

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE AGRICULTURAL SITUATION IN THE COMMUNITY

1975 REPORT

Part I - Synthesis

COM(75) 601 final.

PART I

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The agricultural situation in the Community

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1975 REPORT

ON THE AGRICULTURAL SITUATION

Preliminary remarks

This report is presented in conjunction with the price proposals for the 1976/77 marketing year. It constitutes the annual report referred to in the "Declaration on the system for fixing Community farm prices" contained in the Documents concerning Accession to the European Communities.

The report consists of three parts. Part I entitled "Synthesis" gives a general survey of the agricultural situation based on macro-economic data and on the studies contained in Part II of the report.

Part II, entitled "Analysis", consists of detailed studies on trade in agricultural products, on agricultural markets, structures, agricultural incomes and the financial aspects of the common agricultural policy and of national agricultural policies.

Lastly, Part III (ANNEX) comprises the statistical tables on which Parts I and II are based.

The report contains all the information which the Commission is required to submit in accordance with Article 2 of the Council Decision of 4 December 1962 on the coordination of policies on the structure of agriculture. The analysis is not concerned with the national policies pursued in this field; the Commission considers it more appropriate to analyse those aspects in the reports which it has to submit annually to the European Parliament and to the Council, as provided for in Directives 72/159/EEC, 72/160/EEC and 72/161/EEC of 17 April 1972 on the reform of agricultural structures, and which it will submit in the near future.

This report also includes the data from the Farm Accountancy Data Network of the European Economic Community in accordance with the provisions of Article 1(3) of Council Regulation No 79/65/EEC, as amended on 23 October 1973, which set up the

data network. It also supplies the information called for in Article 4 of Council Regulation (EEC) No 1308/70 on the common organization of the market in flax and hemp.

The Commission has already submitted the following separate reports to the Council:

- Report on the foreseeable developments in the planting and replanting of vineyards in the Community and the ratio between production and utilization in the wine sector (document COM(75)416 final of 18 July 1975);
- Report on the situation regarding the production and marketing of hops: 1974 harvest (document COM(75)412 final of 25 July 1975);
- Report dealing with the manner in which the provisions of Protocol No 18 annexed to the Act of Accession were applied during 1974 (imports of butter and cheese into the United Kingdom) (document COM(75)151 final of 10 April 1975);
- Financial Report on the EAGGF, Year 1974 (document COM(75)396 final of 24 July 1975);
- Report concerning the quantities of raw tobacco of the 1972 crop taken over by intervention agencies (document COM(75)486 final of 1 October 1975).

It should be pointed out that the Community does not yet have at its disposal sets of statistics based on uniform methods, periods and definitions, so that it is sometimes difficult to compare the results from the various Member States. The Commission takes this opportunity to stress once more the need for an acceleration of the work on the coordination and harmonization of national statistics for Community purposes and the need to have available statistical information which is as up-to-date as possible. In order to fill in the gaps in official statistics, the Commission has, in certain cases, had to have recourse to other sources of information or to make its own estimates.

The drafting of this Report¹ was completed on 11 November 1975.

¹The data given in this Report may usefully be supplemented by that published in previous reports.

1. DISTINGUISHING FEATURES OF AGRICULTURE IN THE COMMUNITY

The agricultural sector in the enlarged Community comprises 5.2 million farms of one hectare or more cultivating 88 million hectares (about 2% of the world UAA). The working population engaged in agriculture numbers still some 9.1 million persons; this represents about 8.9% of the working population; agriculture¹ accounts for about 5.4% of the gross domestic product of the Community.

Agriculture in the Community is carried on in a temperate zone of wide diversity of climate, morphology and soil fertility, extending over almost 3 000 km from the hills of Scotland to Sicily.

Apart from this diversity of physical conditions, Community agriculture is affected by very different demographic, structural and economic factors, such that, for example, the average area of farms in Picardy is around 40 ha whereas in Calabria it is under 6 ha. Agriculture in the Community is not homogeneous, but varies from region to region.

In comparison with the agricultural structures of the major world producers (USA, Canada, Australia, New Zealand), those of the Community appear mediocre. For example the land/man ratio is only 10 ha per person engaged in agriculture in the Community against 136 ha approximately in the USA. The average farm area is only 18 ha; 42% of farms cover less than 5 ha and occupy only 6.3% of the UAA; in contrast, 6.2% of farms, accounting for 42.1% of the land, are farms of more than 50 ha.

Farms of more than 1 ha in the Community in 1974

Specification	Farms		Land UAA	
	Number ('000)	%	ha ('000 000)	%
TOTAL	5 208	100	88.0	100
1 - 20 ha of which	4 032	77.4	25.1	28.6
part-time farms (estimated)	1 700	33	.	.
20 ha and above	1 176	22.6	62.9	71.4

¹Including forestry and fisheries.

For a long time now, agriculture in the Community has been based mainly on animal production. The beef-mutton-dairy sector, which occupies about 42 million ha of meadow and pasture land (45% of the UAA), represents in itself one-third of total agricultural production. If one adds pig and poultry production, which are based on the processing of cereals, the value of animal production accounts for 57% of the final agricultural production.

The crop sector is based mainly on cereals, cereals occupying 28% of the total UAA, but representing only 12.1% of the value of the final agricultural production. This is due to the fact that a large part of the crop production is intended for forage and thus 75% of the total UAA is in fact given over to animal production.

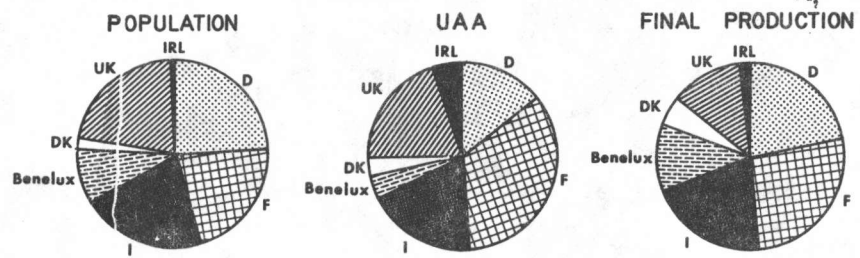
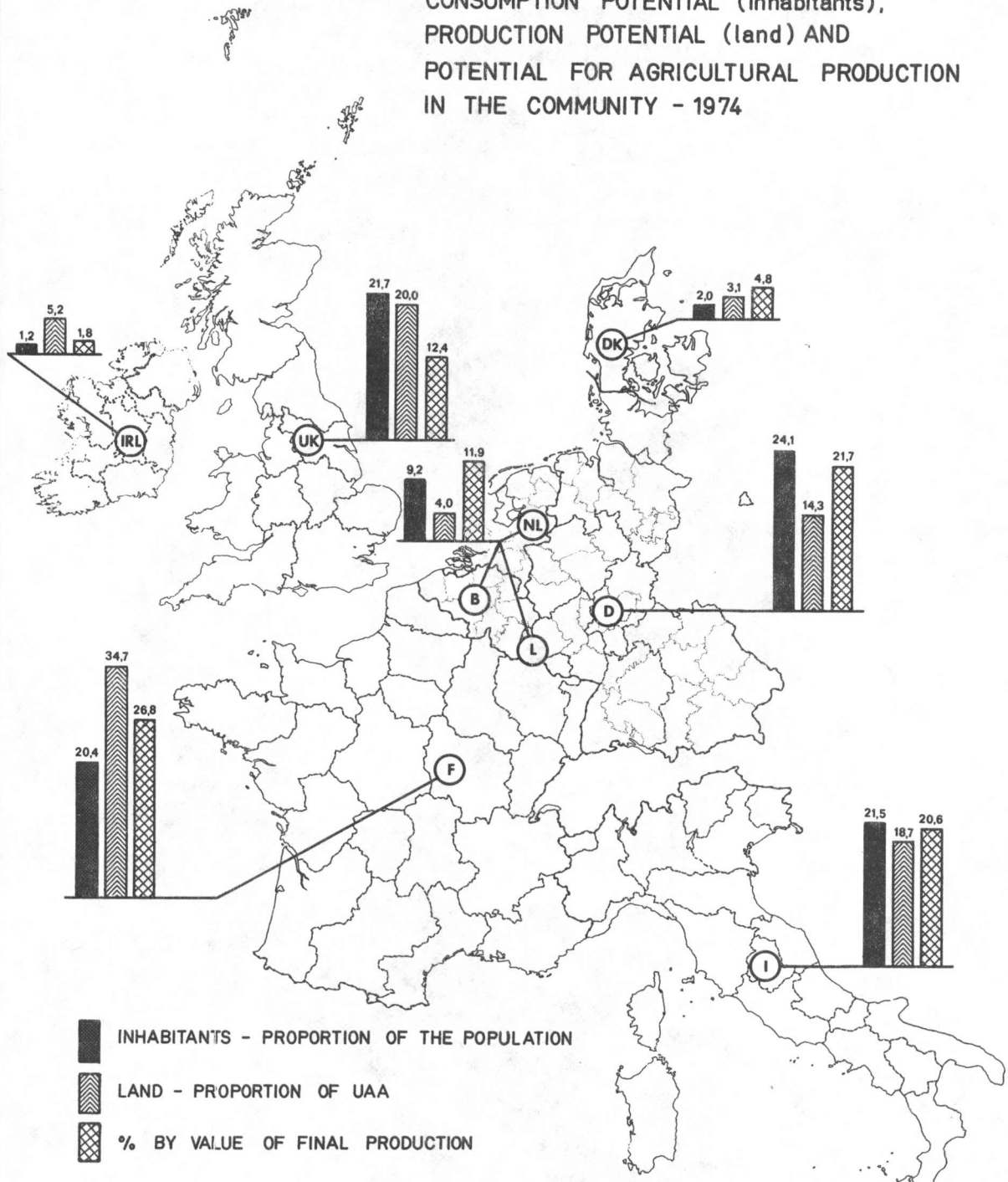
Although vegetables and fruit are produced in almost every region of the Community, certain specialized products in this sector (for example, citrus fruit) and the production of wine and oil are localized mainly in the southern part of the Community. These products as a whole account for 17.9% of total agricultural production.

Agricultural production in the Community is not, however, sufficient to supply a consumer market of 258 million people (6.7% of the world population). Imports of agricultural and food products amounted in 1973 to more than 25 milliard EUR, final internal agricultural production accounting for a total of 64 milliard EUR. The Community is in fact the chief world importer of foodstuffs, which constitute more than 29% of its total imports. The Community is also a major exporter of agricultural products, however. In 1973 such exports amounted to 7.7 milliard EUR, that is, 9% of total exports.

The dependence of the Community on non-member countries is particularly great in respect of its supplies of tropical produce, vegetable oils and fats (soya), durum wheat, maize and certain fruits and vegetables (citrus fruit). The three main suppliers of the Community, each accounting for about 15% of the total, are the countries of the Commonwealth, Latin America and the USA.

On the other hand, the degree of self-supply of the Community is about 100% for a number of important products: milk and milk products, pigmeat, eggs and poultrymeat, common wheat, rye, barley, apples, pears, peaches and wine.

CONSUMPTION POTENTIAL (inhabitants),
 PRODUCTION POTENTIAL (land) AND
 POTENTIAL FOR AGRICULTURAL PRODUCTION
 IN THE COMMUNITY - 1974



GRAPH I / 1.1

COMMUNITY DISTRIBUTION OF THE UAA AND OF FINAL PRODUCTION BY CROP AND PRODUCT IN %

UTILIZED AGRICULTURAL AREA
1974

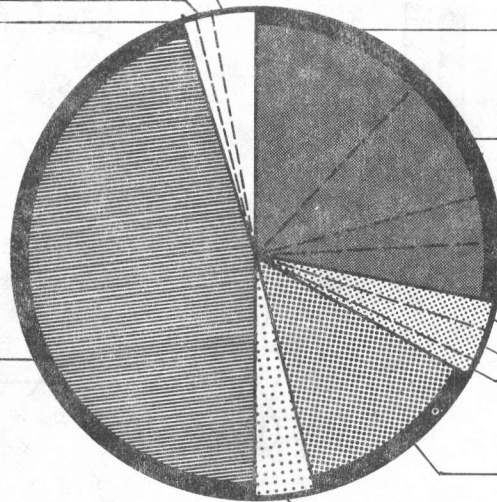
PERMANENT CROPS (5%)

- vineyards (3%)
- olive-groves (1%)
- fruit (1%)

ARABLE LAND (50%)

- CEREALS (29%) of which :
- wheat (12%)

PERMANENT MEADOW AND PASTURE (45%)



- barley (9%)
- maize (3%)
- other (5%)
- ROOT and TUBER CROPS (5%) of which :
- potatoes (2%)
- sugar beet (2%)
- fodder beet, other (1%)

GREEN FODDER (13%)

OTHER VEGETABLES (3%)

FINAL PRODUCTION
1974

LIVESTOCK (57%)

MISC. (2%)

CROPS (41%)

- eggs (5%)
- misc. (1%)

- cereals (12%)
- potatoes (2%)
- other root and tuber crops (2%)
- fruit (5%)
- wine (5%)
- olive oil (1%)
- other crop production (14%)

milk (18%)

other animals (3%)

poultry (4%)

pigs (12%)

cattle and calves (14%)

In total, the volume of Community agricultural production, averaged over a five-year period, is increasing by 2% per annum, whereas the number of inhabitants is increasing annually by only 0.8%. As in all the industrialized countries, the proportion of household expenditure accounted for by food is decreasing regularly, the figure for 1973 being 25.7%.

2. GENERAL ECONOMIC ENVIRONMENT¹

In 1975 the Community economy experienced the most serious recession since the war. Gross domestic product is expected to be about 2.5% less than in 1974. At the same time, more than 5 million persons are now unemployed, giving an unemployment rate of about 5%.

The sharp rise in the general level of prices remains a disquieting problem in all the countries of the Community. The implicit price increase for the gross domestic product of the Community was of the order of 10.9% in 1974 and will exceed 14% in 1975. Moreover, these averages hide marked differences in inflationary trends among the Member States. In 1975, the annual rates of increase in the general level of prices (calculated on the basis of gross domestic product) are likely to range between about 8% (Germany) and 26-27% (United Kingdom and Ireland).

The upward movement of internal prices is also illustrated by the high rate of increase of consumer prices, although this trend was less pronounced in certain Member States. Examining the development country by country, one sees in general a relative stability in those countries whose currencies have retained their value or appreciated, but a higher rate of inflation in countries with depreciated currencies.

DEVELOPMENT OF CONSUMER PRICES (General index)

(annual percentage rates of increase)

Member State	1974/1969	1973	1974	1975 (*)
Deutschland	5.7	6.9	7.0	6.1
France	7.5	7.6	13.4	10.7
Italia	9.0	10.8	19.1	13.0
Nederland	8.7	8.2	9.8	10.2
Belgique/België	6.7	7.0	12.7	10.9
Luxembourg	6.0	6.0	9.6	10.8
United Kingdom	9.6	9.1	16.1	26.6
Ireland	10.8	11.3	17.0	18.9
Danmark	8.6	8.8	15.4	8.7

(*) September 1975/September 1974

¹See Table I/2.1, I/2.2 and I/7/11 in the Annex.

Although in 1975 the Community's gross domestic product fell in terms of volume by 2.5%, inflation has had the effect of maintaining the growth rate of GDP by value at about 13%.

Parallel to the general economic trend described above, there has been a very appreciable increase in per capita earnings, although this trend is levelling off slightly. In 1974 per capita earnings were 16.2% higher than in 1973, while in 1975 the rate of increase has been 15.5%. The trends vary considerably from one Member State to another, ranging (excepting Germany) in 1975 between 14 to 15% (Netherlands, Denmark, Luxembourg and France) and 27 to 28% (United Kingdom and Ireland). In Germany, however, the rate of increase was only 6.5%.

Average per capita earnings in the Community in 1975 may be put at 6 900 u.a.

In 1976 some improvement in the economic situation may be expected; the economy may once more achieve the growth rate recorded before the energy crisis. It is forecast that inflationary tendencies will continue to slow down as in 1975.

