

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 50 final. Part I

Brussels, 11 February 1977.

SITUATION OF THE AGRICULTURAL MARKETS

1976 REPORT

PART I

(submitted to the Council by the Commission)

FOREWORD

Contrary to past procedures, this document is confined to setting out in detail the situation of the different agricultural markets in 1976 and the outlook for them in 1977 and 1978.

The material traditionally included in this document is contained in the version published by the Publications Office of the European Communities in connection with the Tenth General Report on the Activities of the European Communities.

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1976 REPORT

PART I

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A. SECTORAL ANALYSES

I. CEREALS¹

1. Introduction

(a) The economic situation:

The 1975/76 marketing year opened with the same instability on world markets that has characterized recent years. In this case the cause was the unexpectedly poor crop in the USSR though in the second half of the marketing year the situation stabilized as it became apparent that world supplies were adequate. In the Community the poor 1975 crops were largely balanced by the very high level of carry-in stocks; this enabled the Community to continue making a positive contribution to world market supplies. The beginning of the 1976/77 marketing year in the Community has been marked by the strong demand for cereals for animal feeding combined with generally poor crops following the drought; world market supplies however seem more than adequate to meet potential demand, particularly as regards wheat.

(b) Cereals in Community agriculture:

In 1975 cereals accounted for 10,5%, by value, of the final production of agriculture (12,1% in 1974). The total area of cereals in 1975 was 26,3 million ha or 28% of the utilized agricultural area (UAA).

(c) The Community in world cereals production:

World production of cereals (excluding rice) in 1975 amounted to 1, 015 million tons (according to FAO statistics) of which the quantity produced in the Community was 9,6% (10,7% in 1974).

2. Production

Community production of cereals decreased by 10,2% between 1974 and 1975 and by a further 6,4% in 1976 (according to the provisional estimates) to 90,9 million tons. The record 1974 crop of 108,2 million tons resulted from an average yield of 40,4 quintals/ha whereas the estimate for 1976 amounts to only 34,6. In the present state of knowledge it would be wrong to regard these results as anything more than the result of two consecutive years of very unfavourable weather. In the longer term yields should continue to rise at at least the rate observed between "1968" and "1975" (1,5% per year) thus more than offsetting the average 0,3% per year decrease in area over the same period.

¹ See Tables II.B/1.1 to II.B/1.13 of Part II

(a) Common wheat:

Very good sowing conditions in the autumn of 1975, particularly when compared with those of 1974, led to an 8,3% increase in the area devoted to common wheat (including spring wheat). However the drought in the summer of 1976 caused yields to be slightly poorer than in the previous year and production is provisionally estimated at 35,5 million tons (4,9% up on 1975). The milling quality of this year's crop is very variable because, although protein levels are generally high, the areas most affected by the drought have produced a high proportion of shrivelled grains.

(b) Durum wheat:

The area sown to durum wheat in France declined in 1976 (- 28%) as compared with 1975 when the sowings were abnormally high, largely due to the poor sowing conditions for common wheat in autumn 1974. In Italy the opposite was the case, leading to an overall increase of 2,6% for the Community. The average yield decreased considerably (- 13,7%) and production is therefore expected to be down by 11,3% at 3,8 million tons.

(c) Rye:

Production of rye is expected to rise slightly in 1976 (1,4%) since the increase in the area sown (8,7%) more than compensated for the poorer yields obtained.

(d) Barley:

After a temporary movement from wheat to barley in 1975 the area sown in 1976 declined (- 2,0%) to a more normal level. Yields in 1976 are provisionally estimated at 33,7 quintals/ha which is 11% less than the average for 1971 to 1975. The effects of the drought were most severely felt in the spring barley crop in France whereas winter barley crops were in general less affected. Overall production is expected to be about 29,9 million tons (7,6% less than in 1975). The crop was in general of poor malting quality, the protein content and the proportion of small grains being too high except in the case of the winter barley crop which is not normally considered so suitable for malting.

(e) Oats:

Sowings of oats were reduced by 5,5% in 1976, roughly in line with the trend established over the past decade. Moreover yields were more severely affected by the drought (- 12,5%) than was the case with other cereals; compared with the "normal" situation (average of 1971 to 1975) the yield was 15% down. As a result production was down 17,4% at 7,8 million tons.

(f) Maize:

After four years of comparative stability the area of maize for harvest as grain has fallen sharply in 1976. This is the result firstly of declining profitability (higher production costs, poor yields for at least two successive years); secondly, the drought with its effects on the fodder situation led to many crops which were destined for harvest as grain being harvested green for silage. Since this process may have continued after the provisional estimates were made, the area to be finally harvested is particularly uncertain this year. Equally the yield estimate is very uncertain though the latest estimate indicates a reduction of 5,1% and production is forecast at 10.8 million tons (- 23,2%).

3. Consumption

In 1974/75 the total volume of cereals used in the Community amounted to 113,2 million tons, i.e., 2% less than in 1973/74. About 35% consisted of wheat and 65% of coarse grains, of which 28% was accounted for by barley and 23% by maize. The utilization of all cereals was made up as follows in 1974/75: human consumption and industrial use, 33,7% (33,2% in 1973/74); animal feed, 62,0% (62,5% in 1973/74); seed and losses, 4,3% (4,3% in 1973/74). The proportions vary substantially from cereal to cereal, from one Member State to another and from year to year; the following table gives the breakdown by cereal for 1974/75.

Cereal consumption in 1974/75 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total consumption
	%	%	%	%	%
Wheat (Durum and common)	63,9	30,5	0,4	5,2	100,0
Rye and meslin	38,9	54,4	1,5	5,2	100,0
Barley	0,4	76,4	17,5	5,7	100,0
Oats and summer mixed corn	2,8	92,3	0,0	4,9	100,0
Maize	:	79,4	:	1,1	100,0

(a) Human consumption:

Between 1973/74 and 1974/75, net human consumption of cereals declined by 1,3% to 21,1 million tons. This means that per capita consumption decreased by about 1,6% whereas between 1972/73 and 1973/74 there had been no significant change. As regards the original Community, per capita consumption has been decreasing at about 0,6% per year on average during the period since 1967/68.

Net human consumption of cereals in 1974/75 - breakdown by cereal

	Net overall human consumption (Mt)	Net per capita consumption	
		Kg per capita	% Change, 1973/74 to 1974/75
Wheat - Common	16.191	62,7	- 1,3
- Durum	2.818	10,9	- 3,5
Rye	1.070	4,1	- 4,7
Barley	68	0,3	-
Oats	156	0,6	-
Maize	:	2,9	3,6

Statistics for the original Community revealed an increase in per capita consumption of common wheat flour in 1973/74, in opposition to the normal downward trend. In 1974/75 however the figures reverted to the normal trend (- 2,0% for EUR 6 and - 1,3% for EUR 9). On the other hand, per capita consumption of durum wheat products in the original Community continued to decline for the second year running whereas the previously established trend in consumption had been upward (2,9% per year since "1967/68"); however, the decrease of 2,7% in 1974/75 was much lower than in the previous year (- 8,6% between 1972/73 and 1973/74) and the upward trend may be resumed with the relatively lower prices of 1975/76.

(b) Animal consumption:

In the Community as a whole cereals account for 26,2% of livestock feed resources as expressed in Fodder Units ("1972/73"), the proportion varying from 9,7% in Ireland to 45,8% in Denmark. If bulk fodder crops and grazing are excluded, this proportion rises to 61,8% and a further 5,7% is supplied by by-products of the milling industry. There are also certain products which wholly or partially substitute for cereals (oilcakes, manioc, etc.) and it is variation in supplies or prices of these products which may account for some of the variations in the quantity of cereals used for animal feeding, particularly in Belgium and the Netherlands.

In 1974/75 the use of cereals for animal feeding declined by 2,8% to 70,2 million tons, the decrease taking place for all cereals except sorghum, for which there was an increase of 12,1%. This may be explained firstly by the high world market prices for feed-grains in the first half of the marketing year and secondly by the very mild winter of 1974/75 which permitted greater use of grazing in much of the Community.

The following table compares the consumption of different cereals on the farms where they are grown with the animal feed use of cereals which are purchased by farms (usually as compound feedingstuffs).

Animal feed use of cereals in 1974/75, on the farm and through the market - breakdown by cereal

Cereal	Used on farm 1.000 t	Marketed 1.000 t	Total	
			1.000 t	%
Wheat	5.767	6.437	12.204	17,4
Rye	1.495	280	1.775	2,5
Barley	14.473	10.129	24.602	35,1
Oats	7.626	1.582	9.208	13,1
Maize	5.576	15.326	20.902	29,8
Other	41	1.425	1.466	2,1
Total	34.978	35.179	70.157	100,0
	49,9 %	50,1 %	100,0 %	

Source: Eurostat - "Crop Production".

(c) Industrial use:

Information concerning the industrial use of maize is unfortunately not available for one of the new Member States. As regards the original Community, however, the rate of increase in industrial use in 1974/75 continues in line with the average since "1967/68" (4 to 5% per year), though between 1973/74 and 1974/75 the emphasis has shifted slightly to barley instead of maize. A more detailed analysis of these uses is now possible as a result of new information from Eurostat. In particular, of the total industrial use of barley in 1974/75 which amounted to 5,6 million tons, some 88% was used for the manufacture of beer and the remainder for distilling (mainly in the United Kingdom and Ireland). In the original Community maize is principally used for conversion to oil, glucose or dextrose (54%) or in the starch industry (30%); a small amount (9%) is used for beer, mainly in France. For the United Kingdom the only information available relates to distilling which used 596.000 tons in 1974/75 (36% of total human and industrial use in the UK); in the other

Member States maize was little used for distilling. The small amount of wheat used industrially in the Community is largely devoted to the production of beer and alcohol in Germany, with a little being used for starch production.

(d) Self-supply:

The Community's degree of self-supply in 1974/75 was up 4,5% to 94,7%, an increase in production being accompanied by a decrease in consumption; the net deficit amounted to 6,0 million tons of cereals (10,8 in 1973/74). Part of the increase was absorbed by an increase of 4,4 million tons in stocks and the remainder by reducing net imports to 10,4 million tons (12,2 in 1973/74).

Summary of the cereal balance sheet in 1974/75

(million tons)

	Wheat (durum and common)	Rye	Barley	Oats and summer mixed corn	Maize	Other cereals	Total
Stock change ¹	- 2,9	- 0,2	- 0,9	- 0,1	- 0,3	0	- 4,4
Net external balance ²	- 2,1	+ 0,2	- 1,4	+ 0,2	+12,2	+ 1,2	+10,4
Domestic use less production	- 5,0	0	- 2,3	+ 0,1	+11,9	+ 1,2	+ 6,0
Self-supply (%)	112,5	100,0	107,1	98,6	54,7	21,2	94,7

¹ + = stock reduction; - = stock increase.
² + = net imports; - = net exports.

