the marketing centres in the Community.

Special measures

The abundance of the 1970 harvest led the Council to take measures in April 1971, prescribing the distillation of table wine. 3.4 million hectolitres will be distilled under this scheme.

(1) See tables D/13.1 to D/13.5 in the annex, part I

In contrast to the record harvest of 1970, the autumn 1971 harvest is average for recent years at 131.1 million hectolitres. The harvests in Germany, northern and central France and Luxembourg were particularly affected by the weather in the summer and autumn. In the south of France and Italy, on the other hand, the harvest was good. Because of the size of stocks at the beginning of the season, 210.3 million hectolitres were available, still a relatively high level although 16.7 million hectolitres less than in 1970. If consumption is average at 145 million hectolitres, stocks should have been brought down to about 65 million hectolitres by the end of the present season, considerably lower than the final stocks for the 1969/70 and 1970/71 seasons.

It can be assumed that external trade will be more or less balanced during the present season (figures so far available confirm this). In this context, it must be noted that so far 16 third countries have agreed to respect the reference price. These include the North African countries which have been granted customs concessions until a definitive regulation has been drawn up. These agreements are therefore valid for more than 95% of Community imports. Wine imports from other third countries are subject to the full common external tariff and compensatory taxes. Only Greece is not obliged to observe the reference price in any way on account of the relevant conditions of the association treaty with the Community. For this reason the Commission asked the Council for, and obtained, a mandate to negotiate a modification to the present regulation to standardise the community conditions in respect of the reference price in most cases.

A new increase in intra-community trade can be expected this season, according to the figures so far available.

With the exception of v.q.p.r.d. (Trans. note "quality wines produced in a specified region") wines which are generally sold at advantageous prices, the prices of table wines did not recover rapidly - because of the abundance of supplies - except in the case of types for which production was very low.

This development caused an end to the conclusion of private storage contracts for A II; A III and R III wines at the end of 1971. At the beginning of the season, the prices of R I, R II and A I wines remained depressed. However, the prices of R II wines, with one exception, have already risen about the intervention price in all marketing centres; the prices of A I wines are already well above the intervention price throughout France and in one marketing centre in Italy. Recently, quotations for R I wines have also firmed, particularly in Italy.

In conformity with the conditions of the basic regulation, the long term abundance of supplies in December 1971 made the conclusion of storage contracts until February 15 1972 permissible. This measure alone was not sufficient to maintain prices in all the marketing centres, particularly for R I wines. In order to stabilise the wine market definitively, the Council took measures concerning the distillation of wine. Data making it possible to assess the effect of this measure are not yet available.

The difficulties which appeared on the wine market at the beginning of the season can be expected to be eliminated by the measures taken and also by the reduction in the total quantities available compared with the previous year, and this will be reflected in a general increase in the level of prices on the markets of the Community. This does not exclude the possibility of difficulties continuing in certain regions of the Community for reasons of structure or adaptation.

14. Tobacco (1)

Supply situation

1971 was marked by an extension in the area planted with tobacco in all member states; this represents a reversal of the trend noted for several years now. In fact, according to the figures available in April 1972, the area has reached 67 300 ha, an increase of 600 ha compared with the previous year.

In spite of this favourable circumstance, production was considerably lower in 1971 (126 900 tonnes) than in 1970 (132 700 tonnes) (2). This was the lowest level for the last fifteen years, excluding the harvests during the period 1961 to 1963 when an outbreak of mildew was responsible for a sharp temporary drop in production.

In the above situation there were, however, more marked changes in relative terms in the case of individual varieties.

In Italy the increases in the areas of the Burley (21%) Kentucky (19%) and Perustitza (7%) varieties were more than compensated for by the reduction in the areas of the Bright (32%), Nostrano (22%), Beneventano (23%) and Xanti (6%) varieties.

In spite of an increase of 500 ha French black tobacco production fell by about 12%.

The areas of the varieties cultivated in Germany and Belgium were all extended, with the exception of Virgin SCR; Badischer Geudertheimer 17%, Badischer Burley 15%, Philippin 20%. Production increased in similar proportions.

(1) See table D/14.1 to D/14.4 in the annex, part 1.

(2) According to information available to the Directorate General of Agriculture.

According to the OECD: 135 000 tonnes in 1970.

Prices

The prices fixed in 1970, when common organisation of the markets in the raw tobacco sector was introduced, remained in force for the 1971 harvest.

The information available on the marketing of the 1970 crop shows that there were no intervention purchases in Germany, France and Belgium but that varieties for which a derived intervention price has been fixed are at present being bought in bales in Italy. At March 31, 1972 750 tonnes of tobacco produced in 1970 had been bought by the intervention organisation (AIMA). The possibility of more tobacco being offered for sale to the intervention organisation during the next few months cannot be excluded.