3. RELATIVE IMPORTANCE OF AGRICULTURE IN THE GENERAL ECONOMY¹

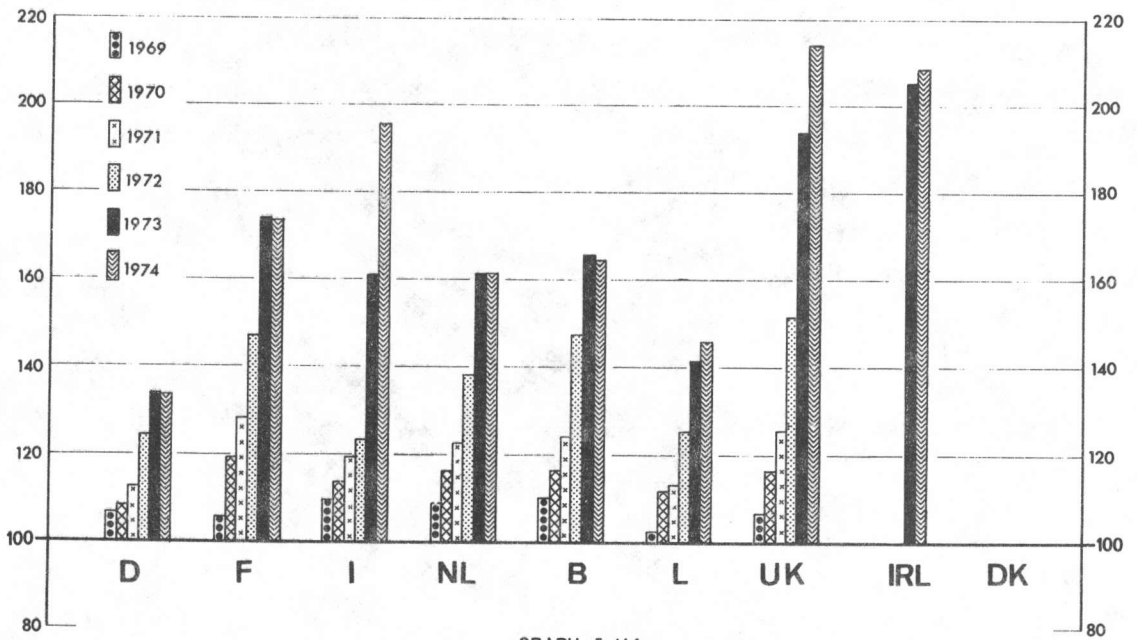
The downward trend in the part played by the agriculture, forestry and fishery sector continued; in 1973, it represented only 5.4% of the gross domestic product of the Community at factor cost (compared with 6.3% in 1968).

This trend has run parallel to a decline in the percentage of agricultural workers in the total labour force; in 1974, this was 8.7% (compared with about 12% in 1968).

For the Community, the annual rate of decrease in the agricultural labour force in 1974 compared with 1973 can be estimated at 3%, which represents a slowing down compared with the annual rate of decrease over the years 1969-1974, when it was 4%. This slowing down, which is probably due to the general economic recession and might therefore continue through 1975 and 1976, has been particularly marked in Italy and Belgium.

¹ See Table I/3.1 in the Annex.

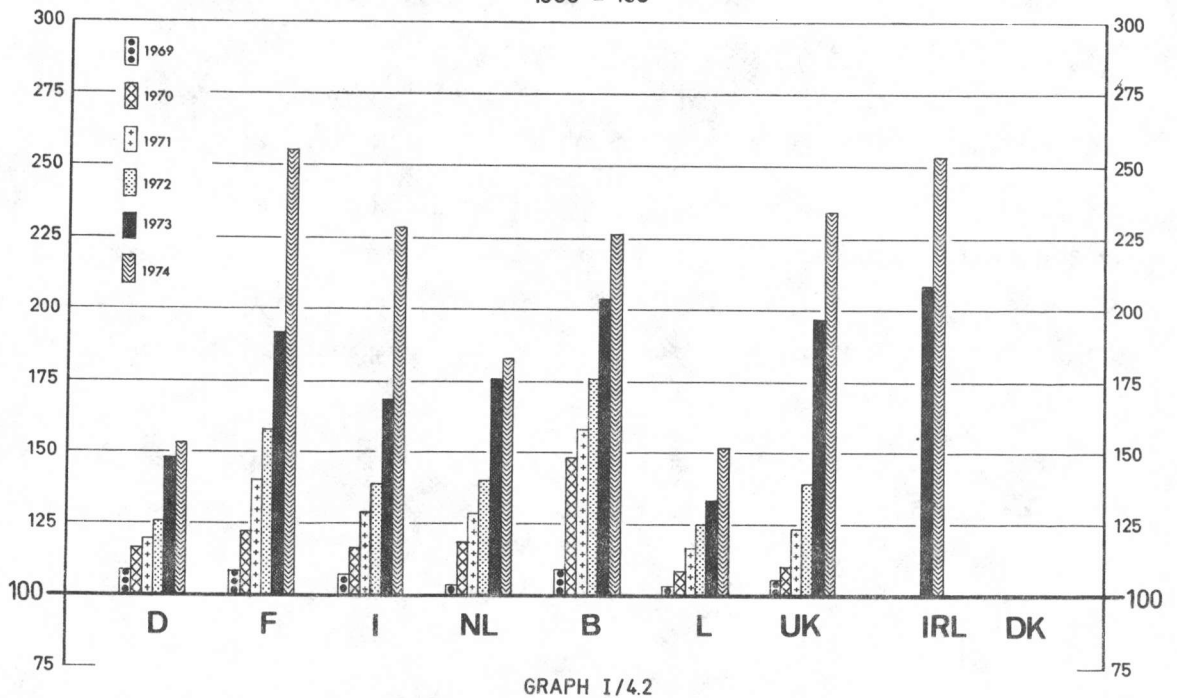
DEVELOPMENT OF FINAL AGRICULTURAL PRODUCTION
AT CURRENT PRICES
1968 = 100



GRAPH I /4.1

CEC-DG VI-G/2-7511.91

DEVELOPMENT OF INTERMEDIATE AGRICULTURAL CONSUMPTION
AT CURRENT PRICES
1968 = 100



GRAPH I /4.2

CEC-DG VI-G/2-7511.91

4. FINAL PRODUCTION, INTERMEDIATE CONSUMPTION AND VALUE ADDED¹

The final production of the Community in 1974 is estimated at 64.8 milliard EUR. This figure represents a quantitative increase of 2.2% on 1973, whilst the value of production (at current prices but at constant exchange rates) increased by 5.3%. In certain Member States (Germany, France and Belgium), however, there was a slight fall. Given the trend of farm prices and quantities produced, it may be forecast that, at constant exchange rates, the value of final production in 1975 will be 7 to 8% higher than in 1974.

Final production in 1974 can be broken down as follows among the Member States:

France	:	26.8%
Germany	:	21.7%
Italy	:	20.6%
United Kingdom	:	12.4%
Netherlands	:	7.6%
Denmark	:	4.8%
Belgium	:	4.2%
Ireland	:	1.8%
Luxembourg	:	0.1%

It can be seen from an examination of the structure of final production in the various countries that in 1974 the proportion of final production covered by common price systems represented 70.7% of total final production, the range being between 65 to 68% (France, Italy, Netherlands and Belgium) and 87 to 88% (Luxembourg and Denmark).

The products under common market organization but not subject to common price arrangements represented 17.3% of final production (with a minimum of 6% in Denmark and a maximum of 22% in Italy and the United Kingdom), whereas the percentage for products not subject to a common market organization is around 12%.

As regards the relative contribution of the various Member States to total final production per product, the following figures can be given:

¹See Tables I/4.1 to I/4.5 in the Annex.

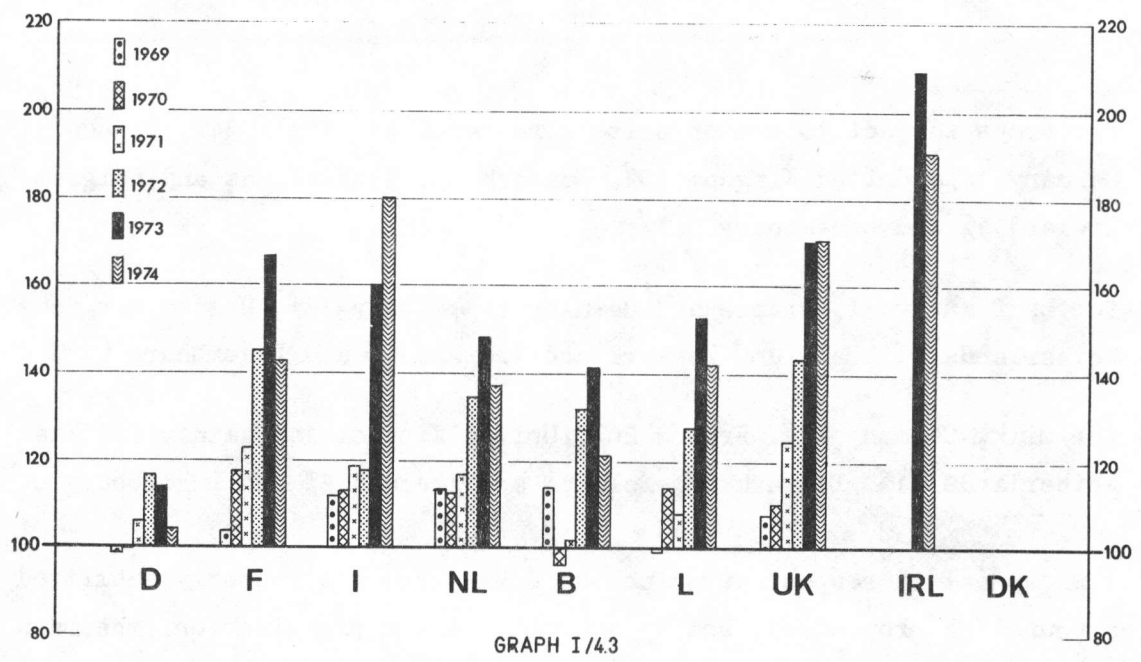
- for crops subject to common price arrangements: Italy 34%, France 31%, Germany 14%, United Kingdom 10%, Denmark 4%, Netherlands and Belgium 3%, Ireland 1% and Luxembourg 0.1%;
- for beef and veal, France and Germany 26%, Italy 13%, United Kingdom 12%, Netherlands 7%, Belgium, Denmark and Ireland 5% and Luxembourg 0.3%;
- for milk, Germany 27%, France 26%, United Kingdom 14%, Italy and the Netherlands 11%, Denmark 6%, Belgium and Ireland 3% and Luxembourg 0.3%.

For sheepmeat in respect of which the Commission has recently submitted to the Council a proposal to set up a common market organization, the main producer countries are as follows:

United Kingdom	44%
France	31%
Italy	10%
Ireland	6%

Intermediate consumption varies considerably among the Member States, ranging between 62% of final production (United Kingdom) and 27% (Italy). It follows from this that the gross value added, expressed as a percentage of final production, also differs widely from country to country. The percentage is higher than the Community average, estimated at 54%, in Italy (73%), in Luxembourg (58%), in Ireland (56%) and in France (56%), but is lower in the United Kingdom (38%), in Belgium (41%), in Germany (49%) and in Denmark (53%).

DEVELOPMENT OF NET VALUE IN AGRICULTURE AND
FACTOR COSTS AT CURRENT PRICES
1968 = 100



GRAPH I/4.3

5. PRODUCTION¹

During the period "1968"-²"1973", the final production of the Community increased in volume by 2% per annum. This rate of increase was greatest in the Netherlands (5.2%) and in France, Belgium and Denmark (2.4% to 2.2%). In 1974, the increase in the volume of final production in the Community was slightly above the average rate referred to above, the figure being 2.2% (against 5.1% in 1973). Unlike 1973 and the average for "1968"-²"1973", livestock production (+ 3.6%) showed the highest increase in 1974, whereas crop production only increased by 0.1% in volume during the same year.

If the long-term trends ("1963"-²"1973") are studied, the annual rates of change in production show marked differences from product to product. Thus, for all cereals the growth rate in the Community was 2.9% (but 6.8% for durum wheat and 8.9% for maize), for rice the figure was 3.0%, for potatoes - 3.4%, for sugarbeet 3.1%, for olives 3.1% and for peaches 0.9%.

According to provisional estimates the 1975 cereal harvest (excluding rice) of the Community will be 100 million metric tons (1974: 108.2 million m.t.). This drop is mainly due to exceptionally poor yields (-6.2%), whereas yields have been increasing by 3.2% per year on average since "1968".

For certain other agricultural products the change in the volume of production in 1975 as compared with 1974 is expected to be + 2% (+ 8.6%) for beef and veal and - 2% (+ 1.2%) for pigmeat (the figures in brackets give the 1974 increase on 1973). Provisional estimates point to a wine harvest of 142 million hl, which is less than the exceptional harvest of 1973/74 (171 million hl) but more than the 1972/73 harvest (127.7 million hl). Production of cow's milk is stable at 91.3 million m.t., but deliveries to dairies will probably increase by 3%, compared with 1% in 1974.

¹ See Tables I/5.1 and I/5.2 in the Annex.

² The sign " " indicates an average three-year period.

6. PRODUCTIVITY¹

(a) Labour productivity

During the period "1968"- "1973", there was an annual increase in labour productivity of 7.6% in the original Community. This development is due to the combined effect of the average increase in final production (2.1%) and the decrease in the number of persons engaged in agriculture (- 4.7% per annum). Calculated on the basis of gross value added, labour productivity increased by 5.9% per annum. For the various Member States, these rates² are respectively 7.2% (7.4%) in Germany, 6.3% (3.7%) in France, 6.4% (4.5%) in Italy, 7.9% (7.2%) in the Netherlands, 10.4% (8.3%) in Belgium and 6.5% (5.1%) in Luxembourg. In the United Kingdom labour productivity increased by 4.4% (4.1%).

Taking all sectors of the economy together, the rate of 7.6% is to be compared with an annual growth rate of the gross domestic product per person employed in the original Community at constant prices and exchange rates for the same period of 5.4% for the original Community and 4.8% for the enlarged Community.

Over the same period, the productivity per hectare of utilized agricultural area in the original Community has shown an annual growth rate of 3.1% (1.9%)².

(b) Yields

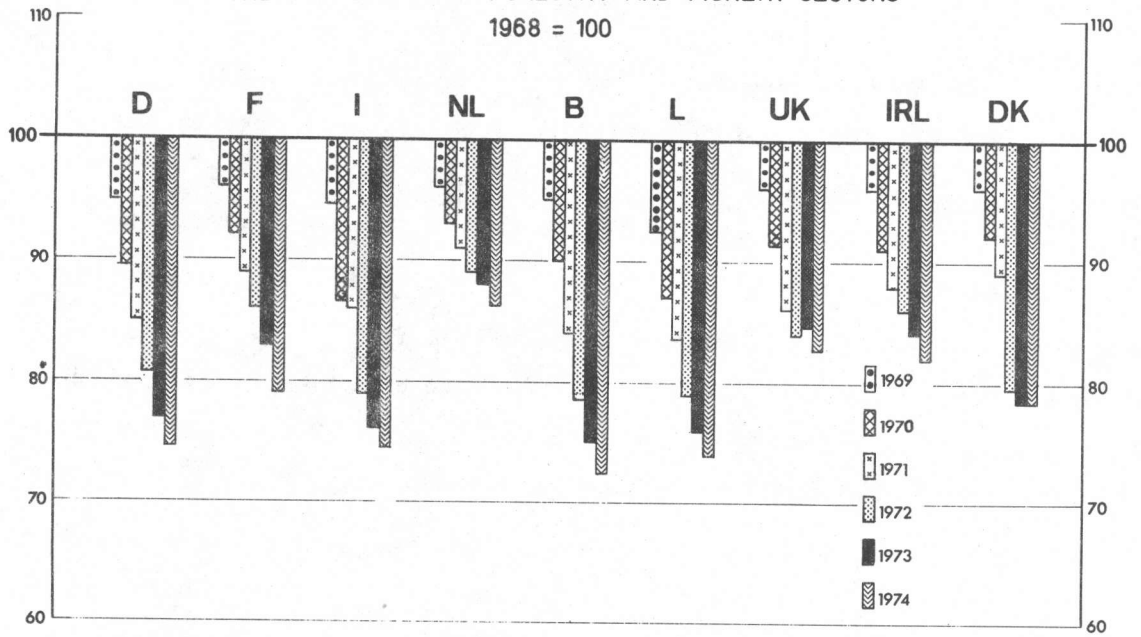
Over the longer period from "1963" to "1973", the average yields per hectare showed quite substantial annual rates of increase. These varied in the Community from 4.6% for durum wheat, 5% for grain maize, 3.4% for common wheat, 1.8% for barley and 1.4% for sugarbeet. For cereals as a whole the annual growth rate was 2.8%. In general, yields showed an appreciably lower rate of increase in the three new Member States.