As a result of the much poorer crops in 1975 and also an increase of 1 to 2% in animal feed use, the overall level of self-supply is expected to have declined to around 85% in 1975/76. The increased deficit has been met in part by a decrease of 4 to 5 million tons in stocks and in part by an increase in net imports which have risen to about 12,4 million tons.

(e) Stocks:

At the beginning of the 1975/76 marketing year, total stocks were estimated at about 18,8 million tons of which 2,1 million tons were held on farms. Of the 16,7 million tons of stocks on the market or in intervention stores, common wheat accounted for 8,8 million tons, durum wheat for 0,9 million tons, barley for 2,3 million tons and maize for 3,6 million tons.

By the end of the marketing year the market and intervention stocks are expected to have fallen to about 11,5 million tons, including 5 million tons of common wheat (15% of production), 1,3 million tons of durum wheat (31% of production), 1,3 million tons of barley (4% of production) and 3,2 million tons of maize (23% of production but only 12% of consumption).

4. Trade

(a) Between Member States:

The average rate of increase in trade between Member States of the original Community has been about 14% per year since "1967/68" (based on export statistics). As regards the enlarged Community, the large increase noted between 1972/73 and 1973/74 was almost completely reversed in 1974/75 despite the large 1974 crop. The explanations for these variations advanced in last year's report remain valid. Briefly, these were that the level of intra-trade in 1973/74 was unusually high because of the competitive advantage afforded to French cereals by the suppression of monetary compensatory amounts (up to October 1973) and that high world market prices made supplies of Community origin more than usually attractive to using industries. On the other hand, in 1974/75, producers in surplus areas of the Community retained cereals in the expectation of higher prices but the world market fell rapidly and unexpectedly leading to large imports which in part filled needs normally met by intra-trade.

The two most important components in this intra-trade are the exports of French cereals to other Member States and the re-exports from the Netherlands of imported cereals mainly to Germany and the United Kingdom. The explanations given above apply particularly to French exports which increased by 40% between 1972/73 and 1973/74 and then in 1974/75 declined to below their 1972/73 level. French exports to other Member States in 1975/76 made a further recovery to almost the level of 1972/73 despite a level of production which was 26% less than in that year. In particular, exports of wheat increased some 32% between 1974/75 and 1975/76 whereas exports of maize and barley remained almost unchanged; such a large increase may be partly explained by the monetary disturbances following the floating of the French franc in March 1976.

The re-exports from the Netherlands, particularly those to the new Member States, tend to vary for technical reasons. The ports in the Netherlands offer considerable advantages to importers, especially when using very large vessels for shipment; goods are therefore sent first to the Netherlands and then transhipped to other Member States. Such transhipments are only re-exports when the goods are customs cleared in the Netherlands and this generally occurs when there is a financial advantage arising from the interplay of accession compensatory amounts and import levies.

Hence in 1974/75 there was an increase of 61% in Dutch exports of maize to other Member States as a result of judicious advance fixing of low import levies when the world market price was falling rapidly and the accession compensatory amount was rising; in 1975/76, however, these exports fell by 22% compared with the previous year because advance fixing of the import levy was suspended during the period when the accession compensatory amounts were varying. On the other hand, Dutch exports of wheat (for which advance fixing remained possible) increased by 76% in 1975/76. These experiences suggest that the high level of Dutch exports and to a lesser extent Belgium and German exports, to other Member States are a temporary and artificial phenomenon which should decrease substantially at the end of the accession transitional period when, although transshipment operations will continue because of their economic advantages, there will be less financial incentive for customs clearance to take place in the Netherlands.

(b) With non-member countries:

Imports from non-member countries into the original Community have remained at around the same level since "1967/68". Within that period, however, imports declined initially but have been increasing since 1971/72. Imports into the enlarged Community, on the other hand have declined as the new Member States have received more cereals from France. The absolute level of imports into the Community (reduced by the estimated level of transshipments) was about 21,2 million tons in 1974/75 (1,1% less than in 1973/74) of which some 12,5 million tons were maize (1,3% more than in 1973/74). In 1975/76 the corresponding figures are, for all cereals, around 24 million tons (12% more than 1974/75) and, for maize, between 13 and 13,5 million tons. In 1974/75 about 75% of the maize imports came from the United States whereas in 1975/76 this proportion has risen to over 80%; in both years the remainder came mainly from Argentina and South Africa. Imports of sorghum which had reached 1,2 million tons in 1973/74 and 1974/75 are believed to have risen to about 2 million tons in 1975/76. Barley imports fell from 1,7 to 1,2 million tons between 1973/74 and 1974/75 but in 1975/76 have risen to about 2 million tons; about 50% of the 1975/76 imports came from Canada and 25% from Australia.

Imports of common wheat amounted to 4,2 million tons in 1974/75 but rose to around 5 million tons in 1975/76; around 90% of these imports come from North America and more than half were imported into the United Kingdom. Durum wheat imports have decreased from 1,4 million tons in 1973/74 and 1974/75 to around 1 million tons in 1975/76. In 1974/75 and 1975/76 about 95% of the total imports came from North America.

Exports from the original Community have been increasing by 9% per year on average since "1967/68". As regards the enlarged Community, exports increased by 16% to 10,8 Mt in 1974/75 and, within this total quantity, common wheat accounted for 69% and barley 24%. Exports of common wheat in 1975/76 are estimated at about 7,3 Mt (7,5 million in 1974/75) which were broken down as follows: 6,6 Mt commercial sales, of which 2,6 million in the form of flour, and 0,7 Mt as food aid, of which 250 000 t in the form of flour. As in previous years, the countries of the Indian subcontinent and North Africa have been among the largest buyers of Community wheat and flour though in 1975/76 large quantities of wheat have also been taken by certain East European countries, notably Poland, Romania and Yugoslavia.

Barley exports in 1975/76 are estimated at around 3,5 Mt (2,6 million in 1974/75) of which some 1,4 Mt were in the form of malt. Whilst malt is exported to many different countries, the bulk of barley exports have been to European countries (particularly Switzerland, Eastern Europe and the USSR) and to the Mediterranean area.

5. Prices

(a) Common prices:

When fixing the prices for 1976/77, the Council adopted a new, more coherent, system for cereals prices to apply from 1977/78. This system envisages a single intervention price for all feed grains (including feed wheat) and a greater margin between the intervention price and the threshold price in order that the market may have more freedom to balance supply of and demand for the different types of feed grain; at the same time there will be differentiated threshold prices for bread wheat and rye with the possibility of special intervention measures to support the price of wheat which is suitable for bread-making at the level of the reference price for this product.

The prices fixed for 1976/77 represent a transitional step which in fact goes a long way towards the new system; at the same time the regional differentiation of intervention prices for common wheat was suppressed. The increases in target prices ranged between 5,5% for durum wheat and 9,0% for common wheat and maize. The intervention price for common wheat was fixed at 131 u.a./t but this was only for wheat of bread-making quality; for feed wheat a reduction of 15 u.a./t is applied at intervention so that the price effectively becomes 116 u.a./t which is equal to the intervention price for barley, the pivot of the system. The intervention price for maize remains 3,3% below that of barley.

(b) Internal market prices:

At the beginning of the 1975/76 marketing year prices were relatively firm as a result of world market situation at that time. Towards the end of 1975 they decreased slightly in relation to the intervention price, again following the tendency of the world market. In the first

half of 1976, prices firmed again firstly as a result of increased export commitments and later as the effects of the drought started to become apparent.

Average difference between market price and intervention price in 1975/76

	Common wheat	Durum wheat	Barley	Maize
	%	%	%	%
Germany	1,6	x	4,8	x
France	6,3	0,1	6,2	14,3
Italy	x	- 0,5	x	23,3
Netherlands	3,3	x	10,9	x
Belgium	0,1	x	6,6	x
United Kingdom	19,5	x	23,9	x
Denmark	x	x	8,9	x

The only cereal for which prices were particularly depressed was durum wheat for which the market price in Italy was below the intervention price for the first 7 months of the marketing year. This was due to a large Community crop of mediocre quality which did not move readily into consumption when faced with the superior quality of imported grain.

(c) World prices:

On average, world market prices (cif Rotterdam) for common wheat and barley have risen whilst those for durum wheat and maize have fallen in 1975/76. The range of prices experienced in 1975/76 is given below:

Highest and lowest monthly average prices in 1975/76 - cif Antwerp/Rotterdam

Type	Highest		Lowest	
	u.a./m.t.	month	u.a./m.t.	month
<u>Common wheat:</u>				
Hard Winter II Ord.	139.75	Sept. 1975	119.28	Jan. 1976
Dark Northern Spring II/14%	161.98	Sept. 1975	138.73	April 1976
<u>Barley:</u>				
Canada Feed I	126.52	Sept. 1975	105.27	April 1976
<u>Maize:</u>				
Yellow Corn III	116.40	Aug. 1975	99.13	Dec. 1975
<u>Durum wheat:</u>				
US Hard Amber Durum III	200.73	Aug. 1975	138.20	April 1976

The high prices at the beginning of the marketing year were centred on the poor 1975 crops in the USSR combined with a continuing high level of demand in other importing countries. On the other hand there was a high level of production in the main exporting countries and Russian imports were limited by port capacity and by the agreement reached with the United States on total sales volume. As a result markets calmed by late 1975 but early in 1976 rose in response mainly to fears for the US winter wheat crop which was suffering from drought at that time. In the end 1975/76 turned out to be a year with high demand but also high production with the result that world stocks changed little.

The concern for the 1976 US winter wheat crop proved unfounded and, apart from the drought in Europe, the 1976 crops appear to be abundant in the major exporting countries; good crops are also reported in areas which have been large importers of wheat, particularly India and North Africa, so the wheat market has weakened considerably. By early October 1976 wheat prices had descended to levels about 20% below the lowest in 1975/76, the fall in hard wheats being greater than that in soft wheats, i.e., quality premiums have been reduced; for durum wheats the price had gone down almost 30% to below the price of the better quality hard wheats. Feed grain prices were under less pressure because demand remained strong, particularly in Europe; the barley price was little changed and maize had gone down about 6% to a price level similar to that of Hard Winter wheat.

The generally lower level of prices in 1976 has prompted a more aggressive export policy in the United States including increased food aid (PL 480) and commercial credits for the purchase of US cereals; these measures have been complemented by a recent increase in US Loan Rates.

(d) Consumer prices:

Bread prices increased by 12-13% between 1974 and 1975 though this is less than the average 18% rise recorded the previous year. The increases varied between 5,4% in Italy and 17,4% in Ireland. The degree to which those increases were due to wheat prices is probably very small though it is more difficult than ever to determine. Bread prices are principally determined by distribution and manufacturing costs and by government price controls and/or consumer subsidies.

6. Short term outlook

In contrast to the situation at the beginning of the 1975/76 marketing year, the Community's stocks of cereals (apart from durum wheat) were relatively low on 1 August 1976. To this must be added the very poor crops of most cereals and the expectation of a greater demand for animal feed as a result of the effects of the drought on fodder supplies and increased production in the intensive livestock sector. The result is a tight situation in the Community, particularly for feed grains. Imports

of maize and barley are expected to be very much higher than in the previous marketing year though as regards barley there is a shortage on the world market which may make it difficult to realize the level of imports hoped for. Barley is unlikely to be available for export except in the form of malt.