Forecasts of intervention purchases in Italy are as follows:

Burley 3,000 t, Bright 300 t, Nostrano 500 t, Oriental 4,000 t.

So far as the marketing of the 1971 harvest is concerned, the information available at present is still fragmentary as deliveries of leaf tobacco are still in progress. It is however almost certain that no leaf tobacco will be offered for sale to the intervention organisations.

Trade

According to the import statistics of member states intracommunity trade between 1968 and 1970 was of the order of 26,000 to 28,000 tonnes.

It is worth recalling that during the years in question intracommunity trade in fact only concerns 7,000 to 8,000 t of home grown tobacco from Italy, and a smaller quantity from France: three-quarters of the total come from third countries and are reexported to other member states.

The figures available for 1971 concerning sales of the 1970 Italian harvest show that the introduction of the common organisation of the market was accompanied by a marked development of these sales which reached 15,200 tonnes (+35%) of which 11,510 tonnes went to other member states.

15. Hops (1)

1. Production

The areas planted with hops in the Community, which remained fairly stable until 1963 (10 000 to 11 000 ha), reached 17 400 ha in 1971, an increase of 63 per cent over 1958. This increase was particularly marked in 1970 and 1971 in Germany, the main producer, where the area increased from 8 700 ha in 1958 to 15 400 ha in 1971, 89% of the area of hops in the Community. In the two other hop producing member states - Belgium and France - the areas increased and decreased respectively during the same period.

Although there have been marked differences in yields of this crop, varying from 1500 to 2000 kg/ha from one year to the next according to climatic conditions and the incidence of certain diseases, the long term trend indicates no clear improvement in the average yield.

Under these conditions production followed the trend in area, increasing from 20 600 tonnes in 1958 to 30 200 tonnes in 1970. Whilst German and Belgian production increased by more than half, French production fell by nearly a quarter.

So far as the 1971 harvest is concerned, the provisional figures available indicate a net reduction in production (27 800 tonnes) due to an exceptionally low yield in Germany.

(1) See tables D/15.1 and D/15.2 in the annex, Part 1.

Trade

Community trade in hops with third countries is particularly lively because of the qualitative and varietal requirements of the users which characterise world trade in this product. Imports of hops and powders (1) are in the order of 6,000 tonnes, more than 20 per cent of production. Exports of the same products are rather higher (8,000 to 9,000 t). In addition to these there is a fairly large intracommunity trade and an external trade in hop extracts in which there is an export surplus.

Finally it should be remembered that the Community, the world's largest producer, importer and exporter, plays an important role in the hop sector. This role will be reinforced still further in the Community of ten, whose production - including 10,000 tonnes of British hops - will represent about 40 per cent of world production.

(1) Brussels customs nomenclature 12.06

16. Fishery products (1)

Supply situation

Catches and landings

In 1970 the production of fish products expressed in the quantity of catches (nominal catch) reached 2 116 000 tonnes, which confirms the slight downward trend compared with preceding years. This reduction, mainly due to the reduction in catches from the German Federal Republic and the Netherlands, is remarkable above all for hog-fish (Trans. note: *Sebastes marinus*) and cod in the German Federal Republic and whiting in France.

In 1970 the distribution of production between the Member States was as follows: 37% in France, 28% in Germany, 19% in Italy, 14% in the Netherlands and 2% in Belgium.

The processing of produce on board the fishing boats is becoming ever more important although the incidence of this in relation to the total production varies considerably in the different Member States. The principal methods of processing on board are filleting and freezing.

As for the salting of fish on board fishing boats, it seems that this method of processing is on the way out in the principal Member States producing salted fish: France and the Federal Republic. Salting boats, the average age of which exceeds 15 years, are being laid up at an increasing rate, notably in France.

The production of molluscs was subject to a certain reduction in 1970 owing principally to the reduction in the production of mussels and oysters. By contrast, the growth in the production of crustacea, already noted during the year 1969, has been maintained because of the increase in the production of prawns in the German Federal Republic and the Netherlands and other crustacea in Italy and France.

Fishing for reasons other than human food is undertaken above all in the German Federal Republic with the view to supplying the animal feed industry. In 1970 this type of fishing was marked by a certain reduction principally as a result of the reduction in herring catches.

(1) See tables D/161 to D/168 in the Annex, Part 1.

Development of consumption of fish products per inhabitant of the EEC

The average consumption per person increased from 10.80 kg in 1959/60 to 11.60 kg in 1969/70, mainly because of the sharp increase in the use of frozen products and fish preparations and preserves.

As for crustacea and molluscs, the level of consumption increased from 1.70 kg in 1959/60 to 2.50 kg in 1969/70.