¹ See Tables I/6.1 and I/5.2 in the Annex.

² The first figure has been calculated on the basis of final production, the second on the basis of gross value added. No data are available for Ireland and Denmark.

DEVELOPMENT OF THE NUMBER OF PEOPLE EMPLOYED IN THE AGRICULTURAL, FORESTRY AND FISHERY SECTORS

1968 = 100



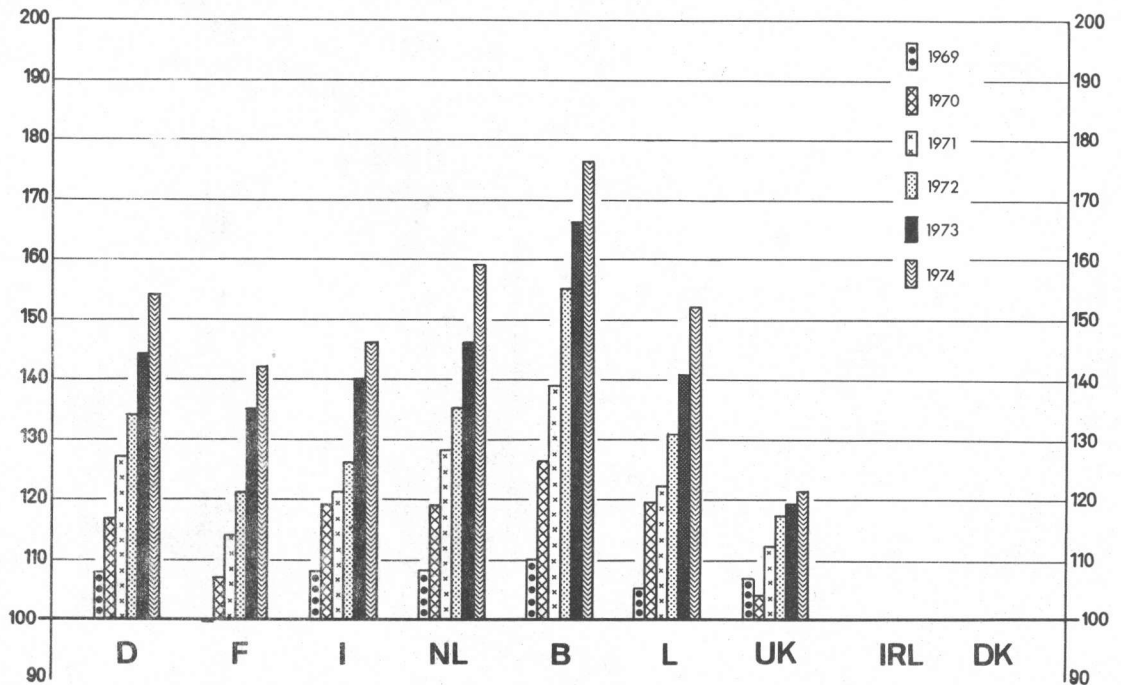
GRAPH I/6.1

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DEVELOPMENT OF LABOUR PRODUCTIVITY IN AGRICULTURE

(calculated on the basis of final production at 1970 constant prices per person employed in agriculture)

1968 = 100



CEC DG VI-G/2-7511.90

GRAPH I/6.2

7. PRICES¹

(a) Prices of means of production and wages²

The acceleration of the marked inflationary trends, the energy crisis and the firmness of markets for the supply of certain feedingstuffs and chemical products caused a very sharp rise in the prices of means of agricultural production and in agricultural wages during 1973 and 1974.

The increase in agricultural wages ranged in 1974 from 31.8% in Italy to 14.5% in Germany. The expected further increase in non-agricultural wages in the Community (15.5%) in 1975, as against 16.1% in 1974, suggests that agricultural wages will increase by the same amount in 1975.

There were abrupt increases in the prices of the means of production in the second half of 1973 and the first half of 1974. Since then, there has been something of a lull but in certain Member States price increases are still very considerable. In the original Community, the annual rate of increase of these prices has trebled - from about 5% in 1970, 1971 and 1972, to an estimated 16.8% in 1973, 20.5% in 1974 and 10.6% in 1975. These averages hide considerable differences between Member States with a strong currency and those with a weak currency, as shown in the following table:

Rate of increase in prices of means of production³
(on the basis of data expressed in national currencies)
(in %)

Member State	1973	1974	1975 estimate
Deutschland	13.0	8.6	7.5
France	11.1	26.8	10.5
Italia	16.7	31.4	14.8
Nederland	16.4	3.9	4.5
Belgique/België	14.0	8.1	7.5
Luxembourg	9.8	13.4	9.2
United Kingdom	28.2	30.2	13.2
Ireland	20.3	37.8	20.0
Danmark	28.3	8.6	4.5

Source: Eurostat

¹See Tables I/7.1 to I/7.11 in the Annex.

²See Tables I/7.1 to I/7.3 in the Annex.

³Intermediate consumption and gross formation of fixed capital.

The sharp increases in the prices of means of production in 1973/74 are due mainly to the rise in the prices of feedingstuffs, fertilizers, fuels, and, to a lesser extent, to the rise in machinery prices.

Not surprisingly, agriculture has made great efforts to reduce the impact of such price rises on production costs, either by reducing the volume of intermediate consumption or by preventing this volume from increasing as rapidly as in previous years.

(b) Prices of agricultural products¹

The upward trend in agricultural producer prices experienced in 1972 and 1973 was converted in 1974 to a downward trend in certain Member States and a much reduced upward rate in others. In 1975 the strong upward trend was resumed. As a result, following increases of 17.6% in 1973 and 3.7% in 1974, a 12.6% rise may be forecast for the Community in 1975.

Unlike the situation in 1974, this latest increase incorporates a greater increase in the price index for animal products (15%) than for crop products (8.9%).

The following table illustrates the very different rates of change for agricultural products from one Member State to another.

Rate of increase of prices of agricultural products
(on the basis of data expressed in national currencies)
(in %)

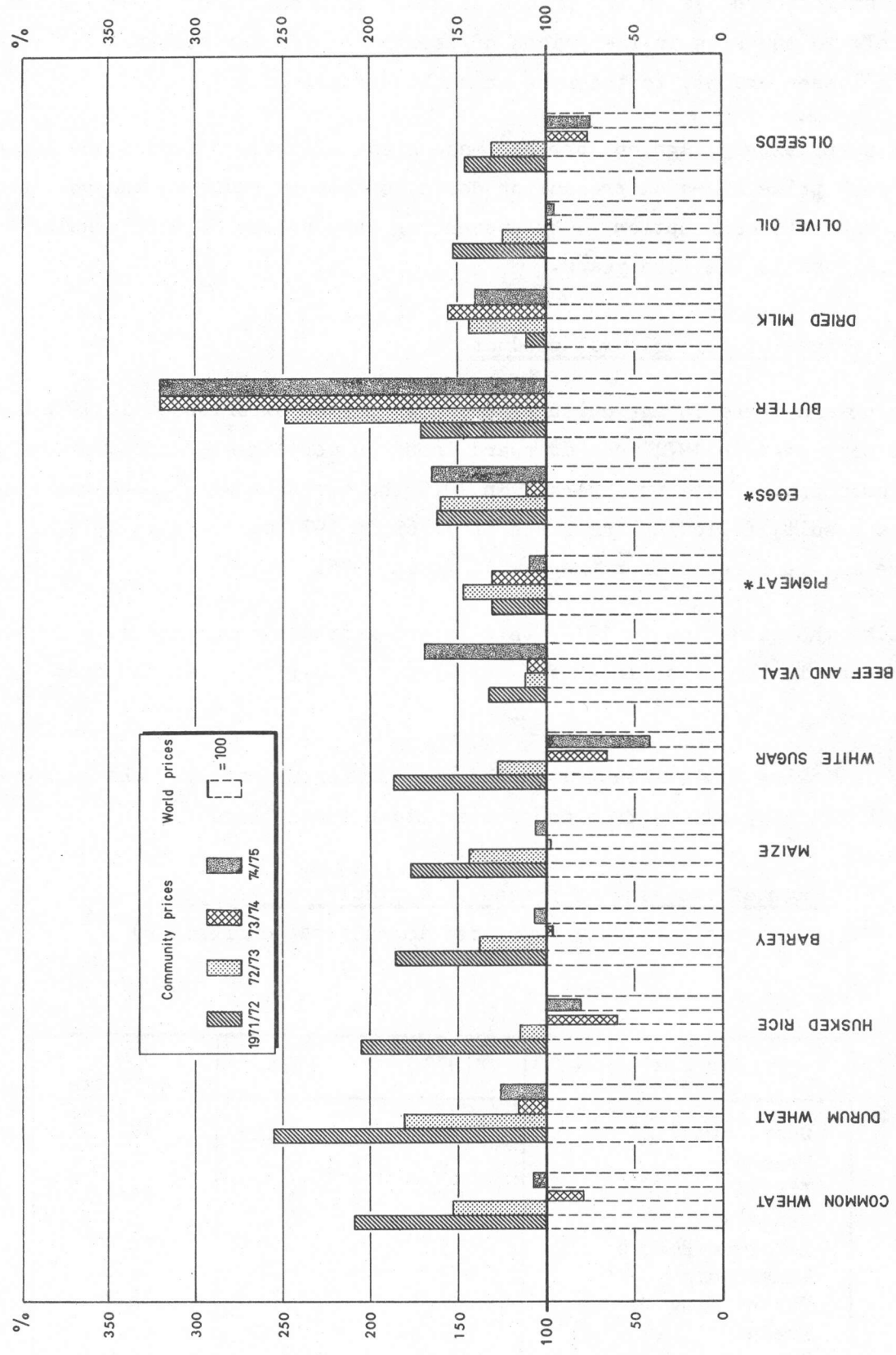
Member State	1973	1974	1975 estimate
Deutschland	8.4	- 4.9	12.1
France ¹	11.8	2.8	7.2
Italie	25.8	10.7	12.1
Nederland	11.7	- 5.4	9.2
Belgique/België ¹	13.8	- 6.6	14.0
Luxembourg	9.5	0.7	10.6
United Kingdom	29.0	12.8	23.2
Ireland	30.7	1.4	23.8
Danmark	29.4	0.5	8.9

¹ without VAT.

Source: Eurostat

¹ See Tables I/7.4 to I/7.8 in the Annex.

COMPARISON BETWEEN WORLD PRICES AND COMMUNITY PRICES
World prices = 100



*1971 - 1972 - 1973 - 1974

The price movements noted above should be compared with the average increase in common prices in u.a. of 5.1% in 1973/74, 14.5% in 1974/75 and 9.6% in 1975/76¹. Changes in the representative rates of currencies for the purposes of the common agricultural policy and the approximations to Community prices made by the new Member States have helped to make for different farm price trends in the Member States. Thus, over 1974/75 and 1975/76 combined, common agricultural prices expressed in national currency increased by 18% in the Netherlands, 21% in Germany, 24% in Belgium, Luxembourg and Denmark, 27% in France, 54 to 57% in the United Kingdom and Ireland and 75% in Italy.

The relationship between agricultural prices in the Community and world market prices has changed radically since 1971/72. The latter prices have for the most part greatly increased since that date, so that prices within the Community have come closer and closer to world prices for agricultural produce, butter and milk powder being an exception to this rule. However, while in the 1973/74 marketing year prices at the Community frontier were near or below world prices, the position has again been reversed in 1974/75 in respect of certain products.

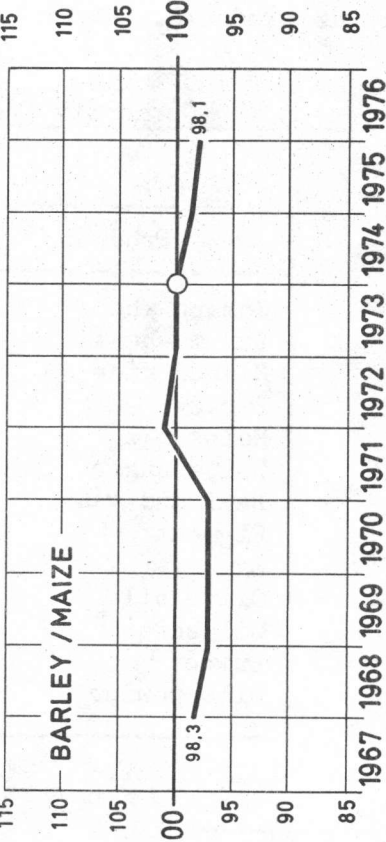
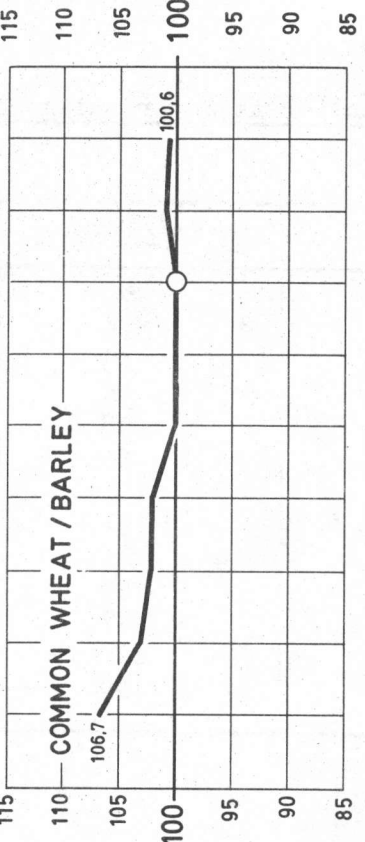
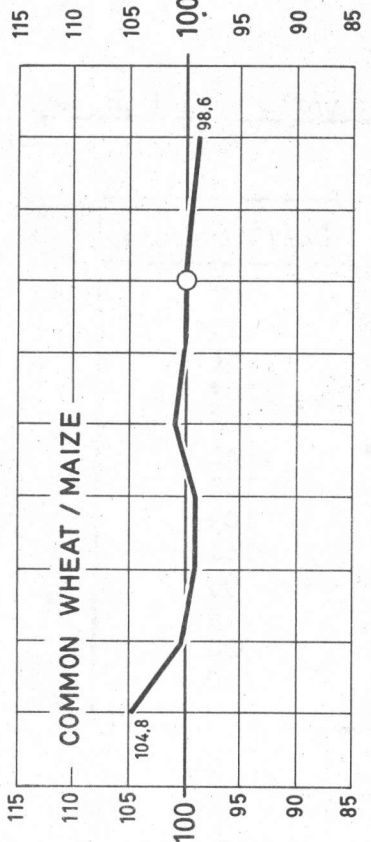
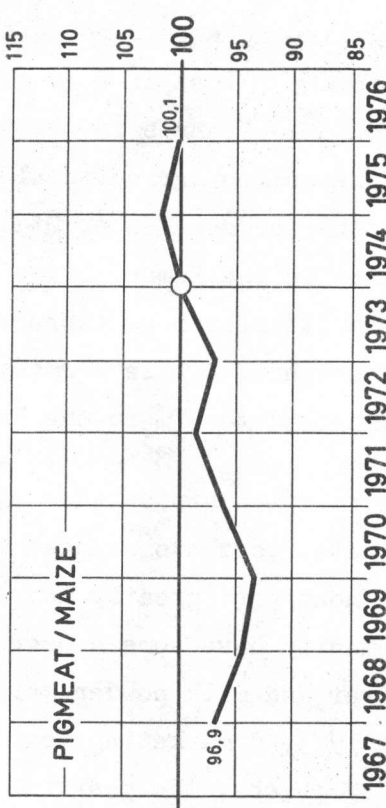
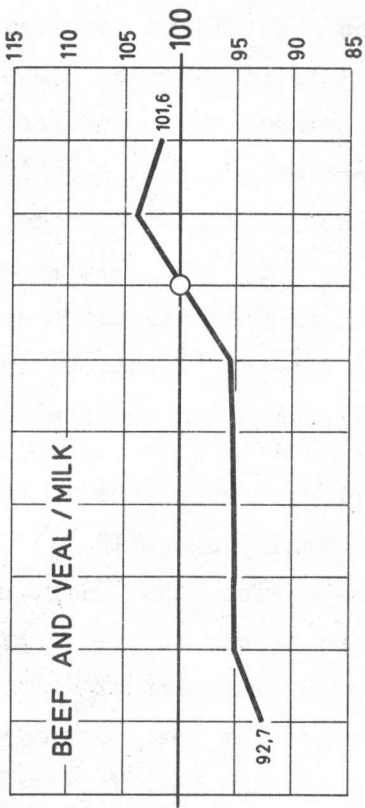
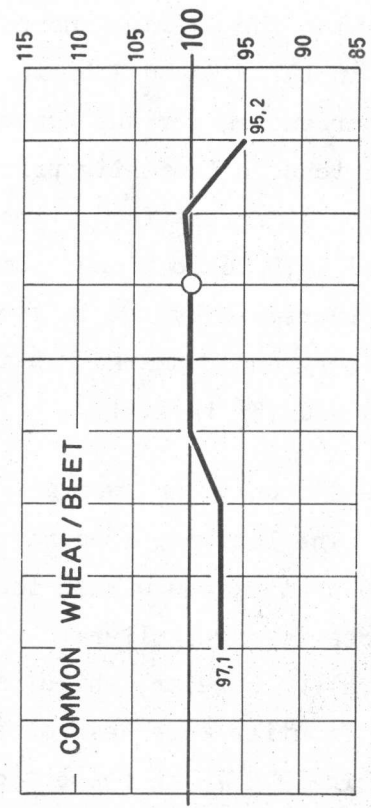
Prices at the Community frontier as a percentage of world market prices