Community supplies of common wheat, though not as abundant as usual, should permit the normal level of exports of flour and also the realization of the food aid programme; sufficient wheat should also remain for the supply of countries which are traditionally dependent on the Community. Prices have been extremely high during the first 2 months of the 1976/77 marketing year and it seems that producers are retaining wheat in the hope of still higher prices; there is therefore a risk that consuming areas will cover their requirements by importing and that internal prices will fall during the second half of the marketing year. The world market, on the other hand, is over-supplied, especially as regards wheat, stocks of which are almost certain to rise significantly by the end of the 1976/77 crop year; feed grains are likely to be sufficiently abundant to meet the expected increase in demand.

7. Economic aspects of the measures taken

(a) Levies and refunds

(1) Import levies:

Import levies were reduced to zero for oats, barley and durum wheat for several periods during the first three months of the 1975/76 marketing year. These periods were as follows:

Barley	-	14.8.1975 to 4.9.1975 and 17.9.1975 to 10.10.1975
Oats	-	21.8.1975 to 29.8.1975
Durum wheat	-	19.8.1975 to 29.8.1975 6.9.1975 to 10.9.1975 and 25.9.1975 to 30.9.1975

Advance fixing of the import levy for barley and maize had been suspended in February 1975 and remained so during the first half of the marketing year. Therefore there was no risk of excessively cheap imports of feedgrains as import levies gradually increased during this period. As stability returned to world markets it was possible to re-introduce the possibility of advance fixing of the import levy with effect from 15 January 1976 though at the same time the period of validity of import licences was limited to 30 days for feed-grains and 45 days for common wheat. However, the need to facilitate imports of feed-grains at the beginning of the 1976/77 marketing year led to an increase in the period of validity of import licences to 60 days for these products.

(2) Export levies:

Export levies were fixed for most products from 19 August 1975. These were never very large (maximum of 17 u.a./t for wheat, 20 u.a./t for barley and 12 u.a./t for maize) but were sufficient to ensure that exports took place through tenders. Some exports of barley took place with an export levy fixed at tender. All export levies were finally suppressed on 7 November 1975.

(3) Export refunds:

Most of the exports of wheat and barley took place with refunds fixed under the tendering system. Tenders for the export refund and/or levy were open from the beginning of the marketing year until May 1976. In addition some exports to nearby countries were made with normal refunds but under export licences which were valid for only 30 days.

Certain difficulties were encountered as a result of large quantities of export licences with a 12 month period of validity which were issued for malt during the months of June and July 1975; the quantity involved was about 1,5 million tons with advance fixing of high rates of refund which were based on the very low prices for barley on the world market in the immediately preceding period. As a result of this experience, no more refunds were fixed until considerably more stringent conditions were applied to the issue of these licences with effect from June 1976.

(b) International agreements and food aid

The Community's commitment for 1975/76 under the Food Aid Convention amounted to 1.287.000 tons of cereals, of which 708.000 tons were direct Community aid. The proportion of the direct Community aid commitment which had been effected by 31 July 1976 was 12,3% in respect of the 1975/76 programme and 99,3% in respect of previous programmes. As regards aid by Member States the corresponding proportions were 23,1% for the 1975/76 programme and 87,7% for previous programmes.

(c) Intervention

In 1975/76 intervention stocks of wheat and barley were halved whilst stocks of durum wheat, increased from 6.000 to 400.000 tons to which should be added around 200.000 tons in Intervention B (Community financed storage contracts for private stocks). Much of the stock of durum wheat is of the variety Durtal which is not suitable for making pasta (except as a very small proportion with other varieties). The disposal of these stocks will therefore be extremely difficult, particularly when the world market for durum wheat is extremely weak.

Details of changes in intervention stocks during 1975/76 were as follows:

Intervention stock changes in 1975/76

(1.000 tons)

	Common wheat	Durum wheat	Rye	Barley
Stocks in 1.8.1975	2.412	6	286	582
Receipts	776	396	21	3
Sales - on the Community market	304	1	32	62
- for export	1.589	0	83	266
Net change	- 1 117	+ 395	- 94	- 325
Stocks on 1.8.1976	1.295	401	192	257

(d) Uniformity of prices - Accession compensatory amounts

The disparity between intervention prices in the original Member States and those in the United Kingdom, the new Member State with the lowest prices, remain relatively large because of the incorporation each year of the general increases in cereals prices. For 1975/76 the differences were as follows:

Intervention prices: August 1975

	Common wheat	Barley
Duisburg	125,93	110,96
Rouen	121,96	
Rotterdam	125,15	85,88
London (Tilbury)	98,53	
Cambridge	94,41	
Enniscorthy	120,05	

The accession compensatory amounts for the United Kingdom in 1976/77 amount to 18,58 u.a./t for common wheat and 17,48 u.a./t for barley.

At the beginning of the 1975/76 marketing year there were periods during which the compensatory amounts were abated when the import levies were very small. Since this situation has in the past led to abuses of advance fixing of these amounts, advance fixing was suspended with effect from 5 September 1975 as regards maize and barley and certain products of those cereals.

8. Budgetary expenditure

The expenditure of the EAGGF Guarantee Section on cereals was 399,7 million u.a. in 1974, 620,9 million u.a. in 1975 and is estimated at 691,8 million u.a. for 1976, or 12,9%, 13,1% and 11,9% respectively of total expenditure by the Guarantee Section. The 691,8 million u.a. for 1976 breaks down into 391,8 million u.a. for export refunds and 300 million u.a. for storage aid, of which 167,2 million u.a. for aid to durum wheat.

2. RICE¹

1. Introduction

In 1975, rice² represented 0,3% by value of final agricultural production and accounted for 0,2% of total UAA.

Rice is produced in only two Member States: Italy, which accounted for 96,6% of the 1976 harvest, and France. In 1976, 191.000 ha were under rice; there was an increase of 2,2% per annum between "1968" and "1975".

The world rice harvest was estimated at 344 million t in 1975; Community production in the same year amounted to 1,06 million t of paddy rice or 0,31% of total world production.

According to the FAO, the total world area under rice cultivation in 1975 was 140,85 million ha, of which the Community accounted for 195.000 ha, or 0,14%. The difference between the percentages for production and area is due to the fact that yields in the Community (57,4 quintals of paddy rice per ha) are 136% higher than the world average (24,3 quintals/ha).

The following is a breakdown of Community production and area under rice in 1976/77:

	Italy	France
Production ('000 t)	834	29
Yield (quintals/ha)	45,6	36
Area ('000 ha)	183	8

2. Production

In 1975, rice production in the Community amounted to 846.000 t, a decrease of 1,7% on 1974. However, the 1976 figure of 863.000 t is 2% above the previous year and 27% above "1968". This increase is caused partly by the expansion of the area under rice (+0,9% per annum between "1968" and "1975") and partly by the increase in yield per ha (+2,4% per annum between "1968" and "1975").

Although the areas have increased by 5,2% per annum between "1968" and "1975", the area under rice in France has fallen by 11,1% per annum during the same period.

It is highly unlikely that the areas under cultivation in Italy will be further increased because of the difficulties of finding the special conditions required for rice cultivation.

Yields vary sharply from one year to another as a result of weather conditions, fertilizers employed and varieties sown.

¹See tables II B/2.1 to II B/2.5 of Part II.

²In this document, the word "rice" means husked rice unless otherwise stated.

3. Consumption

In 1974/75, the Community's total rice resources amounted to 1.183.000 t, of which 972.000 t were utilized within the Community, i.e. 3,6% less than in 1973/74. This latter amount was made up as follows: human consumption, 88,3%; industrial use, 3,7%; feedingstuffs, 4,3%; seed, 3,4%.

(a) Human consumption

Total gross human consumption of rice fell from 878.000 t in 1973/74 to 858.000 t in 1974/75 (-2,3%). The per capita consumption of prepared rice fell by 13,8% (2,5 kg in 1974/75 against 2,9 kg in 1973/74). However, it should be noted that per capita consumption in the Community of Six increased by 1,9% per annum between "1967/68" and "1973/74".

(b) Animal consumption

Animal consumption of rice in 1974/75 was 42.000 t against 43.000 t in 1973/74. Between "1967/68" to "1973/74", however, it increased by 16,7% per annum, from 17.000 t to 43.000 t.

(c) Industrial use

In 1974/75 the quantity of rice used in industry (36.000 t) fell by 23,4% compared with 1973/74 (47.000 t). The volume of rice used in industry varies significantly, depending on the ratio of the price of broken rice to that of maize, a competitive product for brewing and starch production.

(d) In 1974/75 the self-supply rate of the Community was 88% against 90% in 1973/74.

4. Trade

The Community's imports from non-member countries amounted to 323.000 t in 1974/75, i.e. 98.000 t or 23,3% less than in 1973/74. However, from "1967/68" to "1973/74" imports rose by 1,1% per annum.

In the 1973/74 marketing year, the Community's exports of rice to non-member countries amounted to 383.000 t, as against 291.000 t in 1973/74 (+31,6%). From "1967/68" to "1973/74" exports rose by 8,4% per annum.

In 1974/75 the Community's external balance for rice showed a surplus of 60.000 t, while the figures for 1972/73 and 1973/74 had shown a shortfall of 154.000 and 130.000 t respectively. The external balance for rice fluctuates widely from year to year according to variations in harvest and the demand for rice on the world market.

In 1974/75 the Community's share of world trade was estimated at 5,1% of export and 4,4% of imports. The Community's principal suppliers of

rice are still the United States, South America and Thailand, in that order. With occasional exceptions, Community exports mainly go to the Mediterranean countries, Africa and Italy's neighbours.

If intra-Community trade continues to increase (increase of 15,2% per annum between "1967/68" and "1975/74"), imports from outside the Community may be expected to decline in the years to come. In 1974/75 intra-Community trade amounted to 342.000 t against 320.000 t in 1973/74, an increase of 6,9%.

5. Prices

(a) Common prices

For 1976/77, the target price for rice was raised by 9% and the intervention price for paddy rice by 6%.

(b) Market prices

In 1975/76, market prices in the main rice-producing region (Vercelli) averaged 206,4 u.a./t for round-grained paddy rice (25,6% above the intervention price), and 219,7 u.a./t for long-grained paddy rice (21,8% above the intervention price).

(c) World prices

Prices on the world market have fallen constantly since the end of the 1973/74 world shortage of rice.

In 1975/76, world prices for round-grained rice were 33,4% down on the price for the previous year and for long-grained rice 26% down. This amounts to a fall of 53% (round-grained rice) and 50,7% (long-grained rice) compared with 1973/74.

In September 1976, cif Rotterdam prices were below threshold prices by:

- 47,9% for round-grained husked rice
- 43,8% for long-grained husked rice
- 45,3% for round-grained milled rice
- 58,4% for long-grained milled rice
- 36,3% for broken rice.