Supply balance in the EEC

Because of the stability of production and even its slight reduction and the rise in the level of consumption, the degree of self-sufficiency in the EEC has fallen and is at present around 77% with very great differences according to products.

Trade

Total EEC imports rose from 550,000 in 1969 to 600,000 tonnes in 1970, increasing therefore by nearly 10%.

A parallel development is to be seen in intra-Community trade which rose from 275,000 tonnes in 1969 to 290,000 tonnes in 1970.

The rise in the import of fish products in 1970, which represents twice the volume of intra-Community trade, is particularly appreciable in the German Federal Republic, in France and in Italy which remain the most important consumer markets.

Exports went up during 1970, reaching 98 000 tonnes, an increase of about 15 per cent compared with the preceding year.

Prices

The general upward trend in prices established during 1970 continues for 1971, especially for certain fish products such as haddock, northern hog-fish and plaice.

E. CONSOLIDATED SUPPLY BALANCE SHEETS

The presentation of the supply situation according to sectors in Chapter D (subdivision into sectors according to the basic regulations of the common market organisation) does not afford a general view of the situation for certain intimately connected products, as for example the different types of meat or fats and oils. It is for this reason that these products have been here regrouped into two consolidated supply balances.

In order to draw up this synthesis, it was decided to use only one statistical source for the sake of homogeneity; it seemed that the supply balances compiled per annual season by the Statistical Office of the European Communities were the most adequate for the purpose.

It would be that there are some differences between the figures presented at the time of the study of the different markets and those set forth in this synthesis. As for the balance for "meats", the differences are principally due to the fact that the figures used are based on the annual season and not on the calendar year, that they do not include slaughter fats and that offal was entered separately. In order to bring out any possible trends, it was considered desirable to present the supply balances of the last four years, as was done in the 1971 report. However, as certain Member States modified their statistical series, without statistically readjusting past series, it was decided to use only the last three years for meat as they are the only homogenous years. This restriction applies only to meat production and not to fats and oils or to the consumption of

those meats for which supply balances are available for the last four years.

1. Meat (1)

The consolidated balance for meats as a whole includes offal to the exclusion of fats which have been included the fats balance.

(1) See Tables E/1.1 to E/1.4 in the Annex, Part 1

1. Gross domestic production of meat in the EEC:

From 1968/69 to 1970/71, the gross domestic production of meat in the EEC rose by 10.4% from 11.7m tonnes in 1968/69 to 12.9m tonnes in 1970/71. All types of meat were included in this rise with the exception of horse meat. On the other hand, all the types of meat have not risen at an identical growth rate and their relative shares in the total balance have changed since 1968/69. Certain of these changes do not seem to be solely cyclical.

Meats declining in relative terms and rising in absolute terms

- beef and veal: although meat production rose by 3.5% in 1970/71 (4.234 m tonnes) compared with 1969/70 (4.093 m tonnes), the share of this meat in total EEC meat production continues to decline. For the first time since the formation of the common beef market, beef and veal production in 1970/71 represented less than a third (32.7%) of total EEC meat production.

In consequence of the cyclical rise in pigmeat in 1970/71, pigmeat production does not appear for that year in the category of meats whose production is declining in relative terms and rising in absolute terms. However, if one adds the relative shares of beef and veal (32.7%) and that of pigmeat (38.6%), exceptionally high in 1970/71, the total is 71.3%, just higher than the total for 1969/70 (71.1%) and clearly below the totals for the preceding years (72.7% for 1966/67; 72.3% for 1967/68; 72% in 1968/69). This comparison demonstrates that the contribution of pigmeat production due at the high point of the cycle compensates for the relative decline in beef and veal production. The conclusion from this, therefore, is that in a normal period of pigmeat production, the total of pigmeat and beef, although rising in absolute terms, is declining in relative terms at the EEC level.

- "other meats" (rabbit and game): this item continues to rise, from 418 000 tonnes in 1969/70 to 431 000 tonnes, but for the first time for several years, it is declining in relative terms in comparison with other items in the balance sheet (3.2% in 1970/71 compared with 3.5% in 1969/70).

- edible offal: although continuing to rise (901 000 tonnes in 1970/71 and 849 000 tonnes in 1969/70, this item is continuing to decline in relative terms, as it has been for 10 years, however, at a slower rate, (6.97% in 1970/71 and 7.02% in 1969/70).

Meats rising in relative and absolute terms:

- pigmeat: it remains the most important item in the balance of meat production in the EEC. In consequence of the high cyclical rise (4.989 m tonnes in 1970/71 and 4.516 m tonnes in 1969/70), pigmeat production is also rising in relative terms (38.6% in 1970/71 and 37.3% in 1969/70). This situation is, however, exceptional, for in a normal period pigmeat production is increasing in absolute terms and declining in relative terms.