Product	1973/74 Average	1974/75 Average
Common wheat	79	107
Durum wheat	116	125
Husked rice	60	81
Barley	96	107
Maize	98	106
White sugar	66	41
Beef and veal	111	168
Pigmeat	131	109
Eggs	111	164
Olive oil	96	95
Oilseeds	77	75
Butter	320	320
Milk powder	156	140

¹On the basis of the distribution of final production in 1970-72, at 1963 prices and exchange rates.

COMMON PRICE RELATIONSHIP¹⁾ BETWEEN CERTAIN AGRICULTURAL PRODUCTS

INDEX 1973/74 = 100



1) Target prices (Cereals), Guide price (Beef and veal) Basic price (Pigmeat), Minimum price (Beet)

(c) Comparison of the development of consumer prices and agricultural producer prices¹

An analysis of the development of producer and consumer prices for certain agricultural products which have an important place in total agricultural production (e.g., milk, beef and veal, pigmeat, common wheat, sugar beet and eggs) shows that consumer prices for these products, whether processed or unprocessed, generally increased by a far greater amount than agricultural producer prices over the period 1968-1974. Exceptions to this rule have occurred in the case of pigmeat in France, Italy and Belgium, drinking milk in the three new Member States, sugar in the Netherlands and potatoes in Italy, the United Kingdom and Denmark.

In 1974 the strong upward trend in consumer prices for foodstuffs and beverages continued in the Community, while the general index for agricultural producer prices fell considerably. Since the third quarter of 1975, however, farm prices have shown an upward trend, so that from March/June 1975 onwards, calculated on a twelve-month basis, producer prices for agricultural products have tended to increase more rapidly than prices for foodstuffs and beverages.

¹See Tables I/7.9 to I/7.11 in the Annex.

8. CONSUMPTION AND CONSUMERS¹

In 1973 the proportion of consumer expenditure going on food products represented 25.7% of private household consumer expenditure. This proportion was highest in Ireland (38.7%) and Italy (35.2%) and lowest in Denmark (19.4%) and Germany (21.1%). This proportion is falling annually.

Overall and per capita consumption of agricultural production have not followed the same trend in recent years. In the Community there has been an increase for certain products and a decrease for others. Among the products of which per capita consumption has declined are potatoes, cereals of bread-making quality, most fresh milk products and butter. There has been an increase in the per capita consumption of fruit, vegetables, sugar, vegetable fats, all categories of meat, eggs, cheese and fresh cream.

Per capita consumption of the main food products
(average in kg per inhabitant and per year in 1970-74)

Product	EEC-9	National bracket	
		Maximum	Minimum
Cereals	84	Italia : 131	Nederland : 63
Sugar	38	Ireland) : Danmark) : 49	Italia : 30
Potatoes	84	Ireland : 122	Italia : 39
Vegetables	96	Italia : 158	Danmark : 50
Wine (litres)	49	France : 106	Ireland : 2
Milk (fresh products, other than cream)	102	Ireland : 227	Italia : 72
Meat	75	France : 87	Danmark : 57
of which beef and veal	25	France : 29	Danmark : 16
pigmeat	32	Deutschland : 49	Italia : 16
poultrymeat	12	France : 15	Danmark : 6
Vegetable oils and fats (EEC 6)	17	Italia : 22	France : 14
Butter (fat)	6	Ireland : 10	Italia)) : Nederland) : 2

¹ see Tables I/8.1 to I/8.3 and I/7.9 to I/7.11 in the Annex.

Consumer habits within the Community differ widely. It is not surprising to learn, therefore, that the average French consumer drinks per year fifty times more wine but three times less milk than his Irish counterpart, or that the Italian housewife uses twice the quantity of vegetable oils and fats, but four times less butter than the Irish housewife.

The changes seen in consumer habits are due not only to the increase in incomes but also to new supply possibilities opened up by the integration of the agricultural and food markets within the Community. The volume of intra-Community trade in agricultural and food products is six times what it was in 1963; the range of products offered to consumers has been greatly increased and diversified, largely as a result of the new economic dimensions in which the food industry now operates.

Already in 1973, and more so in 1974, Community consumers had protection from the ups and downs of the world market. By introducing export levies for certain vital basic products (cereals, rice, sugar), the Community not only ensured security of supply but also a certain degree of stability in consumer prices. In a period of galloping inflation and temporary hold-ups in energy supplies, these and other measures to help the consumer (subsidies for butter, subsidized purchase of sugar on the world market) assume particular importance.

Comparing 1975 with 1974, consumer prices for foodstuffs have increased to a lesser extent than the consumer price index in certain countries of the Community (Germany, Netherlands). Elsewhere (France, Belgium, Luxembourg, Ireland, United Kingdom and Denmark), consumer prices for foodstuffs have increased slightly more than the general index. Only in Italy has there been a considerable difference between the rise in food prices (17.2%) and the general consumer price index (13%), mainly as a result of successive lowerings of the representative rate for the lira (the "green" rate) used to convert into national currency the amounts fixed in units of account for the purposes of the common agricultural policy.

Consumer prices

September 1975 % increase over September 1974

Country	General index	Foodstuffs and beverages
Deutschland	6.1	5.9
France	10.7	11.3
Italia	13.0	17.2 ¹
Nederland	10.2	8.5
Belgique/België	10.9	11.8
Luxembourg	10.8	12.3
United Kingdom	26.6	28.2
Ireland	18.9	19.1 ¹
Danmark	8.7	10.3

¹ August 1975 - August 1974

The United Kingdom is a special case since the British market, which represents almost 22% of the Community's consumption potential, is the most dependent on non-member countries, but it is also the market which has received the most Community help for consumers (a consumer subsidy of 200 million u.a. for butter sold at a price 47% less than the common price, measures in support of beef and veal and pigmeat, measures to ensure security of sugar supplies).

As a result of the special measures, the monetary compensatory amounts and the measures taken by the Community to ensure security of supply and the stability of consumer prices, the increase in these prices in the United Kingdom was less than it would have been if the full impact of world prices had been borne by the consumer goods markets.

9. TRADE AND DEGREE OF SELF-SUPPLY¹

(a) Trade

Since no statistics are available for Community trade with non-member countries in 1974, it has not been possible to include comments on such trade in this report.

(b) Degree of self-supply

There were no major changes in the Community's degree of self-supply in 1973/74, except in respect of rice, wine, beef and veal.

Classification of the main agricultural products
in the Community according to the degree of self-
supply in 1973/74

Exceeding 100%	Around 100%	Below 100%
Barley (103%) All wheat (durum + common) (103%) Wine (115%) Cheese (107%) Poultrymeat (103%)	Common wheat (100%) Rye (95%) Oats (96%) Potatoes (100%) Eggs (100%) Pigmeat (100%) Beef and veal (100%)	Butter (93%) Durum wheat (76%) Maize (59%) Rice (90%) Sugar (91%) Fresh vegetables (93%) Fresh fruit (80%) Citrus fruit (42%) Sheepmeat (67%) Oilcake (4%)
		1

¹To this list should be added products for which figures are not available but for which there is a considerable need in the Community, particularly tropical products (fats, oils and exotic fruits).

The Community is about 100% self-sufficient in several important products: milk products, pigmeat, eggs and poultrymeat, common wheat, rye, barley, apples, pears, peaches and wine.

The Community's agricultural production is, however, insufficient to supply its own market of 258 million people. This is due in the first place to its dependence on non-member countries for its supply of tropical products, vegetable oils and fats (soya), durum wheat, maize and certain fruit and vegetables (citrus fruit). It is also due, however, to the fact that the

¹See Table I/9.1.

internal demand for foodstuffs is becoming more and more diversified and exacting and to the existence of traditional patterns of trade.

The Community is in fact the chief world importer of foodstuffs, which constitute one third of its total imports.

The Community accounts for one third of world trade in agricultural products, as against one quarter of trade in industrial products.

Among the suppliers of the Community, three countries or groups of countries account for a similar proportion of Community imports (about 15%): the industrialized countries of the Commonwealth, the countries of Latin America and the United States.

Other groups of countries, accounting for 9 to 12% on average, are neighbours of the Community: the Mediterranean countries, the other Western European countries and the state-trading countries; there are also the developing countries of Africa, the Caribbean and the Pacific which are associated with the Community.

(c) World markets

Instability of prices has continued to affect world markets in agricultural products. The many firm markets of 1972 and 1973, caused by shortages, which brought about sharp rises in prices and reductions in stocks (sugar, cereals, soya, fishmeal and rice), were towards the end of 1974, succeeded by a downturn of prices which became more marked during the first six months of 1975 mainly as a consequence of the persisting economic recession and the high level of unemployment. It would seem unlikely that stocks of cereals can be replenished to any great extent during the 1975/76 marketing year. On the other hand, outlets may well be more difficult to find for the soya harvest, while the world market in milk products is suffering from a glut of milk powder, because of the large stocks held in all the exporting countries. Thus, instability remains a feature of world market prices.

(d) Relations with non-member countries

In 1975 the Community pursued the initiatives taken vis-à-vis certain countries following enlargement and vis-à-vis the developing countries in general.

The ACP-EEC Convention, signed at Lomé on 28 February 1975, brought about a new form of relationship between the Community and the forty-six African, Caribbean and Pacific States (ACP); the Convention comprises a section on trade which provides, as a general rule, for a system of duty-free or privileged access to Community markets, subject to strict observance of the common agricultural policy, and sets up machinery to stabilize export earnings on certain tropical products.

Discussions on the introduction of preferential arrangements for the Mediterranean countries have encountered a number of difficulties and the planned agreements could not be concluded, except that with Israel. Among the problems which arose, the agricultural problem proved to be of particular importance and complexity. The Community, while accepting that the agreements should cover a range of agricultural provisions of some importance, was concerned to make internal arrangements so that the interests of Community producers should be safeguarded.

The reactivation and implementation of the Association Agreement with Greece were actively pursued, while the implementation of the Association Agreement with Turkey continued.

The generalized scheme of preferences (GSP) which the Community introduced for the developing countries from 1971 onwards, was further improved in 1975, bringing the total amount involved to 750 million u.a., and it was decided that these arrangements, which were originally to last ten years, should be continued beyond 1980. As regards food aid, the Community decided to participate in the Food Aid Convention for a further twelve months (from 1 July 1975 to 30 June 1976). Under this

Convention, the Community has undertaken to supply the developing countries with 1 287 000 m.t. of cereals over this period. The Community's own programmes for 1975 provide for 55 000 m.t. of skimmed milk powder, 45 000 m.t. of butteroil, 6 100 m.t. of sugar and 1 million u.a. in cash for the purchase of foodstuffs.

It should be mentioned that the Seventh Special Session of the General Assembly of the United Nations on development and international economic cooperation has given a new impetus to the initiatives launched by the World Food Conference.

For the latest round of multilateral negotiations within GATT (General Agreement on Tariffs and Trade) which opened in Tokyo in 1973, the Community prepared a negotiating brief which included an agricultural chapter. This chapter was based on the principle that the common agricultural policy meets the special requirements of agriculture in the Community. Its principles and machinery could not be called into question and, consequently, could not be a matter for negotiation. This being the case, the Community is of the opinion that the specific aim of the agricultural negotiations must be to expand trade in a context of stable world markets, subject to maintenance of existing agricultural policies. To achieve the necessary stability the Community advocates the conclusion of international agreements for products such as cereals, rice, sugar and certain milk products. Certain agreements could include price mechanisms accompanied by storage measures. The implementation of food aid programmes would be facilitated by the conclusion of such agreements. As regards other products, the Community proposes to negotiate a code of conduct for importers and exporters so that their operations can be coordinated and dealings on the world market be carried out in an orderly fashion. Special measures could be envisaged on behalf of exports from the developing countries.

With regard to bilateral relations with the state-trading countries, the Community's autonomous common import policy was introduced on 1 January 1975.

Mention should also be made of the trade cooperation agreements concluded with certain non-associated developing countries (India, Sri Lanka, Mexico), the Euro-Arab dialogue into which the Community has entered and the imminent conclusion of a long-term contract with Egypt.

10. ACTUAL SITUATION ON THE MAIN AGRICULTURAL MARKETS¹

Most agricultural sectors underwent major changes in the twelve months preceding this report.

In the meat sector, production of beef and veal continued to increase, but less than in 1974. The Community once again showed a very slight deficit, and prices, although higher than last year, still remained lower than the guide price. Prices for pigmeat, which at the beginning of the period under review were slightly below the present basic price, have for several months been above this price, near the maximum of the cycle. Both production and consumption of poultrymeat dropped, so that prices did not pick up until the second half of 1975. 1975 was a critical year for eggs, production being up and consumption down. There were problems in the milk products sector which showed increased imbalance, especially as regards skimmed milk powder. Too much wine was produced and large quantities had to be distilled. In the sugar sector, on the other hand, problems were caused for the first time by a shortage in supply, which was covered by subsidized imports from the world market. For hops and seeds, 1975 was marked by large stocks, while the situation on the tobacco market improved. Prices of vegetable oils continued high until the end of 1974; they then fell sharply owing to a falling-off in demand. This drop in prices led to disposal difficulties for olive oil. Supplies of protein were better than in recent years, while the cereal market was marked by a good American harvest, a poor Russian harvest and relatively large Community stocks of wheat and barley. Prices of deep-frozen fish fell because of the large quantities in store.

¹See Tables II B/1.1 to II B/23.11 of Part III

Beef and veal production is extremely important for many farmers; about two-thirds of all farms are concerned in it. In 1974 it represented 14.5% of the final production of the agricultural sector in the Community.