(d) Consumer prices

The only statistics available concerning consumer prices up to 1974 were supplied by one producer country, Italy, and one non-producer country, Germany. For 1975, the figures for France also, which both produces and imports rice, are available.

Member State	1969	1970	1971	1972	1973	1974	1975
Italy Lit/kg	260	264	278	288	432	454	468
Germany DM/kg	1,98	2,11	2,37	2,50	2,66	3,26	3,34
France FF/kg	-	-	-	-	-	-	5,05

Source: Commission of the European Communities, DG VI.

The greatest increase (50%) in Italy took place between 1972 and 1973 (world shortage of rice). The increases for 1974 and 1975 were 5% and 3% respectively.

The increase in Germany was smaller in 1973 (6,4%) and greater in 1974 (22,5%). The increase in 1975 amounted to 2,5%.

6. Outlook

(a) Short-term

The 1976/77 harvest is estimated at 846.000 t, or slightly more than in 1975/76. The rice harvested is of excellent quality. The proportion of round-grained rice in 1976/77 production is higher, and will cover all the Community's requirements. This harvest will produce a structural surplus of about 250.000 t to be exported onto a world market where there is a surplus and prices are very low and may fall further. Because of the potato shortage in 1976/77, human consumption of rice in the Community is likely to rise, and this could have a favourable effect on intra-Community trade in Community-produced rice.

(b) Medium-term

Because water is needed to irrigate areas under rice, only a slight increase can be expected in this figure. Unless the weather is unfavourable, the yield per hectare, which is already very high in the Community, can be increased even further. Production will probably remain above 1 million t of paddy rice. The slight increase in harvest resulting from high yields will probably be balanced by a rise in consumption on the same scale. The exportable surplus will therefore be maintained at around 250.000 t.

7. Economic aspects of measures taken

(a) Levies and refunds

Since world market prices began to fall at the end of 1974, import levies have constantly risen. The average for the 1974/75 and 1975/76 rice years was as follows:

	in u.a./t	
	1974/75	1975/76
Round-grained husked rice	0	71,64
Long-grained husked rice	13,81	92,44
Round-grained milled rice	12,69	109,59
Long-grained milled rice	67,77	195,62
Broken rice	0	23,45

An export refund was fixed between November 1975 and January 1976 for long-grained milled rice and from June 1976 onwards for round-grained milled rice. These refunds enabled small quantities to be exported to countries close to the production areas. From 16 to 21 January and from 13 February to 10 March 1976, differentiated

refunds for zone IV (South America) were granted for long-grained milled rice. From February 1976 onwards, refunds were granted for exports of long-grained husked rice and round- and long-grained milled rice to Austria, Liechtenstein and Switzerland.

Most exports were effected by way of tendering for the refund. During the 1976/77 rice year, contracts for the following quantities were awarded:

	'000 t	Average refunds u.a./t
Round-grained husked rice	1,7	18,9
Long-grained husked rice	5,3	45,8
Round-grained milled rice	2,8	24,5
Long-grained milled rice	102,0	95,3

(b) Food aid

A total of 23.700 t of milled rice was supplied as food aid in 1975, compared with 12.700 t in 1974. The amount supplied in the first nine months of 1976 was 17.200 t. Most of this aid was supplied via the International Committee of the Red Cross and the United Nations High Commission for Refugees.

(c) Quantities submitted for intervention

No intervention took place in respect of rice in the 1973/74, 1974/75 and 1975/76 marketing years.

(d) Stocks

At the beginning of the 1975/76 marketing year rice stocks amounted to 176.000 t. This figure should be considered normal for the Community. Stocks at the beginning of the 1976/77 marketing year are estimated at 235.000 t. The increase of 59.000 t is due in particular to the doubling of stocks in Italy (104.000 t against 52.000 t).

(e) Compensatory amounts

1. Accession compensatory amounts

The accession compensatory amounts for rice, fixed at the same level for all three new Member States, reflected when they were first set the gap between world and Community prices. The accession compensatory amounts for 1975/76, harmonized at the rate laid down in the Accession Treaty, were applicable in full because of the high import levies.

2. Monetary compensatory amounts

So far no monetary compensatory amounts have been fixed for rice.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF in respect of the rice sector amounted to 1,2 million u.a. in 1974, 4,2 million u.a. in 1975 and is estimated at 30,0 million u.a. for 1976; these figures represent respectively 0,04%, 0,09 and 0,5% of the Guarantee Section's total expenditure. The figure of 30,0 million u.a. for 1976 is made up of 28,7 million u.a. in export refunds and 1,3 million u.a. in price compensatory measures.

3. SUGAR¹

1. Introduction

The end of the 1974/75 sugar year marked the completion of the first seven-year period of common organization of the sugar market. From the very beginning, the cornerstone of this common organization has been the prices and quotas system. This system has been brought up to date and maintained for the second period of common organization of the sugar market, which will last until 1979/80. The original basic Regulation on sugar (No 1009/67/EEC) was replaced in December 1974 by a new one, Regulation (EEC) No 3330/74, to which was later added a chapter on the inclusion of preferential sugar from the ACP countries in the common organization of the market.

The general rules governing the common organization of the sugar market have been maintained for the new period, with certain important amendments:

1. The total basic quota, i.e. quota A, has increased from 7.820.000 to 9.136.000 t of white sugar, an increase of 16,8%. In calculating this quantity, the reference production of the years 1968/69 to 1972/73 was taken into account wherever possible.
2. In the calculation of the production levy, sugar beet growers and sugar manufacturers benefit from an adjustment since any income derived from export levies in the sugar sector is used to compensate for losses resulting from sugar produced in excess of the guaranteed quantity and therefore subject to a production levy. Income from export levies may therefore reduce or even cancel out the production levy.
3. In order to ensure normal supplies to the Community a system of minimum stocks has been established. The extra costs incurred in maintaining them are taken into account when fixing sugar prices. This minimum stock is, in principle, 10% of the basic quota of each undertaking, or 10% of an undertaking's production where this is smaller than its basic quota. Preferential sugar is also included in this system of minimum stocks, which will be applied for the first time in the 1976/77 marketing year.

With regard to the structural development of the sugar sector, concentration and rationalization in the sugarbeet industry and in beet-growing have continued. The United Kingdom sugar industry has announced large-scale expansion plans.

¹See Tables II-B/3.1 to II-B/3.10 of Part II.

In the Community sugarbeet represents in all 2,7% of the value of final agricultural production, but it should be noted that output is above this average in Belgium and the Netherlands and below it in the United Kingdom. Sugarbeet occupies a total of 1,8% of the UAA in the Community.

2. Production

The total area under sugarbeet in the Community in 1975/76 was 1.828 million hectares, an increase of about 16% on the previous year. The main countries where the increase was above average were Italy (37%), Ireland (27%) and Denmark (27%).

The increase in acreage shows that farmers and sugar producers have reacted as the situation required, with the result that a favourable effect on prices and sales levels may be expected, and that they also made full use of the inducements offered by the Council for increased sugarbeet growing. The unusual shortage of sugar in 1974/75, in the Community and throughout the world, should be recalled here, since the Community was forced to subsidize the import of half a million tonnes of sugar. Three of these inducements should be singled out:

1. When the new basic Regulation was adopted in December 1974, the coefficient used to calculate the maximum quota for 1975/76 was set at 1,45.
2. The new Regulation also laid down that the maximum quota for each enterprise for the 1976/77 marketing year should not be lower than the volume of output achieved by the undertaking in the 1975/76 marketing year.
3. In March 1975 prices were increased by 15% and it was decided at the same time that no production levy would be imposed in 1975/76.

The increased production expected from the increase in the area under sugarbeet has only been achieved in part. Yields were lower than in 1974/75, and Community production in 1975/76 amounted to 9.682.000 t (compared with 8.565.000 t in 1974/75). Yields in 1976/77 are expected to be low, so that relatively poor yields will have been obtained in three consecutive years.

As a result of the increased basic quotas for undertakings from 1975/76 onwards, the difference between the basic quota and the maximum quota was substantially lower than in the preceding marketing year (1.067.000 t against 1.380.000 t), in spite of increased production. For the same reason only a small amount was produced in excess of the maximum quota (C sugar), namely 97.000 t against 207.000 t in the previous year.

3. Consumption

Statistics show that human consumption of sugar in the Community amounted to 9.510.000 t in 1975/76, a minimal increase (0,3%) over 1974/75. It is likely that the increased consumption resulting from the crisis of 1973/74 (about 9%) is still delaying further developments.

The reduction of stocks held by retailers and consumers is probably not completed everywhere, although there are no statistics available on this subject. Moreover, some observers consider the rise in consumer prices, which have risen more steeply since 1973/74 than before, plus a generally less favourable economic situation, as being responsible for the near stagnation in sugar consumption.

Two other factors which have appeared more and more clearly since 1975/76 as reducing sugar consumption are the production and sale of starch-based sweeteners. In particular, high-fructose glucose syrup is a new product capable of replacing sucrose-based liquid sugar in many fields. The substitution ratio by dry weight is 1/1. This product is capable of replacing sugar in the manufacture of drinks, sweets, confectionery and jams. Community production of high-fructose glucose syrup is at present put at some 80.000 t per year (dry weight) but this capacity should increase considerably.

4. Trade

The drop in intra-Community trade in 1975/76 reflects the considerable changes in the supply situation of the two Member States with the highest shortfalls, namely the United Kingdom and Italy, where home production was in some cases appreciably higher than in previous years.

The main component in Community sugar imports in 1975/76 was that from the ACP countries, which supplied a little under 1,3 million t.

Exports took the following forms:

990.000 t with export refunds or levies, by invitation to tender

155.000 t with periodic refunds

211.000 t without refunds, but exempt from the export levy

9.000 t supplied as food aid

260.000 t with or without refund, in the form of processed products

90.000 t of C sugar without export refund or levy

1.715.000 t

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5. Prices

It was decided to increase prices for 1975/76 by 15%. This increase, higher than the average for other agricultural products, was intended to stimulate production. Other measures were also taken (see introduction) to reinforce these incentives, and this led to a considerable increase in the area under sugarbeet (16,3%).

In the spring of 1976 new Community prices for the sugar sector for 1976/77 onwards were fixed. The increase amounted to 8% for sugarbeet and 8,8% for white sugar. The difference in increase is explained by the additional increase of 0,25 u.a./100 kg for white sugar to cover the special costs borne by undertakings for the first time in the 1976/77 marketing year because of their obligation to maintain a minimum stock.

At the same time the guaranteed price for preferential sugar from the ACP countries and countries and territories treated on the same footing was increased from 25,53 u.a./100 kg in 1975/76 to 26,70 u.a./100 kg in 1976/77.

In 1975/76, market prices in many regions of the Community oscillated between the guide price and the intervention price at a level which they had already often reached in the periods of shortage during the second half of the previous marketing year.