- poultry meat: this continues to be an item which, because of its dynamism, changes the structure of meat production in the EEC. For the first time in the EEC, poultry meat production exceeded 2 million tonnes (2.107 m tonnes in 1970/71 against 1.964 m tonnes in 1969/70). Despite the cyclical high in pigmeat production which influences the relative shares of other items in the balance, poultry meat production is also increasing in relative terms (16.4% in 1970/71 and 16.3% in 1969/70).

- sheep and goat meat: at 176 000 tonnes in 1970/71, it continued its upward trend again after a decline in 1969/70 (168 000 tonnes). This growth is, however, weak and its relative share improved only slightly in 1970/71 (1.5%) compared with 1969/70 (1.4%)

Meat declining in relative and absolute terms:

In 1970/71 only horsemeat comes into this category with a production of 80 000 tonnes in 1970/71 compared with a production of 88 000 tonnes in 1969/70, a relative share of 0.6% in 1970/71 compared with a relative share of 0.7% in 1969/70.

II. Meat consumption in the EEC:

From 1967/68 to 1970/71 per capita consumption of meat in the EEC rose by 10.4%. It was particularly high in 1970/71 at 72.5 kg per head, a rise of 5.2 per cent over 1969/70 (68.9 kg per head). The rise in the per capita consumption of meat applied to all categories of meat except horse meat and "other meats".

Meats rising in absolute terms but declining in relative terms:

- beef and veal with a per capita consumption of 25.2 kg in 1970/71, is rising in absolute terms compared with 1969/70 but declining in relative terms with a percentage of 34.8% in 1970/71 compared with 35.4% in 1969/70.

Taking into account the cyclical movements in 1970/71, pigmeat does not appear in this category for that year. However, if one adds the relative shares of beef and pigmeat consumption, the same remarks would be valid for consumption for production, namely that pigmeat consumption, cyclically high in 1970/71, compensated for the relative low in beef consumption, which leads to the conclusion that in a normal period pigmeat and beef consumption are rising in absolute terms and declining in relative terms.

- sheep and goat meat: per capita consumption is rising only slightly (1.09 kg in 1967/68; 1.16 kg in 1968/69; 1.17 kg in 1969/70 and 1.23 kg in 1970/71). As this rise is weak, the relative share of sheep and goat meat in EEC meat consumption is declining (1.8% in 1969/70 and 1.7% in 1970/71).

Meats rising in relatively and absolute terms:

- pigmeat: following the relative drop in prices owing to the abundant production of pigmeat, per capita consumption moved from 23.9 kg in 1969/70 to 25.9 kg, a rise of 8.4%. The fall in the relative share of pigmeat in total EEC meat consumption has been checked (35.7% in 1970/71 and 34.8 % in 1969/70), but this is only a matter of a purely cyclical situation.

- poultry meat: it is the meat which continues to have the highest average rise of past years. From 1969/70 to 1970/71 per capita consumption rose from 10.4 kg to 11.1 kg in absolute value and from 15.1% to 15.3% in relative value.

- edible offal: this continues its rise in absolute value; but as this rise was particularly marked in 1970/71 (5.5 kg) compared with 1969/70 (5.2 kg), the decline in its relative share has been checked and is 7.6% compared with 7.5% in 1969/70.

Meats declining in absolute and relative terms:

- horse meat: per capita consumption fell from 1.08 kg in 1969/70 to 1.05 kg in 1970/71, while its relative share fell from 1.6% to 1.5%.

- "other meats" (rabbit, game): per capita consumption fell from 2.6 kg in 1969/70 to 2.5 kg in 1970/71, a relative share of 3.8% in 1969/70 and of 3.4% in 1970/71.

III. Net balance of EEC external trade in meat

The net balance of external trade in meat is the result of the subtraction "gross domestic production \pm changes in stocks - total human consumption".

The conclusions of this calculation are:

- the external EEC deficit in meat is fairly constant; from 1965/66 to 1970/71, one can say that it was situated on average between 800 and 900 000 tonnes with the exception of 1966/67 at 960 000 tonnes. The degree of self-sufficiency varies, therefore, between 91 and 94%.

- in absolute value, the most important net imports are of beef and veal which represent an average 55 to 65% of total net imports, followed by the net imports of edible offal (16%) and horse meat (15%).

- it is clear that the degree of self-sufficiency in the EEC for industrial meats (pigmeat and poultry meat) fluctuates around 100 per cent. In 1970/71, in consequence of the high cyclical production of

pigmeat, the EEC was a net exporter of 67 000 tonnes which is exceptional. It was also a net exporter of 10 000 tonnes of poultry meat, for the first time. It is still too early to make any judgements on the significance of such a situation.