In the past twelve months beef and veal production increased considerably and, due to a well-maintained consumer demand, market prices rose in proportion to the rate of inflation during the same period. In 1974 6.5 million m.t. of beef and veal were produced, and production in the medium term is increasing by an average of 2% per year. In December 1974 the number of cattle in the Community had reached the very high figure of 79.3 million head; however, the number of calves was already lower and of cows much lower than in the previous year and this downtrend, particularly in breeding herds, was confirmed by enquiries made in some Member States in May/June 1975. In 1974 the number of adult bovines and calves slaughtered was over 20% and nearly 10% higher, respectively, than in 1973; since the beginning of 1975 the rate of increase has been slower, in particular in the case of young bulls. In 1974 the Community was self-sufficient in beef and veal. There will be a slight deficit in 1975. As in the main non-member countries which produce and consume beef and veal, prices on the world market fell sharply, the economic recession hampering the disposal of surpluses.

Pigmeat represents 12.4% of the final production of agriculture.

Pigmeat prices were still low in the early months of 1975, and the market did not really begin to recover until the end of May. The intervention measures (private storage aid) in force since 10 July 1974 had to be maintained until 15 June 1975. However, the quantities to which this aid was applied were relatively small, although higher than in 1974. The price cycle for pigmeat began its upswing in the early summer of 1975 due to a fall in production and supply; prices rose substantially and are

now about 109% of the basic price. Offerings by non-member countries, which until the end of the summer had for several products been at prices below the sluice-gate price, are now at higher levels.

Community production of poultrymeat (4.4% of the final production of agriculture in 1974) was lower in 1975 than in 1974, but the expected rise in prices was delayed no doubt because of the simultaneous fall in consumption. Major rises in prices, leading to the present high levels, did not begin until June 1975. After rising in 1974, Community egg production (4.5% of the final production of agriculture in 1974) continued to increase slightly in 1975, while demand appears to have fallen. This led to a substantial fall in prices - producer prices fell far below production costs - and a drop from September onwards in the number of chicks reared for laying, compared with last year. Egg production in the Community reached its highest level in May, but the effect on prices was not immediate.

Milk production accounts for about 20% of the final production of Community agriculture. In 1974 the figure was 91 million m.t. or some 24% of world production. In December 1974 there were 25.2 million dairy cows in the Community, 1.4% less than in the preceding year.

The relatively balanced situation on the Community market in milk products in 1973/74 gave way in 1974/75 to a growing imbalance between supply and consumption. In spite of very moderate changes in milk production and deliveries to dairies, the production of milk products turned much more strongly towards products qualifying for intervention measures, namely butter and, in even more marked degree, skimmed milk powder. This development reflects a certain number of factors, for example the lower rate of increase in cheese production, the fall in casein production and an increase in the amount of milk available for manufactured products as a

result of the fall in the consumption of liquid milk. In addition to the drop in liquid products, demand for milk products in the Community was marked by a fall in butter consumption and in the amount of skimmed milk powder used for animal feed. The rate of increase in cheese consumption also fell. In the case of butter, the trend, especially in the United Kingdom, was influenced by the rises in common prices in October 1974 and in March and September 1975, and by the stabilization or relative cheapening of the price of margarine. The markets in skimmed milk and skimmed milk powder for animal feed were mainly affected by structural changes in the production of compound feedingstuffs and the movement of the price of skimmed milk in relation to other protein-based food products. As for cheese, the general economic situation in 1974 and 1975 slowed down consumption. As a result of the general trend towards surpluses, stocks, especially of skimmed milk powder, built up on the world markets and prices of the latter fell by over 50% between December 1974 and December 1975.

In the cereals sector, which represents 12.1% of the final production of agriculture, the 1975 harvest is expected to be 100 million m.t. or 7.6% below the figure reached in 1974.

The beginning of the 1974/75 cereal year was marked by very high world prices because of the poor maize harvest in the United States, but prices fell considerably during the first half of 1975 because of the drop in demand for feedingstuffs and the excellent crop prospects for 1975 in North America. This rapid fall in prices encouraged the import of large quantities of maize into the Community which, together with a general fall in demand for feedingstuffs, led to a reduction in the amount of wheat and barley fed to animals and thus to singularly high carry-over stocks of these cereals. However, the situation was once more reversed by the drought which affected the Soviet harvest and to a lesser extent the European harvest, so that it is likely

that the USSR will make further large-scale purchases comparable to the exceptional quantities in 1972. World prices are thus roughly equivalent to Community threshold prices and the internal Community market remains very firm. Nevertheless, the large stocks at the beginning of the 1975/76 marketing year should allow the Community to keep up its recent export level without endangering Community supplies, although the 1975 harvests, especially of wheat, were disappointing.

Although the world rice harvest in 1974/75 was very good (323 million m.t. of which 0.8 million was produced in the Community), and there are as a result large quantities available for export, world prices are still high because of the sales policy of several exporting countries and the relatively high price of cereals; world prices have, however, been gradually falling since November 1974. The same factors, in particular the sales policy of rice-producing countries, maintained rice prices in the producing areas of the Community on average 12.5% above the intervention price, even though there was a large carry-over stock at the beginning of the marketing year and Community production was 2.5% above home consumption. Considering the quantities imported, a sizeable amount (39% of the Community harvest) was exported.

After the serious protein shortages on the world and Community markets in summer 1973, the position improved from October of that year because of the exceptionally abundant soya harvest in the United States. This relative easing continued during the 1974/75 marketing year, although there was a marked but temporary rise in prices in the autumn of 1974 because of the fear of a substantial reduction in availabilities due to the poor 1974 American soya harvest. From the beginning of 1975 onwards, however, factors relating to the demand for proteins, in particular the reduction in world pig numbers and in the number of fattening animals in the United States dissipated that fear and led to a fall in protein prices. From July 1975 onwards, there was another upswing in protein prices stimulated by large-scale USSR purchases (actual or planned) of cereals and soya beans, but it ended in October.

Demand on the world market in vegetable oils was strong in 1974, stocks were relatively low and the amount of oilseed (groundnut, sunflower, colza, copra) available for export was limited. Towards the end of 1974, however, prices, until then very high, dropped sharply through consumer resistance to high prices in recession conditions and increased availabilities.

In 1975 the unfavourable economic situation and the fall in prices for oilseeds brought about a reduction in olive oil consumption in the Community. This drop had an adverse effect on the disposal of Community production. At the same time the world price of olive oil fell, affecting Community prices. To ensure disposal of Community production at a worthwhile price for producers, the Council decided to bring the considerably higher threshold price fixed for the 1975/76 marketing year into operation on 27 June 1975. In spite of this decision, imports of olive oil into the Communities continued at a relatively high rate and some Community production may have to be carried forward.

In 1974/75 sugar production, which in 1974 accounted for 2.2% of final production, amounted to 8.6 million m.t. (10% down on 1973/74). This sugar marketing year was one of unparalleled shortage on both the Community and world markets. The shortage in the Community was brought about by several factors: a low yield per hectare (14% down on the average for 1969-73) was the most influential factor, extremely low stocks at the beginning of the marketing year and the temporary interruption of deliveries under the Commonwealth Sugar Agreement. This brought about a deficit of about 500 000 m.t. which had to be filled by subsidized imports from non-member countries. These ensured Community sugar supplies and limited the rise in prices for the consumer in the EEC to a level considerably below world market prices. On the world market, the shortage caused so sharp a rise in prices that in November 1974 they were four times Community prices.

The 1974 potato harvest was about 41 million m.t., 1 million higher than in 1973. As a result market prices in 1974/75 were particularly low, especially in producing and exporting countries (France and Netherlands). Because the previous marketing year had been bad, the total area under potatoes in 1975 was very small and the dry summer aggravated the situation. The first estimates for 1975 put the potato harvest at about 10.8 million m.t. in Germany and 4.6 million m.t. in the United Kingdom, i.e. respectively 3.7 and 2.2 million m.t. less than in 1974. As a result this autumn prices have almost tripled on certain markets (Rotterdam and London) and nearly doubled on others. Because of the large export demand, stocks in the 1975/76 marketing year will be limited and the market will tend upwards.

The wine sector, which accounts for 5.2% of the final production of agriculture, has in the last two marketing years experienced the worst crisis since the Community rules came into operation. Quantities available were far in excess of needs and as a result prices quoted on all markets were very low for all types of table wine. Large-scale distillation was necessary in order to remedy the situation. Between the beginning of 1974 and the end of the 1974/75 marketing year about 25 million hectolitres were withdrawn from the market and distilled. Exports were not helped by the very low prices on the world market, generally half the Community prices. Imports from non-member countries fell as a result of the market situation. Intra-Community trade on the other hand increased slightly. Direct consumption in the Community did not change to any great extent.

World tobacco production increased considerably (6 to 7%) in 1974 stimulated by continuing demand and good prices, in contrast to the previous two years. In the Community, on the other hand, it fell slightly (-2%), mainly because of lower yields. World consumption in 1974 increased by 4% and consumption in the EEC by a little over 1%. Exports increased considerably, especially

in Italy which has become the sixth world exporter after the USA, Turkey, Brazil, India and Greece. Imports on the other hand were much lower in the EEC of Nine, as withdrawals from bonded warehouses had slowed down, apparently in expectation of a reduction in the Common Customs Tariff for certain varieties from 1 January 1975. Prices for the 1974 harvest were well maintained and, since sales have been satisfactory, the amount bought-in is sharply down (70%).

Community hop production, which represents about 43% of world production, fell by 9% in 1974 compared with 1973. In 1973 and 1974 both the Community market and the world market in hops were unbalanced by overplanting between 1970 and 1973 while demand stagnated because of more economical brewery use. In 1973 and 1974 stocks were very high and depressed the prices for the 1974 harvest. These low prices had the effect of stabilizing or even slightly reducing areas under hops in 1975 compared with 1974, both within and outside the Community. The weather in 1975 was generally unfavourable to hops and it is likely that the 1975 harvest (September - October 1975) will be slightly lower than in 1974 and that stocks will fall.

In 1974 EEC production of fodder crop seeds increased by about 24% over 1973. Because of reduced offtake stocks increased considerably and now represent about 50% of annual production. Consequently, for certain species (Lolium perenne) prices fell on the Danish market by about 70% between September 1974 and September 1975. In spite of this steep drop in prices the area under seed in the EEC increased by 6% in 1975; it must, however, be borne in mind that, since most species of fodder plant are perennial, reactions to market conditions are slower. The situation with regard to certain species (Lolium perenne, Medicago sativa) is still difficult this autumn and it is certain that the bad market situation will continue in the coming months.

The value of production in the fruit and vegetable sector, which represents 11.8% of total final production, increased by 3.6% in 1974.

As regards fruit, total apple production for 1975/76 is likely to be about 17% up on 1974/75, while the pear and peach crops are down by about 10% and 25% respectively. The situation with regard to pears and peaches has led, according to the incomplete data available, to an appreciable increase in producer prices, which has not, however, prevented quite substantial withdrawals in some cases. The average producer prices for vegetables are in many instances higher than those obtained in the same months and on the same markets in 1974, especially for tomatoes, although the crop is about the same size as in 1974, and for cauliflowers. The first figures for processed fruit and vegetables show that Community production of certain major products (e.g., tomato concentrates, tinned peaches, tinned beans) will be lower than in 1974. However, because of large stocks of tinned products in the traditional supplying countries, trade flows are depressing prices in general. As to the flower sector, 1975 has seen a slowing down of the increase in production and trade.

World fish production in 1974 was estimated at 66.5 million m.t (1.2% more than in the previous year), of which Community production accounted for 7.2%. However, the increase in catches largely concerned fish for industrial use, while catches of fish for human consumption probably fell. Nearly all countries, including those which showed favourable results, were affected by the recession of the market towards the end of 1974. Retail prices increased between mid-1974 and mid-1975, but wholesale prices were generally lower at the end of the period than at the beginning and the prices paid to fishermen also fell. The quantities of fish landed by EEC fleets increased again in 1974 from 4.56 million m.t. to 4.80 million m.t.; as in 1973, most of this increase consisted of fish for industry and for processing into fishmeal. Catches of cod, plaice, herring,

haddock and coalfish fell, while catches of whiting and mackerel, which are less valuable, increased. The value of fish landed was either less or slightly higher than in the previous year, while the structural costs of fishing fleets continued to increase rapidly. Stocks of frozen fish increased during 1974 and a considerable surplus had to be stored in the first half of 1975; these surpluses, together with the difficult economic situation in Western Europe, depressed the market in fresh fish during the period between October 1974 and October 1975.

11. SOCIO-STRUCTURAL SITUATION¹

The utilized agricultural area (93.4 million hectares UAA in 1974) shows a slight but steady tendency to decrease as land is put to non-agricultural use. There have been changes in the structure of land use, taking varying forms and occurring at different paces from one Member State to another. In the Community as a whole, the fall in the area of arable land has been halted, the area of permanent crops has remained more or less unchanged, while that of permanent meadow and pasture has fallen.

The total number of farms (5.2 million in 1974) is falling steadily. This is a result of the drop in the number of farms of less than 20 hectares. There is a slight increase in the number of farms of 20 hectares and over.

In the original Community almost three quarters of all farms grew cereal crops. There is a slight decrease in the proportion of this type of farm.

The number of farms keeping dairy cows decreased considerably during the period 1967-75. In 1975 such farms were about 44% of all farms. The total number of farms keeping pigs shows a similar movement.

The steady increase in livestock numbers in recent years slowed down considerably in 1974 and was even reversed in the case of dairy cows and pigs.

¹See tables II C/1.1 to II C/3.3 in the Annex.

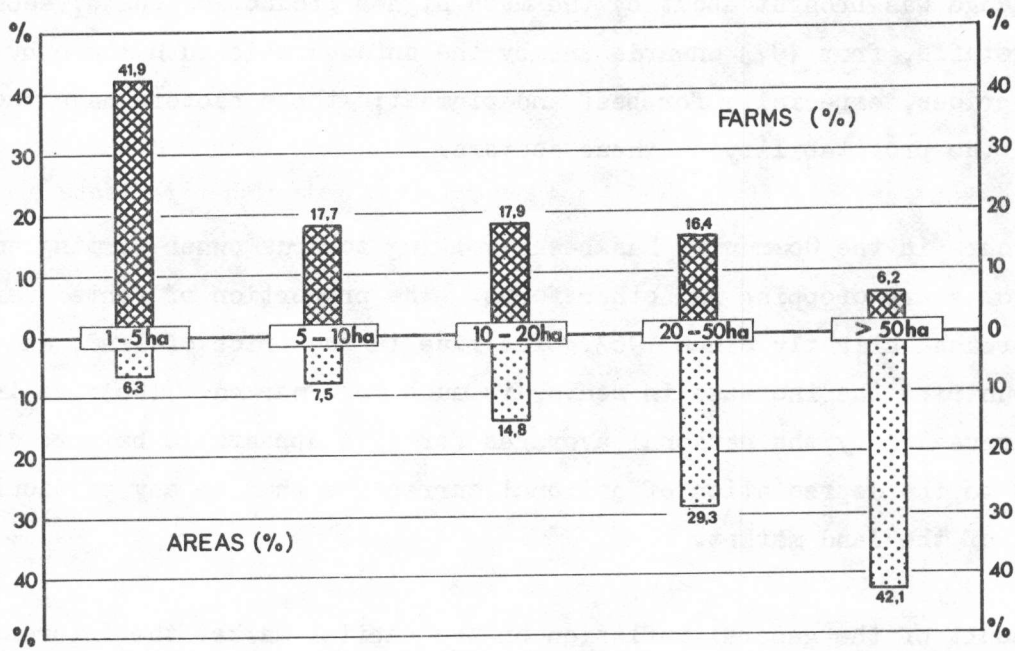
This change was brought about by the much higher production costs, especially feedingstuffs, from 1973 onwards and by the unfavourable turn taken by market prices, especially for beef and pigmeat; these factors have much reduced the profitability of these sectors.