6. World market developments

After several years of relative shortage on the world market, supplies progressively increased during 1975/76. The poor harvest in the Soviet Union and the below-average production in most European countries helped until spring 1976 to stabilize world prices, but these have since dropped considerably, reflecting the clear improvement in the supply situation on the world market. Nor did the poor harvest prospects afforded by the drought in a large part of Europe in the summer of 1976 provide more than temporary support for international prices. World supplies appear very good at present. In 1975/76 world production reached some 82,9 million t (gross value), exceeding forecast consumption by about 2,4 million t. In September 1976 prices on the world market for white sugar were at 22,29 u.a./100 kg (Paris exchange); this was about 63% of comparable Community prices.

7. Outlook

It is expected that world sugar production in 1976/77 will lie between 86,5 and 88 million t (gross value), an increase of between 4 and 6%, due in particular to the good harvest prospects in the Soviet Union and the southern hemisphere.

World sugar consumption stagnated between 1973/74 and 1974/75, because of high prices on the world market and a poor economic situation. In regions of high consumption (Community, United States) it fell and does not currently seem about to make any great recovery. However, prices are again lower on the world market and this should help consumption to recover in many less industrialized countries, especially developing countries. World production in 1976/77 is expected to exceed consumption easily, and this would lead to a corresponding increase in stocks at the end of 1977. On the whole, international sugar prices in 1976/77 may be expected to remain considerably lower than Community prices.

It is not yet possible to say whether the expected developments on the world markets will lead to a drop in the area at present under sugarbeet in the Community. Even if this area is slightly reduced, the Community will have quite large amounts of sugar available for export in 1977/78, provided that the harvest is normal and taking into account the preferential sugar imports agreed upon.

8. Economic aspects of the measures taken

At the beginning of the 1975/76 marketing year, reduced levies were still being imposed on the export of unprocessed sugar. With the progressive fall in world prices, export levies ceased from November 1975. At one period both export levies and import levies were fixed. Export refunds have been granted since November 1975. The imports and exports listed in the chapter on trade permitted a general equilibrium in the Community's sugar supply situation. No sugar was sold to intervention agencies during the year.

9. Budgetary expenditure

Because of the Council's decision not to charge any production levy in 1975/76, losses from the export of sugar were borne entirely by the EAGGF. Expenditure on subsidized imports of sugar and other measures to encourage sugar production during the shortage in 1974/75 were spread over the budgets for 1974 and 1975.

Budgetary expenditure for 1976 is estimated at 270 million u.a., including 95 million u.a. for export refunds and 26 million u.a. for compensatory payments covering monetary risks. The latter payments form the balance of the costs for the subsidized import of sugar which, as already stated, were spread over the budgets for 1974 and 1975. Another major item of expenditure is the reimbursement of storage costs which, although distributed over several years, corresponds to the income from the levy for storage costs. Other sources of income are the import levies on sugar imported in processed products, which may be put at about 15 million u.a. for 1976.

Budgetary expenditure by the Guarantee Section of the EAGGF totalled 108,8 million u.a. in 1974 and 309,2 million u.a. in 1975; the estimated figure for 1976 is 270,4 million u.a. These figures are respectively 3,5%, 6,5% and 4,6% of the total expenditure of the Guarantee Section.

However, in order to obtain a realistic estimate of the cost of the common organization of the market in sugar, the sugar contributions levied on sugar manufacturers and beet producers in respect of storage costs and production should be deducted from the budget expenditure figures given above.

The EAGGF "sugar contribution" appropriations amounted to 77.3 million u.a. in 1974, 106.7 million u.a. in 1975 and 112 million u.a. in 1976.

4. OLIVE OIL¹

1. Introduction

Of the Community's olive oil production, 0,5% comes from France, and 99,5% from Italy, where this product in 1975 accounted for 6,4% by value of national agricultural production and 1,3% by value of Community agricultural production.

In a normal year production covers about 70% of the Community's olive oil requirements; according to certain estimates the total number of olive trees in the Community, both cultivated and not, is about 190 million, of which 185 million are in Italy and 5 million in France.

Since the establishment of the common organization of the market in oils and fats, the scale of olive cultivation in the original Community has little changed. Olive groves cover around 2,3 million hectares (about 2,28 million in Italy and 38.000 in France), representing 2,3% of the Community's total UAA, and are in the hands of 1,2 million growers.

In a normal year Community olive oil production represents 30% of world output. However, because olive trees are subject to alternate bearing, olive oil production may vary very sharply from one year to the next.

According to the International Olive Oil Council, the total world area devoted to olive cultivation amounts to 10 million hectares; the Community area is thus 23% of the world total.

Trends on the olive oil market in the original Community since 1972

The difficulty of establishing figures for the olive oil marketing years from 1966/67 to 1971/72 and in analysing market trends were set out by the Commission in a report sent to the Council on 26 September 1972².

As this difficulty persists, the Council decided to establish a register of olive cultivation in the Community.

2. Production

On the basis of applications for subsidies, production in 1974/75 amounted to 446.300 t in Italy and 1.636 t in France.

On the same basis, production in France in 1975/76 amounted to 2.250 t. In Italy the volume of applications for subsidies is not yet known. However, according to certain sources, they might well represent 590.000 t. In view of the strengthening of controls, particularly the stricter application of target yields in Italy, it is probable that part of the abovementioned quantities (between 5 and 10%) should be considered as not eligible for aid.

In Italy, aid payments to olive oil producers are made 18-24 months in arrears, which somewhat detracts from the effectiveness of this measure.

¹See Tables II.B/4.1 to II.B/4.9 in Part II.

²Doc. R/2022/72 (AGRI 598) (FIN 542).

At 30 June 1976 the applications still to be examined for the 1972/73 marketing year, that is for oil produced over three years earlier, related to about 40.000 t compared with 375.000 t accepted for aid; for 1973/74 the quantities still to be examined amounted to 150.000 t compared with 447.000 t accepted for aid. At that date the Italian authorities had refused aid for 52.000 t for 1972/73 and 43.000 t for 1973/74.

In France, on the other hand, the supervision of aid applications, both in respect of crops and at the milling stage, enable payments to be made at the end of each marketing year. However, it should be remembered that there are relatively few applications to be checked in France, although the administrative procedures are complex.

3. Consumption and marketing

The main factors influencing consumption, often after a certain time lag, are the following:

the relationship between the prices of olive oil and seed-oils at consumer level;

the quantities of olive oil available on the market; this depends partly on the Community harvest and partly on the availability of imports from the world market - which in turn depends on harvests and unilateral decisions by exporting countries;

publicity to promote the consumption of olive oil and factors tending to depress consumption of certain other oils and seeds;

the tendency, in times of short supply and rising prices, for housewives to build up stocks.

From the 1974/75 marketing year the key features of the situation on the world market were:

a decrease in the quantities available for export, due both to the depletion of carry-over stocks in the exporter countries and to a fall in world production;

an increase in the offer prices of olive oils available for export.

This situation affected the EEC market (a deficit market) and led to an increase in prices and a drop in consumption. The decline in consumption occurred even though the olive oil/seed-oil price ratio was maintained at a relatively normal level: seed-oil prices had also risen sharply, particularly during the 1973/74 marketing year.

From this it can be inferred that, beyond a certain absolute price level, a normal ratio does not mean that olive oil consumption will be maintained. In the opening months of 1975, seed-oil prices declined; this trend accelerated in the middle of the year while olive oil prices on the world market stayed at a very high level for several months longer. When this decline began, the increase of some 47% in common prices and the advanced entry into force of the threshold price in June 1975 prevented olive oil prices from falling, in the Community, below the levels thus fixed.

Thus, according to some industrial and trade estimates, in early 1975 olive oil sales in the Community fell by 40-50% compared with the same period of the previous year.

A fall in consumption was also recorded in France, where the problems experienced were similar to those of Italy, but on a smaller scale.

Although production was estimated to be above average, the failure of consumption to recover in the first ten months of the 1975/76 marketing year made demand almost non-existent; instead it turned to seed-oils which were offered at competitive prices. Thus, on a market traditionally in deficit by some 30%, for the first time in ten years of the common organization of the market (apart from a minor intervention in 1967), a quantity of 85.000 t of olive oil was bought in by the Italian intervention agency.

4. Trade

The Community, a deficit market in olive oil, is the world's largest net importer. Since the establishment of the common organization of the market in this sector, imports have risen considerably, from 111.000 t in 1966/67 to 194.000 t in 1973/74, after a peak of 251.000 t in 1972/73.

Owing to the difficulties referred to in paragraph 3, imports declined in 1974/75 to about 121.000 t. The producer-exporter countries which supply the Community are as follows (in order of importance): ('000 t)

<u>1973/74</u>		<u>1974/75</u>		<u>1975/76</u>	
				(based on licences issued up to 31 August 1976)	
Tunisia	57,1	Tunisia	33,1	Tunisia	9,9
Spain	52,5	Greece	28,2	Greece	8,2
Morocco	28,7	Spain	27,7	Spain	7,9
Greece	16,7	Morocco	17,5	Morocco	1,9
Turkey	10,5	Turkey	0,7	Turkey	0,04

During the 1974/75 marketing year a change took place in world market trends; until then the quantities on offer were too low to ensure supplies at normal prices to the Community.

From the beginning of 1975, larger quantities became available on this market, while world demand declined. This situation reflected an overall increase in production and a fall in consumption both in the exporter countries and in the EEC.

To deal with this situation, which jeopardized the disposal of the Community olive oil harvest, on 23 June 1975 the Commission suspended the issue of import licences with advance fixing of levies, whilst the Council decided to bring forward the date of application of the threshold price for the

1975/76 marketing year from 1 November 1975 to 27 June. The issue of import licences with advance fixing of levies was restored on 30 June. Levies varied, depending on supply on the world market, from 9 to 36 u.a. 36 u.a./100 kg on 1 October 1975.

Despite the implementation of these provisions, applications for import licences for about 50.000 t were received between July and September 1975.

Therefore, in order to avoid speculative transactions, the Commission again suspended the advance fixing of levies in December 1975.

Intra-Community trade rose from an average of 5.000 t between 1966/67 and 1970/71 to 8.303 t in 1972/73 and 13.506 t in 1973/74.

Exports to non-member countries forming part of the established trading pattern amounted to 10.215 t in 1974/75.

For the 1975/76 marketing year, on the basis of licences issued, imports up to 31 August 1976 amounted to 48.000 t and exports to over 21.000 t; this figure was appreciably above average for exports in one marketing year. This situation seems due to the large-scale use, by operators, of the EXIM procedure (the possibility of importing, exempt from levies, a quantity of oil equivalent to that exported). Thus, at 31 August 1976, net imports amounted to 27.000 t.

5. Prices

(a) Common prices

For the 1975/76 marketing year the production target price was raised by 28% whilst the market target prices and the intervention price were raised by 77%, which led to a reduction in aid, in u.a., of about 17%. However, because of the depreciation of the Italian lira, aid expressed in that currency remained unchanged.

For the 1976/77 marketing year prices were fixed at levels showing the following changes compared with 1975/76:

		(u.a./100 kg)
	1975/76	1976/77
Production target price	185	185
Market target price	149,96	144,89
Intervention price	142,71	137,64

(b) Market prices

From the beginning of the 1974/75 marketing year, olive oil prices on the Community market, which were considerably above the market target price, began to fall until 27 June 1975; despite the decline, prices were still higher than the Community threshold price. Since then, a slight recovery has occurred.