- with regard to beef and veal the net import balance in the EEC was 530 000 tonnes in 1970/71. In the past five years, the net EEC import balance for beef and veal has been around 530 000 tonnes, except in 1968/69 when it was exceptionally 466 000 tonnes. Of this 530 000 tonnes, 210 000 tonnes are made up of net imports of live animals. This 210 000 tonnes of beef represents 65% of net imports of all types of meat in live animal form (Table E/1.4).

- with regard to sheep and goat meat, EEC net imports have been rising for 10 years; in 1970/71 they amounted to 58 000 tonnes, 19 000 tonnes of which as live animals. The degree of self-sufficiency fell from 84.7% in 1967/68 to 75.3% in 1970/71.

- with regard to horse meat, net EEC imports have continued to rise from 101 000 tonnes in 1966/67 to 120 000 tonnes in 1970/71, 50 000 tonnes of which as live animals.

- net imports of "other meats" (rabbit and game) have increased regularly for 10 years from 3 000 tonnes in 1960/61 to 46 000 tonnes in 1970/71, 6 000 tonnes of which as live animals.

2. Fats and oils (1)

1. Balance sheet for raw fats

a) from the study of the balance of raw fats, it follows that:

- the total Community demand for raw fats has continued to rise at a higher rate than that of the growth in population, moving from 4,741 m tonnes in 1967/68 to 5,088 m tonnes in 1968/69 and to 5,289 m tonnes in 1969/70. This growth has become apparent both in the level of per capita human consumption, which has been rising constantly since 1967/68, and in the level of technical uses which, although it fell in 1969/70, has risen since 1960/61 at an average rate higher than 5%. However, in 1969/70 a slowing down of the growth in consumption compared with 1968/69 (+ 4%) was recorded. This smaller change can be explained by the fact that in 1968/69 the rate of growth in consumption had been exceptionally high (+ 7.3%).

- to meet this demand, the Community expanded its production and developed its net imports of raw fats. In 1969/70, a growth in domestic production was apparent which found expression in an expansion of domestic raw produce used in processing (2,108 m tonnes in 1969/70 and 1,973 m tonnes in 1968/69). This has meant a reduction in the quantities of raw produce for processing (1.614 m tonnes in 1969/70 and 1.694 m tonnes in 1968/69). Taking into account past developments, this change does not seem significant, given that it can be established that net imports of raw produce in the four last years were almost constant. On the other hand, the net EEC external balance for raw fats has not decreased despite the slowing down of total EEC consumption and the growth in the production of domestic raw produce (1.48 m tonnes in 1969/70 and 1.461 m tonnes in 1968/69). The degree

of self-sufficiency in the Community was lower (70.4%) in 1969/70 than that in 1968/69 (72.1%). On the other hand, the level of self-sufficiency calculated from domestic raw produce, rose (39.9% in 1969/70 and 38.8% in 1968/69). All in all, therefore, despite the slowing down of total consumption and the growth of domestic production, in 1969/70 third countries only slightly reduced the level of their 1969/69 exports to the EEC.

(1) See Tables E/2.1 to E/2.4 in the Annex, Part 1.

b) If the "fats" balance is split up into the following three large groups: vegetable fats and oils, slaughter fats and fats and oils from marine animals, certain substitution movements can be established.

- at the production level, the percentage of slaughter fats continues to increase, reaching for the first time in the EEC a third of total production of raw fats and oils. This growth has come about to the detriment of vegetable fats and oils, the percentage of fats and oils from marine animals being between 0.5 and 0.6% of total production.

- at the consumption level, trends observed in past years continue. As for technical uses, the share of slaughter fats continues to increase, exceeding 50% for the first time in the EEC; this growth has taken place to the detriment of vegetable fats and oils, given that the share of fats and oils from marine animals is a relatively constant item (8 to 10 %). At the human consumption level, the growth is the opposite, the share of vegetable fats and oils (74% in 1969/70) continues to grow to the detriment of slaughter fats (20.9% in 1969/70), the share of fats and oils from marine animals remaining constant (5.1% in 1969/70).

- at the external trade level, there is a remarkable stability in the share of vegetable fats and oils in the net external balance (64%); for the two other items, no very firm trends have yet taken shape; one can perhaps detect a downward trend for fats and oils from marine animals (18% of net external trade in raw oil for the EEC in 1969/70) and a rise for slaughter fats (18% in 1969/70).