Land tenure in the Community has been evolving towards owner-farming and away from share-cropping and other forms. The proportion of rented farms has decreased slightly since 1963. The rise in the price of land, and in some countries the increase in rents, is much more marked. The rise in land prices revealed by the national averages for 1974 appears to be more directly related to the depreciation of national currencies than to any particular feature of the land market.

As a result of the general inflation on the capital market the interest rates for medium and long-term credits continue to be high, although there has been a slight downtrend since the end of 1974. Since the amount of capital invested in agriculture per work unit is on the increase and an increasing proportion of such investment is financed by loans, the situation poses major problems for the modernization of farms.

Until 1972 more and more farmers were leaving the land each year. Since then the pace of departure has slowed, probably because of the relative profitability of agriculture in 1972 and 1973 and the general increase in unemployment in other sectors. In 1974 the agricultural working population was estimated at 9.1 million, or 8.9% of the total working population. A second characteristic of the agricultural working population is that it is becoming older than the total working population. In agriculture the proportion of workers aged 50 or over is greater than in the working population as a whole, while the proportion of workers aged between 14 and 35 is considerably less.

FARMS AND THEIR AREAS IN THE COMMUNITY IN 1974.



CEC: D6 VI-G/2-7511.89

GRAPH I/11.1

A feature of forest land (31.7 million hectares of forest in 1972) is the marked fragmentation of private forests, which account for 60% of the total forest area in the Community: another is the very great variation in the average area of State forests from one Member State to another. Although there has been a slight but steady increase in the area under forest since 1963 (1.5% between 1970 and 1974), timber production has regularly fallen. However, this decrease in production does not signify a fall in productivity, but rather reflects a reduction in forestry activity.

12. AGRICULTURAL INCOMES¹

The "1973"² returns of the EEC Farm Accountancy Data Network show that there are still considerable differences in farming income per ALU from one type of farming to another, despite developments since 1968.

The level of farming incomes per ALU of general farms (8 200 EUR) and pig farms (8 100 EUR) was almost double that of cattle farms (4 100-4 200 EUR for mixed farms and those specializing in milk production and 3 000 EUR for those specializing in meat production).

Incomes in the horticultural and wine-growing sectors were between these two extremes (6 300 and 5 800 EUR per ALU).

The farming income per ALU of farms specializing in beef and veal production in the enlarged Community was, therefore, just over a third (37%) of that of general farms, although the area was almost the same (66 ha against 71), the amount of capital³ was similar (30 000 EUR against 36 000) and there was about the same amount of labour (1.9 against 2.2 ALU).

The capital employed³ by most types of farm was within the relatively narrow range of 30 000-35 000 EUR per farm irrespective of size. Pig and poultry farms used more capital but less land. Horticultural, wine-growing and fruit-growing enterprises used less working capital but much more fixed capital.

¹ See tables II/D.1 to II/D.11 in the Annex.

² "1973" corresponds either to calendar year 1973 or to farm year 1973/74.

³ Excluding fixed capital.

The relatively satisfactory income level in "1973" (1973/74) shows, however, wide variations between farms. About 53% of farms have a farming income per ALU of less than 4 000 EUR, while only 8% have an income of over 10 000 EUR.

The range of income was much wider in "1973" for general farms, pig and poultry farms and for horticultural enterprises. Prospects of improving the incomes of many of these farms are therefore much better than for other types of farm.

On the other hand the incomes of cattle farms are concentrated in certain of the lower ranges.

From region to region agricultural incomes remain widely divergent, the range being widest in France where it runs from 1 to 6.

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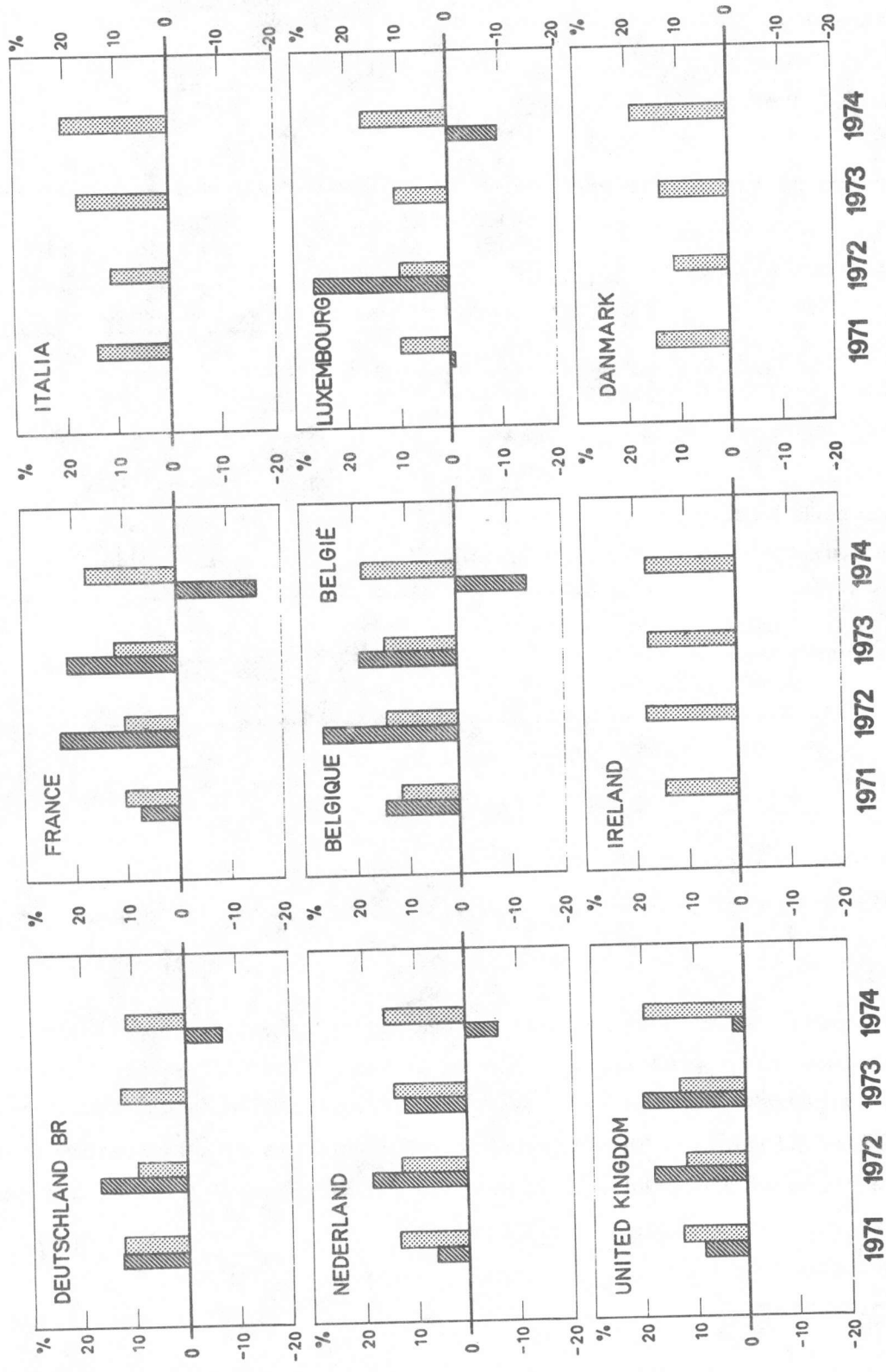
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1974 has seen a break in the trend towards general growth in agricultural incomes recorded in previous years. Whereas 1973 was a record year in many respects, 1974 was a bad year for agricultural incomes which in general deteriorated sharply.

The value of agricultural production in money terms fell considerably in the Netherlands and to a lesser degree in France, Germany and Belgium, while there was a slight increase in Luxembourg and a considerable increase in Italy and the United Kingdom. This varying development was accompanied by an increase in the value of intermediate consumption in all Member States, and particularly in France, Italy and the United Kingdom. This increase was principally brought about by the higher cost of energy, chemical fertilizers and feedingstuffs.

VARIATION IN AGRICULTURAL INCOMES AND IN THE REMUNERATION OF AGRICULTURAL WORKERS, PER CATEGORY OF WORKER, COMPARED WITH THE PREVIOUS YEAR



 VARIATION IN AGRICULTURAL INCOMES
 REMUNERATION OF AGRICULTURAL WORKERS, PER CATEGORY OF WORKER

For most countries, except Italy and the United Kingdom, and for the agricultural sector as a whole, these trends brought about a reduction in the net value added¹.

Change in the value added at factor cost and in farm income in 1974 as a percentage of 1973

Member State	Net value added at factor cost per ALU		Farm income per annual labour unit (ALU)	
	in money terms	in real terms	in money terms	in real terms
Deutschland	- 4.5	- 10.5	- 7.2	- 13.0
France	- 10.9	- 19.8	- 15.3	- 23.7
Italia	+ 15.5	- 0.9	.	.
Nederland	- 5.6	- 13.4	- 6.0	- 13.7
Belgique/België	- 11.5	- 21.5	- 13.8	- 23.6
Luxembourg	- 7.2	- 16.8	- 9.4	- 18.8
EUR 6	- 1.6	- 10.9	- 11.6 ¹	- 18.8 ¹
United Kingdom ²	+ 2.7	- 8.9	+ 2.1	- 9.4

¹Without Italy.

²Marketing year.

The table shows that both the net value added and the farm income per ALU fell steeply in 1974 almost everywhere in the Community, both in money and in real terms.

For 1975 the general prospects are better and yet give rise to greater concern. Agricultural incomes should show a general improvement after the sharp fall in 1974. This general trend is, however, the result of trends which differ widely according to country and even more so according to type of farm, as may be seen from the following paragraphs:

¹For Ireland and Denmark data are lacking.

Germany

According to official forecasts the income per family ALU can be expected to rise by between 7 and 8% in the 1975/76 farm year compared with 1974/75. Economic studies suggest that net income per family ALU could indeed increase by between 5 and 13% depending on the assumptions made.

France

According to economic projections for agriculture, gross farming income will in 1975 fall by nearly 1% in spite of a drop of 2.7% in the numbers engaged in farming. The income of the farms remaining will thus have fallen by 1.8%. This change is partly to be explained by the fall of 3.1% in the volume of production, especially of cereals (wheat: -20%; barley: -10%) of certain fruits and vegetables and of wine (-12%), livestock production remaining unchanged. Prices are also partly responsible: they have advanced overall by 7.9% for crop products and by 11.1% for livestock products. Inputs (cattle feed, fuel, fertilizers, maintenance of buildings, services) are down in volume by 3.4%, but because of substantial price increases have increased in value terms by 7.8%.

The added value of farms should increase by 5.8% while gross farm results should be up by 8.3% in money terms. But in view of the increase in the prices of the gross domestic product in 1975, farming income will be down by about 3.6% in France in the present year.

Italy

In Italy a physical increase of marketed agricultural production of 2 to 3% is expected for 1975 compared to 1974. This is due in particular to a bigger output from permanent crops (5% to 6%) and from livestock farming (2% to 3%), the latter increase being principally accounted for by a growth in meat production of 4% to 5%, while milk production dropped by 1 to 2%.

The prices of agricultural products as a whole rose in 1975 by over 15% [cereals (15%), vegetables and fruit (15 to 20%)] whereas the prices of wine and olive oil dropped somewhat from (-3 to -5%) and (-8 to -10%) respectively.

A 25% to 30% increase in livestock prices (particularly cattle) is expected, while the increase in prices of milk and milk products will be about 10%.

Farm input (intermediate consumption) in physical terms will not change much in 1975. There will, however, be an increase of over 10% in the prices of intermediate consumption.

An increase in gross farming income in money terms of 15%, roughly corresponding to a growth in real terms of 2%, is expected for 1975 compared to 1974.

Netherlands

Forecasts suggest that changes in farming incomes will vary widely according to the type of farming. For cattle farms and mixed farms (mixed farming with cattle), an increase in the farming income per farmer is expected for 1975/76 compared with 1974/75, varying from about 30% on grassland farms in the north of the country to about 146% in the mixed farms on sandy land.

For general farms, the change varies according to the region, from a decrease of about 55% for farms on the clay soil of the north of the country and on the polders and an increase of about 10% in the south-west of the country.

As regards horticultural enterprises, the expected increase in farming income per farmer in 1975 compared to 1974 is about 48% on farms specializing in the production of vegetables under glass and 15% in farms specializing in the production of cut flowers under glass.

A considerable increase in income is expected from pig farming, although the record income level of the 1972/73 and 1973/74 farm years will not be reached. Poultry farming results will again be considerably less favourable than for

the previous farm year as regards egg production, but there will be an increase of about 30% in incomes from the production of table poultry.

Belgium

Farming income is expected to rise by about 6 to 7% in money terms compared to 1974. However, taking into account the probable increase of about 15 to 17% in incomes in other sectors the disparity of incomes between the agricultural sector and other sectors is tending to increase.

Luxembourg

Farming incomes in Luxembourg which were badly affected in 1974 should show an increase of 3.4% in 1975 compared to the previous year. Related to the number of farms remaining the increase is one of 8.1%. However, the disparity between agriculture and other economic sectors will tend to increase slightly.

Denmark

On the basis of estimates for the first nine months of 1975 output prices in Denmark are expected to rise by about 10% while input prices will increase by 7% (estimate based on the first ten months of 1975). Taking into account the yields of cereals, forage crops and sugar beet, an increase in farming incomes of about 10 to 15% can be expected.

Better results are expected from pigmeat production and rather modest improvements in incomes in the milk sector. On the other hand, the drop in cereals production of about 10% makes it unlikely that incomes from these crops will be higher than in the previous year.

United Kingdom

Because of the difficult weather conditions in the 1975/76 farm year there will probably be wide variations in the gross income from agriculture and this taking into account the increased costs will mean a wide variation in incomes not only as between different types of farming but also within farms of a single type.

Incomes from farms engaged in general agriculture will probably show considerable variations; in spite of higher prices for cereals and sales of straw which will partially compensate for lower production, incomes are likely to be reduced in many farms of this type.

Generally, farms specializing in root and tuber crops should achieve higher incomes than in 1974 in view of the high prices for potatoes and the high sugar content of beet.

Higher prices for milk and better prices for surplus cows and calves will compensate to some extent for fodder shortages in many of the southern regions and for higher costs.

Fatstock prices were generally higher than last year and farmers specializing in fattening cattle who bought lean cattle cheaply in 1974 are likely to make a profit.

Higher prices for pigs will probably help to compensate for the higher feedingstuffs costs, but the lower prices for eggs during most of the year will cause a drop in incomes in many poultry farms.

Ireland

The overall effect of the changes expected in 1975 in all sectors of farming point to a probable increase in agricultural output as a whole of about 22% which is equivalent to an increase in net production of between 28 and 30%.

Taking into account input changes, agricultural incomes should therefore increase from 30 to 35% in 1975, corresponding to an increase in farming income of about 50% compared with 1974. It may be recalled that income had fallen sharply in 1974.

13. REGIONAL DIVERGENCIES IN AGRICULTURE

It needs to be borne in mind, in any study of regional aspects of the common agricultural policy, that the big differences in farm incomes from country to country are matched by even bigger differences within each Member State. An examination of the range of farm incomes in the four largest Community countries shows that these differences fall between the following extremes (national average = 100):

- 89 to 112 in Germany as between Länder (1973-74)
- 47 to 338 in France as between planning regions (provisional figures for 1974)
- 54 to 165 in Italy as between Regioni (1971)
- 73 to 112 in England and Wales as between major statistical regions (1972-73). (Figures are not available for Scotland and Northern Ireland.)

Regional differences in farm incomes thus vary between 1 and 6 in France, 1 and 3 in Italy and less in the other two countries. They are considerably greater than the differences between non-agricultural incomes.

Three factors are at the root of these differences, although available statistics do not allow us to determine the exact part played by each.

Firstly, there are the natural production conditions: soil, climate, gradient etc... The per hectare wheat yield, for example, varies between 34 and 45 quintals in Germany and between 23.9 and 45.8 quintals in France.

Calculations in Germany have shown that a slope of 20% increases the costs of a hill pasture farm by over DM 100 per hectare.