The trend of market prices in the Community in 1975 is mainly accounted for by:

- the decline in world market prices of olive oil following the increase in available supplies and the drop in oilseed prices;
- the reduction in demand in the first part of 1975, which led to an increase in the quantities available on the Community market, particularly of better quality oils.

It should be recalled that since May 1975 producers have been aware of the market target and intervention prices coming into force on 1 November 1975 - sharply higher than in 1974 - and that importers of olive oil showed, by the increase in the number of applications for licences, that they wished to obtain as much as possible on the world market before the common prices fixed for the 1975/76 marketing year came into force. The result was a general malaise and the marketing of the Community crop was appreciably slowed. Faced with this situation the Italian Government implemented the protective clause and suspended the issue of import licences. At the same time it notified the Commission of this measure and requested its extension to the whole Community. The Commission, while rejecting the Italian measure, proposed to the Council that the threshold price applicable to the 1975/76 marketing year should come into force on 27 June 1975 instead of 1 November 1975. This proposal was adopted; as a result, and in view of the increase in the threshold price (47%), the Community market was better protected.

Market prices during the 1975/76 marketing year were stationary throughout the first nine months. Their level, lower than the intervention price, meant that 85.000 t of oil of different qualities were sent to the intervention agency. The chief reasons for this situation were the following:

- an olive oil/seed-oil price ratio very unfavourable to olive oil, with a consequent reduction in demand;
- monetary difficulties in Italy (the very high cost of money; monetary restrictions on imports);
- the tendency at the various levels to reduce stocks to the minimum for the above reasons, in view of the higher prices for olive oils than for other vegetable oils.

In these circumstances, so as not to make the precarious position of Community production even worse, the Council adopted for the 1975/76 marketing year special import measures consisting mainly in alterations to the criteria for fixing the levy. The levy is now fixed by means of a tendering procedure, taking into account, inter alia, the situation on the Community market.

In the light of experience, the Council, pending the overall revision of the common organization of the market in olive oil, has decided to extend the validity of these criteria for the 1976/77 marketing year.

6. Outlook

Short term

From the end of August 1976 olive oil prices in the Community rose quite considerably. This seems to have been due to:

- (a) forecasts that the next harvest would be less good than expected;
- (b) a sudden and unforeseeable rise in demand by industry and trade;
- (c) an adjustment of the market to the olive oil prices for the next marketing year; these will rise because of the new exchange rate of the lira;
- (d) slow sales of olive oil in intervention store.

The revival of demand at industry and trade level does not for the time being seem to reflect a revival in consumption but rather seems due to restocking by retailers, who, mainly because of the cost of money, are no longer in the habit of keeping large stocks of oil.

Thus if consumption is really to begin a recovery, the market must be supplied at normal prices.

While olive oil prices on the Community market are moving upward, soya oil prices are tending to fall. The olive oil/seed-oil price ratio recorded in September 1976 and on average throughout the 1975/76 marketing year is one of the most unfavourable observed in recent years. In any case it is very far from the ratio which the Council had considered necessary to ensure the disposal of Community olive oil production.

Medium term

Even if olive oil prices in the Community were to fall again to somewhere near the market target price, the low seed-oil prices and their foreseeable trend during the 1976/77 marketing year hold out little hope that olive oil consumption will recover appreciably. However, forecasts of a bad harvest in the Community in 1976/77 seem to rule out the prospect of massive quantities of olive oil being sent into intervention. Lastly, bearing in mind that at present the quantities available on the world market exceed demand, and that consumption may not recover in the EEC, by far the largest importer, it is probable that the situation on the world market in olive oil will not improve and that at the end of 1977 the exporter countries will still have large stocks.

7. Economic aspects of the measures taken

(a) Import levies

The import levy on olive oil, reduced to zero in March 1973, was fixed at 19 u.a. when the date of application of the threshold price was brought forward to 27 June. During the 1975/76 marketing year it reached very high levels (71 u.a./100 kg from June 1976), to fall again, from 1 October 1976, to 65 u.a./100 kg and to 55 u.a. on 16 October 1976. From the beginning of November until the end of 1976, the levy fluctuated around 42 u.a./100 kg.

(b) Refunds

With the aim of maintaining the traditional export pattern for branded oils in small containers, an export refund is still being granted. However, it is of a token nature, since in practice all exports are carried out under the EXIM procedure.

(c) Sales of olive oil from intervention store

The Italian intervention agency, which bought in 85.000 t of oil during the 1975/76 marketing year, held a series of sales which disposed of about 44.000 t.

8. Budgetary expenditure

Expenditure in the olive oil sector depends on both intervention buying and subsidies paid to olive oil producers.

No intervention took place up to the 1974/75 marketing year, and in 1975/76 it amounted to 85.000 t.

The amount of expenditure on subsidies depends on the volume of production.

Expenditure by the Guarantee Section of the EAGGF in the olive oil sector amounted to 135,8 million u.a. in 1974, 205 million u.a. in 1975, and is estimated at 321,3 million u.a. for 1976, or 4,4%, 4,3% and 5,5% respectively of the Guarantee Section's total expenditure. The expenditure for 1976 breaks down into 320,3 million u.a. for intervention expenditure and 1,0 million u.a. for refunds.

5. OIL AND PROTEIN SEEDS AND COTTON SEED¹

The organization of the market in oilseeds mainly concerns colza, rape and sunflower seeds. Special measures have been taken for cotton seed; with effect from 1 November 1974, a support system was also introduced for soya beans, whilst on 1 August 1976 the support system for linseed was adjusted.

5.a. Colza, rape and sunflower seeds

1. Introduction

In 1975, the share of oilseeds in the value of final agricultural production was 0,3%; this crop accounted for just under 0,7% of the Community's UAA. In 1975/76, world production of colza amounted to 8,4 million t, whereas Community production fell from 1,2 million t in 1974/75 to 960.000 t in 1975/76, representing about 12% of the world total; as regards sunflower seed, world production in 1974/75 was 9,5 million t, while Community production was 156.000 t, or 1,6% of the world total.

The Community's own oilseed production, covers only a very small part of its needs in oils and oilcake. The self-supply rate does not exceed 11% - for olive oil - and 4-5% in the case of oilcake.

2. Production

Production of colza and sunflower seed in the original Community rose steadily from the establishment of the market organization in 1967/68 until the 1972/73 marketing year. In 1973/74, however, there was - for the first time - a slight decline in colza production, whereas sunflower seed production increased further. The decline in colza production was due solely to a fall in yield per hectare in the main producer countries.

In 1974/75, Community production of colza and rape seed expanded further as the area under these crops again increased slightly and yields returned to normal, thanks to favourable weather conditions.

In 1975/76, colza production in the Community fell by around 19%; however, this overall figure masks the divergences in production between the different Member States. In the original Community, notably Germany, France and the Netherlands, the 1975 colza crop totalled 770.700 t, as against 1.022.800 t in the previous year, while the combined production of colza in the United Kingdom and Denmark increased from 167.000 t in 1974 to 192.000 t in 1975.

These divergences are attributable mainly to the fact that in the original Community both the area under this crop and the yields obtained have fallen sharply. The fall in the area under cultivation is linked to the ratio between the price of oilseeds and that of other agricultural products competing with them in crop rotation, which became less favourable for the former; yields fell as a result of poor weather conditions. By contrast,

¹See Tables II.B/5.a.1 to II.B/5.c.1 in Part II.

in the United Kingdom and Denmark the effects of the common organization of the market - notably the guaranteed price levels - are still being felt, with the result that the area under colza is expanding steadily.

The area under sunflower seed increased appreciably in 1976 compared with 1975, rising from 59.600 ha to 97.400 ha, mainly as a result of firm demand.

The main colza-producing countries in the Community are, in order of importance, France, Germany and Denmark; together, they accounted for 90% of total Community production in 1975/76. With regard to sunflower seed, the only producer countries are, in order of importance, France and Italy, which accounted for 70% and 30% respectively of total production in 1975/76.

3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oils and oilcake; in turn, this is determined by the overall demand for oils and oilcake and by the ratios between the prices of colza and sunflower oils and oilcake and the prices of alternative types. This being the case, two sets of consumption figures, one for oils and the other for colza and sunflower oilcake, will be given.

Oils

The total amount of colza oil available rose steadily from 1967/68 to 1972/73, to reach about 480.000 t in the original Community.

In 1973/74, in line with the trend in seed production, the quantities of colza oil available on the internal market declined for the first time (to 390.000 t) in the original Community. A similar decline occurred at the level of the enlarged Community, since for the same marketing year the amount available was 458.000 t - less than for the original Community in 1972/73.

In 1974/75 and 1975/76 this trend persisted in both the enlarged and the original Community and, according to some sources, the quantities available in 1975/76 amounted to less than 200.000 t. This is due to the fact that the demand for colza oil is still being adversely affected by the campaign against the effects of the erucic acid which this oil contains, in spite of the fact that even in 1975 the bulk of the Community colza production was already being obtained from varieties with a low erucic acid content. As regards the amount of sunflower seed oil available, it has fluctuated around 300.000 t since 1967/68, and the figures available for the most recent marketing years suggest that the amounts available will remain at around this level.

Oilcake

As regards availabilities of colza oilcake, the volume has more than doubled since 1967/68; it rose once more in 1972/73, mainly as a result of a marked increase in imports, the Community becoming a net importer of this product for the first time since the establishment of the market organization. In the last two marketing years, the quantities available have fallen both in the original and the enlarged Community, partly as a result of the smaller quantities of seed processed and partly as a result of lower imports.

As regards sunflower seed oilcake, availability has fluctuated since 1967/68 in line with import volume without, however, displaying any identifiable trend. There was a decline in the 1973/74 marketing year, when supplies in the enlarged Community amounted to only 349.000 t; in 1974/75, however, availabilities rose slightly to 366.000 t in spite of a decline in the volume of processing attributable mainly to the fact that no sunflower seed oilcake was exported. A further fall is expected in 1975/76.

4. Trade

Imports of colza and rape seed from non-member countries to the original Community have fluctuated since 1967/68; totalling almost 500.000 t in 1971/72, they fell in 1972/73 as a result of unfavourable crushing margins. Imports picked up in the 1973/74 marketing year, which opened with a shortage of protein and ended with a shortage of vegetable oils. In 1974/75, however, imports of colza and rape seed again fell, from 378.000 t to 215.000 t, as a result of the sharp contraction in demand for colza oil mentioned above.

In the enlarged Community, the contraction was even more marked, as imports of colza seed fell from 386.000 t in 1973/74 to 167.000 t in 1974/75. Data available for the 1975/76 marketing year suggest that this downward trend will persist, albeit at a slower rate.