II. Balance for prepared food fats:

This balance is made up from prepared fats obtained from the

raw fats analysed above and to which butter is added to obtain a balance for pure fats in the EEC. Given that external trade in prepared food fats, with the exception of butter dealt with in another chapter, applies to only 1.5% of production, only consumption will be analysed here. From this analysis, it follows that the share of

margarine (23.3% in 1969/70) and butter (22% in 1969/70) in total human consumption of prepared fats is tending to decline in the EEC in favour of edible oils (38.1% in 1969/70), while the share of slaughter fats seems to be maintained at a nearly constant level (16.6% in 1969/70).

When the relative movements of one product in relation to another are mentioned, it must be pointed out that total consumption of prepared food fats and butter continues to increase in the Community, both at the global level and per head. The study of per capita consumption of prepared food fats in the EEC shows in fact:

- a stagnation in per capita consumption of margarine (6.0 kg);
- a slight increase in the per capita consumption of butter (5.3 kg in 1964/65 and 5.6 kg in 1969/70) and of slaughter fats (3.9 kg in 1964/65 and 4.2 kg in 1969/70);
- a sharp growth in the per capita consumption of edible oils (7.7 kg in 1964/65 and 9.7 kg in 1969/70);
- in all, a net growth in the per capita consumption of fats in the EEC (23.0 kg in 1964/65 and 25.4 kg in 1969/70).

F. PUBLIC EXPENDITURE ON THE EXECUTION OF NATIONAL AND COMMUNITY
AGRICULTURAL POLICIES (1)

1. Total expenditure in the Community (2)

In 1971 the total sum of national and Community public expenditure on national and Community agricultural policies (subsidies, interest rebates, transfers in connection with social expenditure, expenditure financed by the profession by means of parafiscal levies) is estimated at about 7 500 million u.a. (3).

The grouping of public expenditure has been effected on the basis of 5 main categories: expenditure for market support, structural expenditure, miscellaneous expenditure (including price reductions for certain means of production, veterinary and plant protection measures, control of quality and varieties, natural disasters), extraordinary income compensation and social expenditure; it shows (in descending order) the relative importance of expenditure on structural action, social action and market support.

In fact, the sums allocated in 1971 to these three categories of expenditure were respectively 2 276 million u.a. for structural expenditure, 2 263 million u.a. for social action, 2 073 million u.a. for market support.

(1) Including forestry, excluding fisheries.

(2) See Table F/1.1 in the Annex, Part 1. Figures are available for the years 1967, 1969 and 1971.

(3) The figures, which are taken from the budgets of the six Member States, the Länder, the autonomous regions in Italy, the Italian Green Plan, the Casa per il Mezzogiorno and FEOGA accounts, make no claim to absolute book-keeping

accuracy. In particular, they do not take into account either the transfers made during the year or the carrying forward of the balances from one year to the next. Expenditure for the running of ministries and local cooperatives, expenditure for agricultural education and publicity and expenditure on agricultural research are also not take into account. Conversions into u.a. are made on the basis of official parities. Figures for 1969 in Germany do not take into account the revaluation of the DM in 1969; on the other hand, those for France do take account of the devaluation of the FFr in 1969.

PUBLIC EXPENDITURE FOR THE EXECUTION OF NATIONAL AND COMMUNITY
AGRICULTURAL POLICIES
(1967, 1969, 1970)