Secondly, there are structural factors, of which the most important is the size of the farm. In mixed farming the income per ALU is at index 35 for farms of between 5 and 10 hectares and at index 170 for farms of 50 and more hectares. In beef production, the figure is 70 for farms of between

5 and 10 hectares and 115 for farms of 50 and more hectares.

Most of the poorly structured farms are found in the less-favoured areas of the Community.

A final explanation relates to the type of crop grown in each region. The average income per ALU is close to 4 000 u.a. for mixed farms (cereals, sugar beet, oilseeds) and about 1 700 u.a. for stock farms. Farms engaged in more specialized forms of production (horticulture, fruit, wine-growing, pigs and poultry) lie between these extremes.

These differences accountable to the type of farming are explicable also in terms of the other factors mentioned: natural conditions and structural problems. But the market support mechanisms for each product, the common price structure and in some cases the system of compensatory amounts also play an important part.

The directive on mountain and hill farming and farming in certain less-favoured regions which has now come into operation, aims to reduce these disparities. It concerns regions which represent a quarter of the UAA in the Community but only 10% of Community agricultural production.

14. FINANCIAL ASPECTS¹

Total public expenditure, national and Community, in support of the agricultural sector is estimated at about 14.3 milliard u.a. in 1975 against 11.6 milliard in 1974. These amounts correspond to about 5% of total State expenditure by the Nine Member States and represent about 22% of agricultural final production by value.

In 1975, about 66% of total expenditure on agriculture still came from national sources. Grants from Member States for structural measures amounted to 3.5 milliard u.a. whilst those for social measures amounted to 4.1 milliard.

In 1975, the EAGGF provided about 34% of total expenditure on agriculture, as against 29% in 1974.

EAGGF expenditure (million u.a.)

Year	Guarantee Section		Guidance Section
	EUR 6	EUR 9	
1970	2 602.9		201.5
1971	1 571.3		242.4
1972	2 258.2		167.2
1973		3 814.6	189.4
1974		3 107.3	258.8
1975 (forecasts)		4 572.0	325.0
1976 (budget)		5 160.3	325.0

Gross expenditure by the EAGGF Guarantee Section amounted in 1974 to about 3.1 milliard u.a. Expenditure in 1975 is forecast at 4.6 milliard u.a. whilst in 1976 it is expected to exceed 5 milliard u.a. In 1975 this expenditure will represent about 0.4% of the gross domestic product, 2.5% of the expenditure on food and 5.6% of the final production of Community agriculture.

In 1975, three sectors will share about 60% of expenditure; the milk products sector (almost 1.2 milliard u.a.) with 25%, the beef and veal sector with

¹See Tables II E/1.1 to II E/3.2 in the Annex.

almost 19% and the cereals sector with almost 14%. The accession compensatory amounts (349 million u.a.) and monetary compensatory amounts (335 million u.a.) will account for 15% of the total. A breakdown of the expenditure according to its economic character shows the particular importance of price subsidies (59%) and export refunds (21%) in 1975.

Whilst price movements on the world market brought about an increase in refunds in 1975 over the previous year, intervention expenditure once more rose considerably in the beef and veal sector (278 million u.a. in 1975 against 247 million in 1974) as a result of the special situation prevailing. One of the principal reasons for this change in expenditure is the change in the situation on both world and Community markets; the development of production, particularly of well-subsidized products, is another major reason.

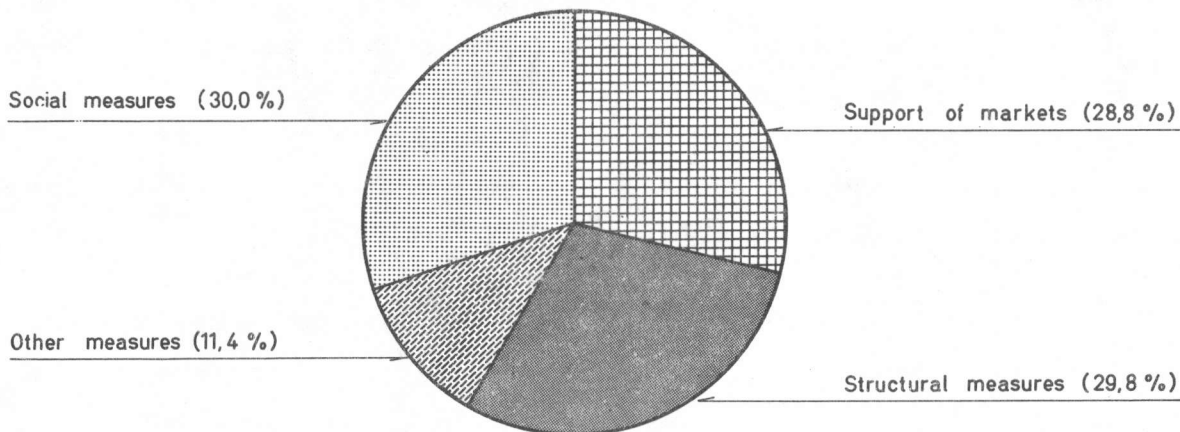
Loans from the Guidance Section of the EAGGF in 1974 amounted to 325 million, of which 235 went to finance projects for the improvement of agricultural structures. From 1964 to 1974, almost 4 800 projects received aid from the Fund to a total amount of almost 1.3 milliard u.a.

In 1975 the Fund will participate in the financing of common measures decided by the Council under the socio-structural policy to the extent of about 4 million u.a. by way of reimbursement of expenditure incurred in 1974. This form of expenditure may be expected to grow rapidly in the years to come.

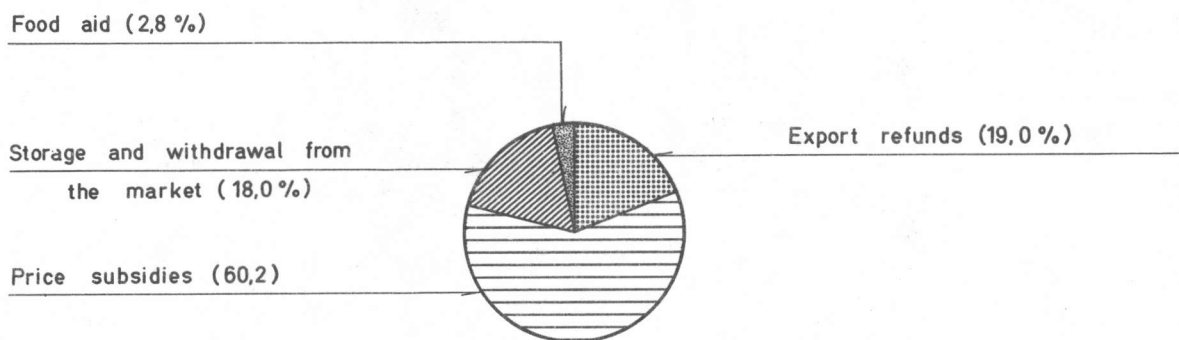
While the common agricultural policy generates expenditure it is also a source of budgetary revenue. For 1975, agricultural levies and contributions are estimated at 477 million u.a. against 330 million u.a. in the previous year; this figure is expected to rise to 740 million u.a. in 1976. The increase in levies is primarily due to the lower level of cereals prices.

PUBLIC, NATIONAL AND COMMUNITY EXPENDITURE IN SUPPORT OF AGRICULTURE IN 1974

I. TOTAL (11,6 milliards u.a)



II. EAGGF GUARANTEE SECTION (3,1 milliards u.a)



15. MONETARY ASPECTS¹

1975 has been another year of monetary instability which was inevitably reflected in the management of the common agricultural policy. However, the situation has changed in the last year; the Community now has only four zones differentiated by monetary compensatory amounts, i.e., Germany, the Benelux countries, Ireland and the United Kingdom.

As regards the currencies of those Member States which participate in the "snake" of European currencies floating together, a reduction in the monetary compensatory amounts was obtained in February 1975² following the fixing of representative rates in connection with the decisions on prices. For all these currencies, with the exception of the Danish kroner, new representative rates for the conversion into national currencies of amounts fixed in u.a. were introduced in the context of the common agricultural policy. The effects of this decision, as also of the decisions taken subsequently in relation to the UK and Irish pounds, are shown in the table below:

¹See Table I/15.1.

²Council Regulation (EEC) No 475/75 (OJ No L 52, 28 February 1975).

Incidence of the changes in representative rates in 1975
(situation on 15 November 1975)

Member State	Applicable representative rate		Rate of devaluation or revaluation ¹		Incidence of rate changes on common prices in national currencies (%) ¹	Applicable compensatory amounts	
	u.a. equals ...	national currency unit equals ... u.a.	%	Date 1975		%	in 1965 since ...
Deutschland DM	3.57873	0.279429	+ 2.27	3/3	- 2.22	+ 10	3/3
France FF	5.63317	0.177520	- 1.40	3/3	+ 1.42	-	19/5
Italia Lit	857.000	0.00116686	- 2.80	3/3	+ 2.88	-	4/8
Nederland Fl	3.41874	0.292505	+ 0.725	3/3	- 0.72	+ 2	3/3
UEBL Fb/Flux	49.6400	0.0201450	+ 0.725	3/3	- 0.72	+ 2	3/3
United Kingdom £	0.569606	1.75560	-12.45 ²	3/3, 4/8, 29/10	+ 14.22	- 6.4	4 27/10
Ireland £	0.578322	1.72914	-11.26 ³	3/3, 4/8, 27/10	+ 12.69	- 4.8	27/10
Danmark Dkr	7.57828	0.131956	0	-	0	-	-

¹As compared with the position at the beginning of the year.

²- 2.17% (3/3); - 5% (4/8) and - 5.8% (27/10).

³- 4.46% (3/3); - 5% (4/8) and - 2.222% (27/10).

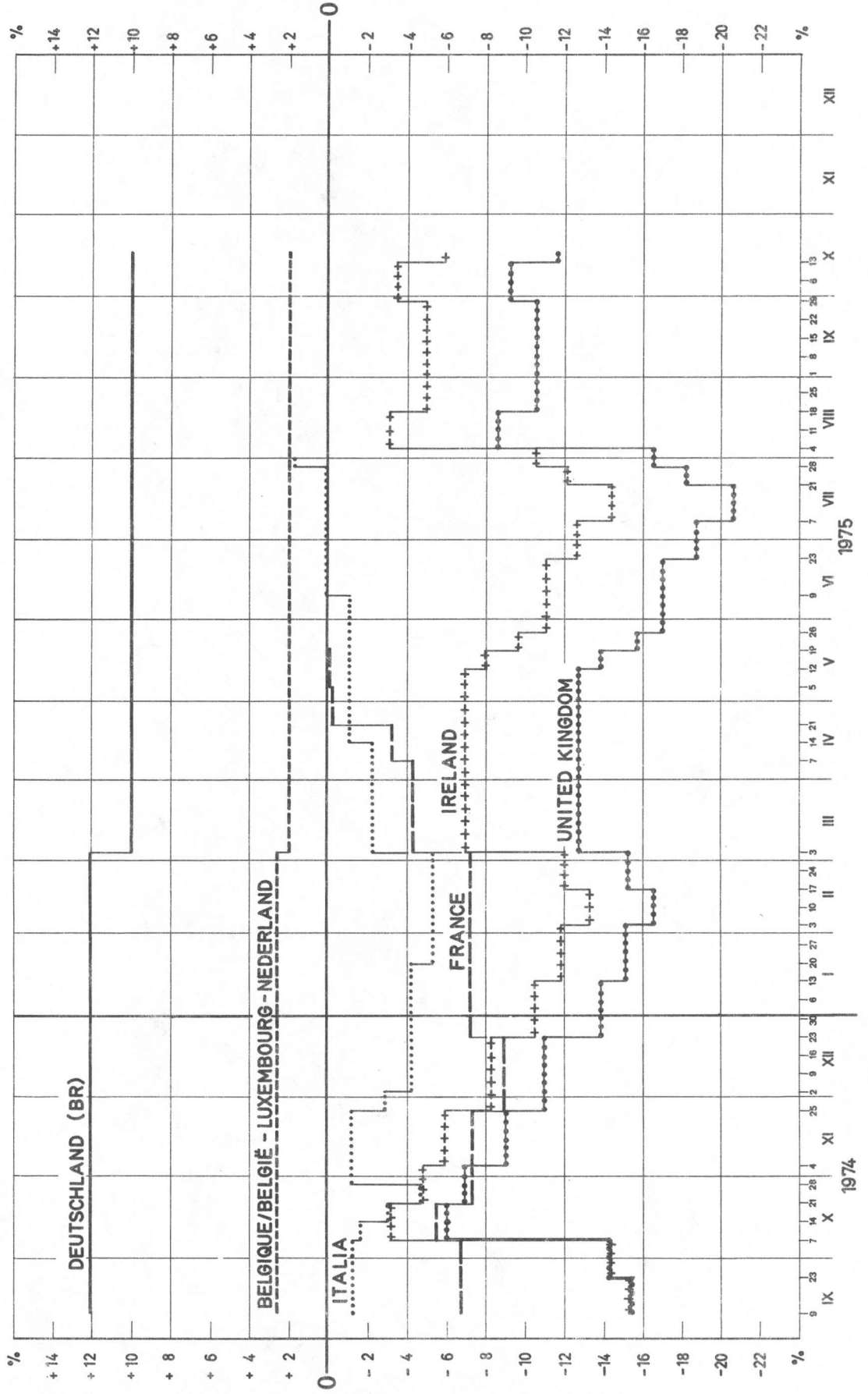
⁴For beef and veal and common wheat as from 3 November: - 13.1% (UK) and - 7.2% (Ireland).

The economic effects of the new rates on the individual products appeared only gradually. Thus, in 1975, some reduction occurred in the discrepancies between the rates adopted for the purposes of the common agricultural policy and the rates quoted on foreign exchange markets.

Exchange rate movements also helped to some extent to reduce the compensatory amounts:

- (a) The French franc, which abandoned the Community "snake" in January 1974, fell to its lowest level in May of that year; when the rate adopted for calculating the compensatory amounts reached 14.6%; but by the beginning of 1975, the franc had recovered sufficiently to reduce this gap by half. This trend continued in the following months with the result that on 19 May it became possible to abolish the monetary compensatory amounts altogether for France; for the milk and beef and veal sectors, for which the 1975/76 year had begun, the amounts had already been abolished with effect from 5 May. On 10 July 1975, the franc rejoined the "snake" at its former parity, giving rise to a gap of 1.4% which did not call for the application by France of monetary compensatory amounts.
- (b) It has also been possible to eliminate the compensatory amounts for the Italian lira, which has strengthened to the point at which, on the basis of the representative rate applicable since 3 March, the amounts have been eliminated in turn on the opening date of each marketing year.
- (c) The situation of the UK and Irish pounds has developed less favourably; the compensatory amounts, reduced earlier by the introduction of the new representative rates on 3 March, have risen steadily since, with the result that the "green" rates had to be devalued on 4 August and again on 27 October, resulting in some reduction in the compensatory amounts.
- (d) With regard to non-Annex II products, it was found possible to abolish the greater part of the compensatory amounts with effect from 21 April, owing to the limited effect, on the price of manufactured products, of price disparities in primary products.

RATES (IN %) USED FOR THE CALCULATION OF MONETARY COMPENSATORY AMOUNTS IN 1974/1975



At the same time, the monetary situation permitted the elimination of monetary compensatory amounts applicable to wine in all the Member States concerned except Germany. In the latter country, the amounts applicable to wines of types other than those produced internally were abolished on 29 September as a result of the economic situation.

This trend, which could lead progressively to the reestablishment of the unity of the market, is the consequence of the long-term effects of developments in the monetary situation.

16. MARKET OUTLOOK

Annual fluctuations in harvest results have - and always will have - a dominating influence on the outlook for agricultural markets. No attempt will be made in this chapter to predict production or price levels in the various sectors in the coming years; instead, it seeks to give some idea of the likely trends in agricultural markets. For the livestock sector, pointers have been drawn from certain production cycles and the probable future development of consumption, which in turn depends - especially for certain sectors - on overall economic trends. On this basis, forecasts were drawn up for cereal and vegetable protein production. Finally, tendencies were outlined for several branches more or less independent of each other. In broad outline, the prospects can be summed up as follows.