Imports of sunflower seed have also fallen in recent marketing years, amounting to 235.000 t in 1973/74, corresponding to a contraction of 30.000 t compared with the previous year. In 1974/75 they fell by half, to only 124.000 t; according to the data available for 1975/76, however, a marked recovery is to be expected, since imports during the first half of the year are provisionally put at 125.000 t.

Established exports of colza and rape seed to non-member countries, which have hovered around 40.000 t for the original Community since 1967/68, rose slightly in 1973/74. For the enlarged Community they amounted to 46.000 t. In 1974/75 there was a sharp rise in exports to non-member countries, mainly accounted for by exceptionally large purchases by Japan (about 200.000 t). The data available for the first half of 1975/76 suggest that exports of colza and rape seed have been virtually negligible but, according to information received, exports for the marketing year as a whole will amount to around 55.000 t.

By contrast, exports of Community sunflower seed to non-member countries can be considered as negligible, although data for the 1973/74 marketing year show that 30.000 t were exported. This phenomenon was mainly due to re-exports from the Federal Republic of Germany to Eastern European countries of sunflower seed imported from non-member countries, as had also been the case in the previous two marketing years; in 1974/75, exports of this product totalled 2.000 t.

Intra-Community trade in colza and rape seed, which expanded gradually from 1967/68 to 1971/72, has fallen off since 1972/73, notably as a result of the fall in the demand for colza in Italy, until then the major buyer. Imports into Italy from the other Member States declined from 282.000 t in 1971/72 to 94.000 t in 1973/74 and 5.000 t 1974/75. For the enlarged Community, intra-Community imports amounted to 163.000 t in 1974/75 as against 213.000 t in 1973/74, owing to the flagging demand in Italy. Community exports to Germany and the Netherlands have, by contrast, risen - notably as a result of seed consignments from Denmark.

Intra-Community trade in sunflower seed is stable but on a very limited scale.

In spite of the decline in Community imports of colza seed in the last few years, the sluggish demand for colza oil has compelled operators to seek new outlets for fairly large quantities on the world market. As a result, exports rose appreciably from 1970/71 onwards, but have levelled off since 1974/75. As there is at present an apparent over-supply of vegetable oils on the world market, the search for new outlets is proving increasingly difficult.

5. Prices

(a) Common prices

The target prices for colza and sunflower seed for the 1976/77 marketing year were fixed at 27,57 u.a./100 kg and 28,63 u.a./100 kg respectively, corresponding to an increase of 8% for both products in relation to the previous year's levels. In comparison with 1967/68 prices, the target price for colza seed is up by 36% and that for sunflower seed by 41%.

(b) Market prices

1. World market

With the free import policy adopted by the Community, internal prices moved very closely in line with developments on the world market. There was a marked increase in prices between July and October 1974, during the 1974/75 marketing year. This was due to a decline of 21% in the soya bean harvest in the United States, whose production is the determining factor on the oil market. However, by the end of October, it was obvious that the fall in world demand following the economic recession would more than compensate for the reduction in supplies, and prices began to slide.

Other factors contributed to the decline in oilseed prices; the availability of large quantities of copra and palm oil, the credit facilities made available under PL 480 in the United States, a number of measures taken to promote exports from Brazil, and the low prices of oilcake. Prices remained depressed until the end of 1974/75, with an occasional brief recovery. Throughout much of 1975/76, supplies have exceeded demand, which began to pick up only towards the end of the marketing year. Oilseed prices have, therefore, remained relatively low for the greater part of the period in question.

2. Community market

The 1975/76 colza crop was sold at a somewhat later date than in previous years, particularly in France, which accounts for 50% of Community production. This was due to several factors:

- the contraction in demand for colza oil in both Italy and France (consumption of colza oil in France declined from 155.000 t in 1972 to 37.000 t in 1975, which corresponds to the amount of oil processed from 95.000 t of seed, or one-fifth of the French crop);
- the decline in demand for colza seed and oil on established export markets, attributable in part to the greater quantities of other oils available;
- the fact that, for most of the marketing year, crushing margins were negative; undertakings processing nothing but colza - most of which are to be found in France - were severely affected by this situation.

However, exports picked up somewhat in early 1976 to the relatively high refund, and the final results for the marketing year show that virtually the entire crop has been sold.

The level of aid for colza seed in the 1975/76 marketing year fluctuated between zero and 10,516 u.a./100 kg, averaging around 7 u.a./100 kg. During the same period the refund varied between 0 and 10,200 u.a./100 kg.

As regards sunflower seed, the crop was sold without difficulty. The amount of aid granted varied between 0 and 6,770 u.a./100 kg; no refunds were fixed.

6. Outlook

In 1974/75, colza and rape seed production in the enlarged Community rose by about 9%. In 1975/76, however, total colza seed production was down by around 19% on the previous year, although it was higher in Denmark and the United Kingdom. This drop was due mainly to lower production in France and Germany - the Community's largest producers. Colza production for 1976/77 is at present estimated at 950-970.000 t, a level very similar to that recorded in the previous year.

As regards sunflower seed, the initial figures available point to a fall in production, which had increased by 50% in 1975/76 compared with 1974/75; however, the crop in France seems to have suffered from the drought and production is expected to amount to 125.000 t in 1976/77, corresponding to a decline of 20%. This also applies to sunflower seed, the production potential of this seed is far from exhausted in the Community.

Consumption of colza oil in the enlarged Community, which fell off sharply in 1973/74, is still declining. According to certain sources, it might even drop to 140.000 t in the current marketing year. As a result, Community operators will be compelled to make fresh efforts to find other outlets on the world market, or else to increase the level of their stocks.

Conversion of Community colza seed production to varieties with a low erucic acid content has not yet led to a recovery in the consumption of colza oil, and is not likely to do so unless consumers are better informed.

Consumption of sunflower seed oil is stable and any increase is unlikely unless supplies of this product increase.

Established trade with non-member countries in colza seed is likely to contract, partly as a result of keen competition from Sweden and Poland, where production has risen markedly in the last two years, and partly because of the surpluses of other vegetable oils on the world market. By contrast, intra-Community trade is expected to expand, particularly if the demand for colza oil in Italy were to pick up again.

7. Economic aspects and measures taken

(a) Refunds

As mentioned above, a refund was introduced from 1 October 1975 for the remainder of the marketing year to promote export sales of colza from regions in the Community where it was somewhat difficult to market production. In view of the shortage of sunflower seed in the Community, no export refund was fixed for this product.

(b) Intervention

During the 1972/73 and 1973/74 marketing years, applications for intervention were submitted by the Netherlands and the Federal Republic of Germany, but only for very small quantities. No applications were submitted in 1974/75.

During the 1975/76 marketing year, 11.371 t of colza seed were taken into intervention in Denmark. Of this quantity, more than half has already been sold.

(c) Change in the standard quality

When the target and intervention prices for the 1974/75 marketing year were fixed, the standard quality for colza seed was changed by reducing the humidity content to 9% in view of the difficulty of preserving this seed at a higher humidity level.

For 1975/76 the standard quality of colza seed was again changed to take account of the lower oil content of new low erucic acid varieties; the oil content requirement was lowered from 42% to 40%. With effect from 1 July 1976, intervention was restricted to colza seed with a maximum erucic acid content of 15%.

(d) Unity of prices

1. Accession compensatory amounts

With the accession of the new Member States on 1 February 1972, "accession" compensatory amounts were introduced for colza and rape seed produced in the United Kingdom and Denmark only. In Ireland, Community prices were applicable from the time of accession. These "accession" compensatory amounts were fixed at 0,61 u.a./100 kg for Denmark and 2,65 u.a./100 kg for the United Kingdom in 1976/77.

2. Differential amounts

In view of the present monetary situation, the system of differential amounts introduced on 20 July 1972 continued to be applied throughout the 1973/74 marketing year and is still in force at present. The system was, however, modified by the adoption of Regulation (EEC) No 2300/73, designed to adapt it better to the needs of the market.

8. Budgetary expenditure

Expenditure in this sector by the EAGGF Guarantee Section amounted to 10,9 million u.a. in 1974 and 26,2 million u.a. in 1975, and is estimated at 119,5 million u.a. for 1976, or 0,4%, 0,6% and 1,9% respectively of the Guarantee Section's total expenditure. The total of 119,5 million u.a. for 1976 includes 112,5 million u.a. for intervention expenditure and 7,0 million u.a. for export refunds.

5.b. Soya beans

In view of the growing importance of the soya bean - the principal source of protein and oil - in the oils and fats sector, the Council decided to encourage production of this crop in the Community with effect from the 1974/75 marketing year.

France, virtually the only Member State to produce soya beans, cultivated 4.300 ha in 1974; however, on account of poor weather conditions, only 5.400 t were harvested. In view of the low profitability of this crop, areas sown fell to 1.500 ha in 1975 and production declined to 3.000 t. About 1.600 ha are expected to be sown in 1976. Soya production thus accounts for only a very small proportion of Community UAA or of world production (according to the FAO, in 1975 world areas under this crop totalled 46,4 million ha, with a production of 68,5 million t).

In 1975 the Community imported 8,1 million t soya beans, 9.200 t of oil and 3,5 million t of oilcake, corresponding to 12,5 million of bean equivalent. Exports amounted to 14.000 t, 259.000 t and 351.000 t respectively, corresponding to 1,9 million of bean equivalent. Consumption of soya beans in the Community thus totalled around 12 million t.

No aid was granted for soya beans from the 1974 harvest, since the target price (23,31 u.a./100 kg) was lower than the average market price (23,398 u.a.). For the 1975 harvest, a subsidy of 212,96 u.a./ha was granted, corresponding to the target price (26,11 u.a./100 kg) less the average market price (15,189 u.a./100 kg) multiplied by a standard yield of 19,5 u.a./ha.

The target price for the 1976/77 marketing year has been fixed at 28,50 u.a./100kg; the average market price and the yield have still to be determined.

Expenditure by the Guarantee Section of the EAGGF in respect of soya beans amounted to 300.000 u.a. in the first eight months of 1976.

5.c. Linseed¹

Although flax production² accounts for only an infinitesimal proportion of the UAA in the Community and of world production of linseed (5,8 million ha and 2,5 million t in 1974, according to the FAO), it does partly cover the Community's substantial seed and oilcake requirements.

As of the 1976/77 marketing year the system of flat-rate aid per hectare was reserved solely for fibre flax and replaced, in the case of seed flax, by a subsidy equal to the difference between a guide price and the average world market price, applied to the crop estimated on a standard yield basis.

The area under seed flax, which stood at 7.500 ha in 1974, rose to 31.000 ha in 1975. In France and the United Kingdom, areas cultivated increased from 5.150 to 26.000 ha and from under 100 to 2.500 ha respectively. This rise was attributable to the very high prices ruling in 1974 and to the level of the subsidy, which was fixed mainly in the light of the demand for fibre flax. As a result, Community production of linseed expanded sharply, from 58.000 t in 1974 (50.500 for fibre flax and 7.500 for seed flax) to 80.000 t in 1975 (40.000 t for fibre flax and a similar amount for seed flax). By the end of 1974, the exceptionally high price of seed had begun to fall and continued to do so until March 1975. Since then, it has picked up to such an extent that the average for 1975/76, although slightly lower than in the previous marketing year, was still double of that recorded in 1971/72.