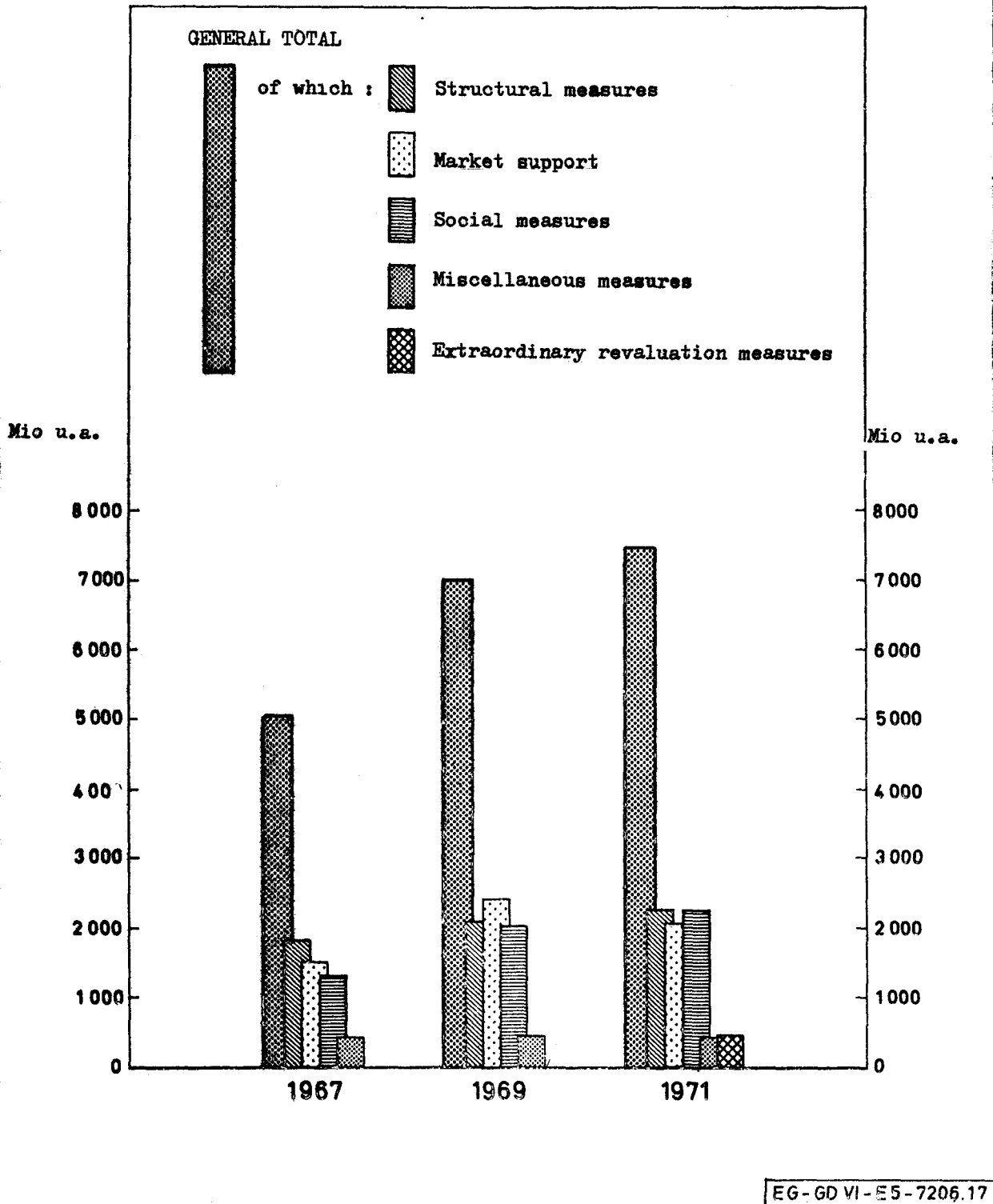


Diagram 7

The analysis of credits made to agriculture in the years between 1967 and 1969 indicates a very noticeable slowing down in the increase in total public expenditure (without "social" expenditure) on agriculture between 1969 and 1971. This increase, in fact, was only about 5% against 32% between 1967 and 1969. As for total expenditure (social expenditure included) the increase was of 106.8 between 1969/71 against 137.9 between 1967/69.

The analysis of total amounts has, in any case, only a very relative value, since it masks disparate developments within each category of expenditure and in each country.

The detailed study of expenditure on market support reveals a sharp decline in this expenditure. The sums allotted in 1969 and 1971 for market support were respectively 2 441 million u.a. and 2 073 million u.a. (1).

This reduction in expenditure is due principally to the lower cost of intervention for cereals and dairy produce and the cessation since 1971 of the payment by the Community of compensatory amounts to Germany, Italy and Luxembourg under Regulation 742/67/EEC of 24th October 1967.

This decline in expenditure on market support at Community level in 1971 is, however, offset by the appearance of a new type of expenditure in Germany. This was a very significant amount of about 465 million u.a. allotted by the German Federal Republic to farmers as compensation for losses in revenue following the revaluation of the DM. (FEOGA contribution 90 million u.a.).

As for expenditure by public authorities for the improvement of agricultural structure, the rate of growth between 1969 and 1971 can be estimated at 8.8% against 14.3% between 1967 and 1969. This expenditure was in fact 1 832 million u.a. in 1967,

(1) It should be pointed out that levies and contributions under the common agricultural policy amount to about 866m u.a. in 1969 and 714m u.a. in 1971.

2 094 million u.a. in 1969 and 2 275.7 in 1971. This expenditure represented 30.3% of public expenditure in 1971 and 29.8% in 1969.

This slowing down is attributable more particularly to strict economy in structural expenditure in Italy. This country has checked expenditure from the central budget, and the new grants under law 592 of 4.8.1971, intended to replace the Green Plan falling due in 1970, do not reach the level of the annual allocation envisaged in the Green Plan.

There is also a levelling off of total expenditure in France and Luxembourg. There has been an important growth rates, on the other hand, in the Netherlands, Belgium and to a lesser extent Germany. Financial expenditure from Community funds by the orientation section of FEOGA make up 7% of expenditure on agricultural structure in the Community.