In the pigmeat sector, increased supply - and consequently lower prices - may be expected in the second half of 1976 and the beginning of 1977. For eggs, market equilibrium will be reestablished in 1976, whilst for poultrymeat recourse will probably have to be had to storage to prevent prices from falling. Beef and veal production will probably decline in the coming years; in conjunction with an increase in consumption, this will lead to a return to a level below 100 in the Community's self-supply rate.

Community production of low-grade wheat will expand and there should be no difficulty in respect of protein supplies (soya) at least until 1977. For milk products, increased production and deliveries to dairies together with lower consumption of fresh produce and butter will lead to sharper imbalances in this sector, especially as regards butter and skimmed milk powder. There will also be marketing or over-production problems for other products such as wine and sugar, whilst the area under potatoes will continue to rise. A better long-term balance may be expected for hops and seeds. Finally, little change - except, here and there, tendencies for production to decline - is to be expected in the horticulture and fishery sectors.

The reduction in cattle numbers in the Community - especially breeding animals - noted since the end of 1974, suggests that in the coming months the upward trend in beef and veal production will slow down, to be followed by a decline. In the first half of 1975, slaughterings of adult bovines and calves were up by no more

than 10% compared with the first half of 1974. In 1975, allowing for a decline in average weight at slaughter, especially for adult bovines, it may be expected that internal production of beef and veal will rise by about 2%; consumption will rise appreciably as in 1974, but probably at a somewhat slower rate. Beef and veal production is expected to decline by about 2% in 1976, a trend likely to continue in 1977. Consumption, on the other hand, will continue to rise throughout 1976 and 1977; however, this upward trend will probably be curbed in the second half of 1976 by the recovery in pig production, and in 1977 by the probable rise in beef and veal prices. The Community self-supply rate, at present around 100%, will consequently decline to 95% in 1976 and 93% in 1977. As in 1974, beef and veal production in 1975 in the principal non-member producer and consumer countries is expected to rise. Since this expansion of production has brought about a significant decline in world market prices, it may be expected that in countries directly affected by this decline some falling off in production will occur in the medium term; conversely, it appears that in some countries of eastern Europe, production will continue to rise in the next two years.

In the first half of 1976, pigmeat production will continue at about the same level as in the first half of 1975. No increase in internal supply is likely to occur until the second half of 1976. On the basis of data derived from an analysis of past cyclical trends, a more marked increase in production may occur from the beginning of 1977. Market prices of pig carcasses will move accordingly; throughout 1976, prices should be well maintained at levels higher than the cyclical average. Some levelling-out may occur towards the end of 1976, whilst in 1977 a downward phase will probably begin. On world markets in 1976, production will probably stagnate or even decline slightly, especially in the non-Community countries of western Europe (by about 1%) and in the United States (by about 10%). As regards the countries of eastern Europe, pigmeat supplies in 1976 are unlikely to be substantial.

In European countries outside the Community and in the principal non-member egg-producing countries, rearing of chicks of laying breeds was on a much smaller scale in 1975 than in the previous year. As a result, the supply of eggs in shell will decline in 1976, a trend which will continue until the beginning of 1977. Since the international trade in eggs is on a fairly limited scale, little increase in the supply of eggs on world markets should be expected in 1976. The number of laying hens in the Community in 1976 will be lower than in 1975; assuming that the decline in consumption will be halted, some difficulties may be experienced in the opening months, but prices will reach a fairly high level towards the middle of the year. Since this will lead to a gradual recovery in activity in this sector, it must be expected that price levels will be lower in 1977 than in 1976.

The sparse data available concerning parent flocks for table poultry in non-member countries seem to suggest a clear trend towards expansion. It can be concluded that the supply of poultry for slaughter in certain exporting countries could rise by over 10% in 1976, a volume which cannot be absorbed by international trade. The traditional exporting countries can therefore be expected to adopt an aggressive marketing policy in 1976, likely to bring about a fall in prices - whilst dumping practices cannot be excluded. There is at present nothing to indicate that Community production will rise at the beginning of 1976; if the volume on offer later increases, stocks of deep-frozen produce could be built up in trade to slow the fall in prices.

Contrary to previous trends in this sector, the overall stabilization of milk production and delivery volume occurring in 1974 will probably hold good in 1975. However, the number of cows has declined more than expected, mainly because of premature slaughterings (situation in the feedingstuffs sector in spring and summer, problems on the beef and veal market, conversion from milk production to meat production), whilst the yield per cow has risen, with the effect that overall production has continued unchanged and

deliveries to dairies are up by 0.7% on the 1974 level. In 1976, the number of cows may be expected to decline less sharply whilst yields will increase to a greater extent than in 1975 as a result of the abundance of feedingstuffs and the competitive prices of feed concentrates. Consequently, milk production may increase by 0.5 to 1.5% and deliveries by from 1 to 3%. If the number of cows levels out in 1977 and supply and weather conditions are favourable, the upward trend in production and delivery will continue. Consumption of milk in the form of liquid milk and fresh products is tending to stabilize in 1975 and will probably decline in 1976 and 1977, thus freeing a greater quantity of milk for processed products - i.e., mainly butter and skimmed milk powder - whose annual rates of increase will be respectively 2-4% and 3-6%. For these two products, the gap between production and consumption will widen as a result of price increases and structural changes (UK market for butter; feedingstuffs market for skimmed milk powder). Cheese production will continue to reflect marketing opportunities. Exports, which declined substantially in 1975, will probably continue at the same level or rise slightly in 1976-1977. The rate of increase in cheese consumption in the Community declined in 1974 and 1975; nevertheless, it should recover in 1976/77 under the influence of higher income levels and a better economic environment. Production of other protected milk products, including casein, will mainly depend on the world market situation. The market will continue to be a difficult one for exporters owing to the rise in milk production, mainly in New Zealand, and the increased supply of skimmed milk powder, and probably of butter, likely to result. Consequently, intervention stocks of butter and skimmed milk powder will tend to rise in the Community in the next two years in line with trends in production, consumption and the world market situation.

Supply and demand will continue in relative equilibrium on world cereals markets in the 1975/76 marketing year. Stocks will therefore continue at very low levels in 1976, with the result that prices will be liable to fluctuate widely with changes in supply and demand, whether real or anticipated. This prospect has

already prompted discussions on a policy for world cereals stocks with a view to concluding an agreement on reserves; however, in the absence of a production surplus such reserves cannot be built up and will therefore have no effect on price stability in the immediate future. At the same time, a tendency may be noted on the part of both importing and exporting countries, including the Community and the United States, to seek long-term contracts for cereals supplies.

The demand for wheat is likely to be fairly stable, though as regards fodder grains it will depend on economic recovery in the developed countries. In the short and medium term some recovery may be expected in demand for fodder grains both in Europe and the United States as a result of the substantial expansion in pig production. In 1976 cereals production in the principal exporting countries will probably continue at a high level in view of the high prices; however, weather conditions in these countries will be a determining factor. In the Community, little change should be expected in the area under cereals, and if weather conditions are normal, production may exceed 1975 levels by 10%. Certain signs suggest that wheat varieties suitable only for animal feed will account for a larger share of the total area under common wheat - especially in France - and that a similar quality problem may appear in relation to durum wheat, of which production will probably continue to rise.

In view of the good prices obtained by Community growers for paddy rice in 1975, the area sown with this crop in the spring of 1976 is unlikely to change. Given favourable weather conditions, the 1976 harvest will be comparable with that in 1975, implying that a structural surplus of 250 000-300 000 mt. (in terms of husked rice) will have to be placed on the world market - itself liable to be in surplus.

As a result of the generalized increase in the areas under rice and the steady year-by-year increase in yields per hectare, the world harvest is likely to be very large. At the same time, the volume of trade in rice is unlikely to rise, since the Asian countries will import smaller quantities. Even in the event of strong import demand from the Middle East, demand will not match supply and prices will fall.

The Community's supply of proteins for use as feedingstuffs will continue to be provided from world markets and will, therefore, for the next two years, be dependent on availabilities on those markets, as in the past. On the supply side, it is certain that in 1975/76 availabilities of proteins will be much greater than in the previous year, partly as a result of increased soya bean availabilities in the United States (45.2 million m.t against 38.2 in 1974/75), the probable rise in soya production in Brazil and - to a lesser extent - the continuing recovery in fishmeal production in Peru. Even if world demand for proteins, after stagnating since 1973/74, recovers in 1975/76, it will probably still fail to match availabilities. In these circumstances it is likely that the principal producer countries will rebuild their stocks, which are likely to be relatively high at the end of 1975/76. However, this surplus situation in proteins is likely to be self-correcting for two reasons: firstly, in the major cereal and protein (soya) producing countries, the price ratio between these two products will probably lead growers to concentrate on cereal production; secondly, also as a result of the price ratio, use of proteins in feed will for some time continue to increase over the 1973 level. Finally, the increase in livestock numbers expected in 1976, especially pigs in the Community and the rest of the world, table poultry in certain non-member countries and "feedlots" in the United States, will lead to an increased demand for proteins.

In 1975/76, supplies of vegetable oils - especially copra and palm oils - will continue to be abundant, with prices at very favourable levels in relation to other oils. The excellent results forecast for the soya harvest in the United States and for colza in Canada lead to the same conclusion as regards the oils derived from these seeds. However, the volume of hardened oils on offer is likely to be the most depressing influence on the market; this will be particularly true in those countries in which margarine consumption is most widespread. During the last marketing year, the demand for vegetable oils

reacted to price fluctuations with greater elasticity than in previous years. It may be expected that the downward trend in prices will give rise to an inverse reaction and lead to a rise in the consumption of these oils. However, given foreseeable availabilities, this recovery in demand is unlikely to bring about a new upswing in prices.

In view of the expected trend in seed-oil prices and the fact that on Community markets olive oil prices can only decline within narrow limits, the ratio between the two price levels may change to the disadvantage of olive oil; it is possible that this may hinder any recovery in olive-oil consumption in the Community. In addition, Community production is expected to exceed the normal level, whilst carry-over stocks are also relatively high. It can therefore be assumed that the Community's import requirements will be lower in 1975/76 than in preceding years. At the same time, substantial harvests are expected in the producer-exporter countries, increasing the quantities available for export; this accounts for a certain anxiety felt in these countries as regards the disposal of their produce.

According to the preliminary estimates for 1975/76, world sugar production should be up by 6% on the previous year (made up of an increase of 13% for beet sugar and 2% for cane sugar). The rise in beet sugar production is mainly due to a substantial increase in sown area (+16%). World sugar consumption fell sharply in 1975 as a result of exceptionally high prices and limited supplies. If the world economic situation remains unfavourable, it can be foreseen that in the next two years consumption will grow very slowly. The rise in production in 1975/76, which will probably exceed the increase in consumption, will make it possible to some extent to rebuild world stocks, which are at present at very low levels. It may therefore be assumed that in 1975/76 world sugar prices will continue to fluctuate around Community price levels. In the same year in the Community, sugar production - together with preferential imports from the ACP countries - will exceed internal consumption, permitting the export of the quantities committed in 1974/75

under subsidized import agreements. The existing area under beet (1.8 million ha) will probably be maintained at its present level in subsequent years provided that prices on world markets do not decline too far below Community levels. On the assumptions that existing areas will be unchanged, that sugar yields per hectare will be normal and that the ACP countries deliver the agreed quantities, the Community will have about 2 million m.t available for export.

At the beginning of 1975/76, potato prices were high. This upward trend seems likely to persist in view of the quantities to be exported to non-member countries this winter. At the beginning of 1976 stocks will be low and prices tending to rise; prices on the Rotterdam forward market confirm this assumption. In 1975/76, however, the situation may well change; in the spring of 1976 the area brought under potatoes, both early and late crops is likely to increase. In view of the overall economic situation, the consumption of fresh potatoes may level out, whilst the demand for processed products may continue to rise. To sum up, the probable expansion of the area under this crop in 1976/77 will have only a limited effect on the price level.

A surplus situation is likely to continue on the wine market, since production is expanding faster than consumption. In the Community, the long-term tendency for surpluses to arise is unlikely to change in view of yield increases and the stagnation of consumption (changing tastes on the part of the consumer, higher taxes applying to wines). Owing to fluctuations in harvest volume, sometimes appreciable in the wine sector, it may be expected that periods of substantial surplus may alternate with periods in which production barely covers consumption. Since the harvest was of average quantity this year, it is unlikely that large-scale intervention measures will be needed during the current marketing year.

In the tobacco sector, the world market situation will be influenced by the continuing increase in production, the tendency for production to migrate towards the developing countries and planned economy countries, and by an increase in consumption limited in extent in the industrialized countries but

well-maintained in the developing countries. World production in 1975 was about 5.2 million m.t, including about 155 000 m.t in the Community. In the light of present trends, an annual increase in production of about 4% at world level and not more than 1% at Community level may be expected during the next two years. This rise in production, taken together with substantial investment programmes being carried on in certain countries, suggests that the quantities on offer will be substantially higher (especially Virginia flue-cured varieties); this may result in lower prices and, consequently, marketing problems for comparable Community varieties.

In the hops sector, in view of the reduction in stocks brought about by the poor 1975 harvest and the modest increase in demand (resulting from an increase in beer consumption and a decline in the utilization rate of hops by breweries), together with the stabilization - or even slight reduction - in world and Community areas under hops, the existing imbalance between supply and demand may be lessened. In 1977, areas will be little changed, perhaps increasing by not more than 1-2%; given a normal harvest, therefore, the market may be expected to stabilize.

The increase in seed production in 1974, and in the areas under these crops in 1975, have together resulted in very high stock levels, at present amounting to about 50% of total annual production. Consequently, in 1976 stocks will continue to be substantial and prices low, especially for certain species (*Lolium perenne*, *Trifolium repens*, *Medicago sativa*). For the other species (*Poa pratensis*, *Phleum pratense*, *Festuca rubra*) stock levels are likely to be normal and prices will tend to stabilize. In 1977 a significant factor will be the probable decline in sown areas, especially in Denmark (20%) which alone accounts for a quarter of total Community area under this crop.

In the short-to-medium term, no appreciable change is to be expected in the production or consumption of fresh fruit and vegetables; in the absence of special measures, the structural overproduction of apples and pears will continue. Some decline may occur in the production of glass-house crops as a result of the rise in energy costs. Production of processed fruit and vegetable products, though varying from one product to another, will in

general be lower than in 1974. Consumption is lower, owing to the general recession and the rise in price of certain products which are not primary necessities (e.g., tinned pineapple). In the present economic context, it is difficult to foresee a recovery. In the live plants sector, where production has expanded considerably in recent years, both production and the volume of trade are likely in the immediate future to expand more slowly - a tendency already observed in 1975 - as a result of the rise in energy costs and the general economic situation.

In the fisheries sector, despite the restrictions imposed by several Member States, a more widespread application of quota systems and a decline in the demand for certain fish, world production shows signs of rising in 1975. Any increase will be almost entirely due to the recovery in the Peruvian fish-meal industry following on the difficulties experienced in the early 70s. Despite the current recession, the fish-meal manufacturers are looking to a substantial increase in production (to at least the 1969/70 level) in this sector in the second half of this decade.

Since the recent Conference on the Law of the Sea did not result in any agreement, it is likely that some maritime States will shortly take unilateral measures restricting the activities of Community fleets. In view of the increasing number of quota measures applying to certain types of fish in danger of extinction and the decline in demand for fish for consumption in general, it seems likely that fish production for human consumption in the Community will continue to decline or - at the best - be maintained at about its present level. The substantial increase in fish-meal production in 1974 - especially in Denmark - should help to balance this decline; however, it is possible that the expected recovery in the Peruvian fishery sector may to some extent curb the expansion of the industrial fishery sector in Europe. The crisis in the fishing industry in 1975 was mainly due to the collapse of landed fish prices brought about by the massive catches early in the year. The situation further deteriorated as a result of the advent on the market during the same period of substantial quantities of frozen cod and hake from non-member countries.