The expenditure included in the category of "miscellaneous" measures (5.6% of total public expenditure in 1971, against 6.4% in 1969) which includes expenditure on the improvement of agricultural production, on sanitary controls, compensation for natural disasters, as well as subsidies to lower the cost of certain means of production (fuels, fertilisers, agricultural implements), has declined by 5.6%. Expenditure was in fact 449 million u.a. in 1969 and 424 million in 1971. This decrease is due principally to a substantial decline in subsidies for the prevention of animal disease in France.

The examination of expenditure in the social field (1) in the Member States shows a very important advance in this expenditure between 1967 and 1971 at a rate of 110.9%. This concerns transfers to farmers within the framework of measures taken by public authorities in the field of income support for farmers.

(1) Old age pensions, family allowances, sickness, accidents to farmers and family assistants (subsidies, transfers, taxes).

2. Relative importance of total expenditure in the Community (1)

To specify the relative importance of expenditure by public authorities on agriculture, it seems useful to compare this expenditure with the contribution of the agricultural sector to the gross domestic product, with the area of agricultural land used and with the active agricultural population. In 1971 (2) the total of expenditure listed (except social expenditure) represented 22% of gross agricultural value added. The slight drop of 0.3% compared with 1969 shows the faster increase in production compared with expenditure.

Expenditure per hectare, on the other hand, rose from about 72 u. a. in 1969 to about 75 u. a. in 1971 because of the constant fall in the area of agricultural land. Expenditure per person active in agriculture has risen the most sharply. These figures moved up from about 493 u. a. in 1969 to about 548 u. a. in 1971. Certain reservations should be made, however, concerning expenditure per person active in agriculture. The expenditure listed does not all benefit agriculture directly. In market support, one should distinguish between expenditure directly influencing farmers' incomes and the expenditure for the functioning of the system. In structural expenditure "public services" expenditure which includes expenditure on rural electrification, drinking water, sewage, telephones, the planning of villages, the clearing of rivers and roads, should also be separated from the total sum since in reality it also benefits the non-agricultural rural population.

The differences established earlier in the allocation of funds to different categories of expenditure in the six Member States become a little blurred.

(1) See Table F/2.1 in the Annex, Part I

(2) Gross value added for 1970.

For 1969 the differences of expenditure on structure expressed as a percentage of gross domestic product vary from 3.8% in Belgium to 17.7% in Luxembourg; Germany with 13%, France with 8.7%, Italy with 8.6% and the Netherlands 7.1% occupy a middle position. For 1971 these percentages are as follows: Luxembourg and Germany 16.4 and 16.1% respectively; Netherlands 9.1%; France 8.2%; Italy 7.6% and Belgium 5.4%.

3. Composition of expenditure in the field of structural measures (1)

As was stated before, the growth in public expenditure on structural measures was less important than in previous years.

This rate was in fact of 8.8% between 1969 and 1971 against 14.3% between 1967 and 1969.

The relative share of each Member State in the total expenditure of 2 093.6 million u.a. in 1971 was: Germany 34.3% (33.1%); France 30.7% (31.7%); Italy 26.2% (27.9%); Netherlands 6.2% (5.3%); Belgium 2.3% (1.7%); Luxembourg 0.3% (0.3%).

The figures in brackets refer to 1969.

If the development of expenditure is compared in each category listed, a very important growth in expenditure on measures conducive to the mobility of agricultural workers can be observed at the European level. The most important growth took place in this category (95%), increasing from 86 to about 164 million u.a.. Expenditure on market structure has also grown significantly: 19% increasing from 248 to 296 million u.a..

Expenditure on agricultural infrastructure (consolidation, farm roads, drainage, etc...), although increasing less sharply, still represents an important part (26.2% of total expenditure for the improvement of agricultural structure).

However, the downward tendency since 1967 has been maintained.

(1) See Tables F/3.1 and F/3.2 in the Annex, Part 1

Funds reserved for the improvement of the structure of production are levelling off, on the other hand; in fact they rose only from 351 to 355 million u. a. , a rise of 1.1%.

A downward tendency may be observed for expenditure on "public services" which includes expenditure on rural electrification, drinking water, sewage, telephones, planning of villages, roads.

A similar downward tendency may be observed for expenditure for the planting, maintenance and management of forests.

In conclusion, to sum up the salient features in the development of public expenditure between 1969 and 1971 at the European level, there was an important decline in expenditure on market support, the appearance of a new type of expenditure in Germany: compensatory measures for losses in revenue caused by the revaluation of the DM: a levelling off in certain countries of expenditure on agricultural structure, a decline in miscellaneous expenditure and a deceleration in the increase of expenditure in the social field.