In 1976, the area under cultivation rose further in the United Kingdom (3.800 ha) but fell in France (19.500 ha). This reaction by French farmers was due to the drop in prices in 1975 from their 1974 levels and to the replacement, with effect from the 1976/77 marketing year, of the system of flat-rate aid per hectare by another aid system.

The total area under cultivation in the Community amounted to around 28.000 ha in 1976; the yield was excellent in the United Kingdom (1.800 kg/ha) but disappointing in France (850 kg/ha). The low level of prices in 1976 could lead to a further contraction in the cultivation of this crop in France in 1977.

The guide price for linseed for the 1976/77 marketing year was fixed at 29 u.a./100 kg and the average price at 23.121 u.a./100 kg. A standard yield was fixed which is differentiated according to type of flax and production area. In order to facilitate the changeover to the new aid system, seed flax producers have been granted a subsidy of 125 u.a./ha for the current marketing year.

However, to facilitate the changeover to the new aid system, seed flax producers have been granted a subsidy of 125 u.a./ha for the current marketing year. Expenditure by the EAGGF Guarantee Section in respect of seed flax is included in that incurred in respect of fibre flax².

¹See Table II.B/7.6 in Part II.

²See also under 7: Fibre flax and hemp.

5.d. Cotton seed¹

The share of cotton in the value of final agricultural production, in the Community's UAA and in world production (23 million t of seed and 12 million t of fibre in 1975, according to the FAO) is infinitesimal.

Thanks to the Community aid system, this crop, which is cultivated only in some of the poorer regions in Italy, is still of some importance. An area of around 5.000 ha is under cotton in the Community (4.700 ha in 1975), giving a yield of about 1.000 t of seed and just under 1.000 t of fibre.

It is highly unlikely that Community production will expand in the near future unless more productive varieties can be used.

The flat-rate subsidy, which stood at 87,87 u.a./ha in 1974/75 and 96 u.a./ha in 1975/76, was increased by 7,5% to 103,20 u.a./ha in 1976/77.

Expenditure by the Guarantee Section of the EAGGF in respect of cotton seed amounted to 0,2 million u.a. in 1974 and 1975.

¹See Table II.B/5.c.1.

6. DEHYDRATED FODDER¹

1. Introduction

The common organization of the market in dehydrated fodder, decided upon by the Council to improve the Community's protein supply, came into force on 1 May 1974. It should be noted that dehydrated fodder is the most important of all Community crops considered as sources of protein.

The Council decided to extend the field of application of the common organization of the market in dehydrated fodder to dehydrated potatoes unfit for human consumption from 1 July 1975.

2. Production

Community production of dehydrated fodder (other than dehydrated potatoes) in 1975 was 1.522.057 t, or 3% less than in 1974. As in previous years, production was highest in France and Denmark, in that order, with 766.000 t and 288.000 t respectively. Three other Member States, Italy, the Netherlands and the United Kingdom, each produced between 115.000 t and 125.000 t.

This is the first time for many years that Community production of dehydrated fodder has fallen; the decline varied from country to country, with the biggest drops in Denmark (-20%) - which still, however, retains its place as second largest producer - and the United Kingdom (-18,6%).

The big drop in Danish production seems to be due to two factors: the summer drought of 1975 and the specific structure of the Danish dehydration industry. Denmark is the only Member State where not only the production of dehydrated fodder, but also the proportion manufactured under contract to farmers (75%), is substantial. It would seem that for these reasons, dehydration concerns in Denmark were, in 1975, in a more vulnerable situation than comparable firms in other Member States.

But while production in the other Member States has fallen much less than in Denmark (or not at all), difficulties have still arisen in their dehydration industries because of the general decline in protein product prices (particularly soya cake) in 1975, which led to a similar fall in the price of dehydrated fodder. In this connection it should be remembered that the Community dehydration industry is obliged to pay lucerne and grass producers a price comparable with that guaranteed for cereals and some other products, otherwise farmers would turn away from green fodder crops. Consequently, when there is a drop in the prices of protein products, Community manufacturers can only follow the trend to a limited extent; short of selling at a loss, this obviously restricts their outlets.

¹See Tables II.B/6.1 to II.B/6.6 in Part II.

Finally, some French firms encountered problems, in addition to those mentioned, owing to the fact that they traditionally supply large quantities of dehydrated fodder to the other Member States. During the first half of 1975, French exporters - particularly on the German and Benelux markets - found themselves confronted with low-priced supplies from non-member countries; these included consignments quoted in dollars, which were made cheaper by the weakening of this currency.

The Community's production of dehydrated potatoes is on a much smaller scale than its production of conventional dried fodder (particularly lucerne and grass), amounting to about 49.000 t in the 1975/76 marketing year. The bulk of this quantity, intended for animals, was produced in the form of dried potatoes in the strict sense of the term (47.000 t), whilst the remaining 2.000 t was in the form of potato flour, granules and flakes. Germany, with about 45.000 t is the Community's largest producer; the remainder is produced in the Netherlands (2.300 t) and in Denmark (1.600 t).

It should, however, be noted that the first marketing year for dehydrated potatoes under the common organization of the market coincided with a shortage of fresh potatoes in the Community. This situation did not change during the following year, since as a result of the 1976 drought the potato harvest in the Community will again be considerably lower than normal.

3. Consumption

Discounting changes in stocks, Community production of dehydrated fodder represented slightly less than 90% of the available quantities. Since these quantities were only slightly lower than for the previous year, it may reasonably be supposed that consumption has not fallen.

4. Trade

In 1975, about 535.000 t of dehydrated fodder was traded, the greater part (about 400.000 t or a quarter of Community production) within the Community.

France and Denmark, both of which traditionally export this product, respectively consigned 267.000 t and 103.000 t to Germany and the Benelux countries, which depend on imports for most of their supplies.

Imports from non-member countries amounted to 135.000 t in 1975, as against 113.000 t in 1974. These imports, of which the greater part (84.000 t) come from Eastern European countries (Hungary, Yugoslavia and Poland) and the United States (45.000 t), went to Germany, Italy and the Netherlands.

Community exports of dehydrated fodder to non-member countries were insignificant.

5. Prices

At the beginning of the 1975/76 marketing year, prices were dropping as a direct result of the decline in the prices of other protein-rich products such as soya cake and fish meal etc., due to the improvement in the world and Community protein supply situation. The lowest prices were noted in June and July 1975. After a slight upswing in August 1975, prices remained relatively stable until May 1976, when the consequences of the drought in the Community led to a marked rise.

6. Outlook

By the middle of October 1976, when the greater part of the fodder for the 1976/77 marketing year could be assumed to have been dehydrated, the forecasts for Community production were pointing to a decline of 20% in relation to the previous year. This decline, caused by the serious drought, is particularly marked in the EEC's largest producer - France - where it is expected to be about 35%. The first two crops in France gave a yield much lower than normal, whilst the third was markedly uneven, also showing a very poor yield. The fourth crop, on a smaller scale, will be normal or better than normal, however.

The decline in production in 1976 in the other Member States has been estimated as follows: United Kingdom: -25%; Italy: -15%; Denmark and Germany: -10%.

It is fairly difficult to predict the volume of dehydrated fodder production for the marketing year 1977/78. Fields sown with lucerne during the spring of 1976 were adversely affected by the drought, and even destroyed in some cases; on the other hand, the current high prices

for dehydrated fodder should stimulate production during the next marketing year.

7. Economic aspects of the measures taken

Apart from the flat-rate aid fixed each year for dehydrated fodder production, no support measures are planned in the framework of the common organization of the market. However, exports of dehydrated fodder and certain other products were subjected to a tax from 10 July 1976, in an attempt to protect Community supplies of certain feedingstuffs following the difficulties caused by the drought.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF for dehydrated fodder was 3,6 million u.a. in 1974, 11,1 million u.a. in 1975, and is estimated at 12,2 million for 1976; or 0,1%, 0,2% and 0,2% respectively of the section's total expenditure.

7. FIBRE FLAX AND HEMP¹

1. Introduction

The area under fibre flax represents less than 1% of Community UAA, whilst that under hemp is no more than an infinitesimal part.

Fibre flax cultivation is confined to the Netherlands, Belgium and North-West France, and involves between 10.000 and 15.000 farmers and about 300 retting and scutching concerns. It is an important source of raw materials of which the Community is a net importer: textile fibres, seeds and wood chips. The production of paper hemp, cultivated exclusively in France, is progressing; this product is used for manufacturing special types of paper. Textile hemp, still grown in Italy, is in decline.

The Community accounts for less than 5% of the total world area under fibre flax, but 15% of world production, as a result of above-average yields. The USSR accounts for three-quarters of world production. Community production of hemp represents only a very small part of the total world crop.

2. Production

In 1975 58.300 hectares were under fibre flax, the same area as in 1974. In France (the largest producer) and Belgium, areas under this crop increased by 4,5%; in the Netherlands, however, they contracted to 1973 levels after a year of recovery.

Because of low yields, Community production of flax straw and fibre, however, was much lower than in 1974.

Paper hemp continued to progress steadily: in 1975, 7.600 ha were under cultivation, against 5.560 ha in 1974. Since the yield was low (5,6 t/ha), straw production amounted to only 42.000 t.

3. Consumption and stocks of flax fibres

Community consumption in the 1974/75 marketing year was 87.600 t (as against 97.600 t in 1973/74), whilst exports to non-member countries amounted to 29.000 t; overall demand (116.600 t) was therefore amply covered, with availabilities of 126.600 t, of which 97.100 t came from Community production and 29.500 t from non-member countries. Fibre stocks thus increased by 10.000 t, from 67.500 t at the beginning of the marketing year to the alarming level of 77.500 t by the end of July 1975.

Consumption for the 1975/76 marketing year has been estimated at 77.300 t and exports at 23.500 t; overall requirements therefore amounted to 100.800 t. Since non-member countries delivered 26.000 t and Community production dropped to 60.000 t, only 86.000 t were available.

It was therefore necessary to draw 14.800 t from stocks - which were still too high on 1 July 1976, at 62.700 t.

4. Trade

There is no trade in flax straw with non-member countries. Part of the French and Dutch production is sent to Belgian retting and scutching

¹See Tables IIB/7.1 to IIB/7.6 in Part II.

concerns, which purchased 73.000 t in 1974/75 - exactly the same quantity as in the preceding year. Trade in flax fibres between Member States consists mainly in exports to Italy and the United Kingdom from Belgium, since the former countries use these fibres but do not produce them.

Although Community exports and imports are in balance, different qualities are involved: long fibres are exported to all parts of the world, whilst short fibres are imported from the European state-trading countries and from China and Egypt. In 1975 both imports and exports were lower than in 1974 because of the decline in activity in the industries using this product.

Community exports of hemp fibres are on a small scale; Italy and the United Kingdom import hemp fibres from the European state-trading countries, but this trade has also declined.

5. Prices

The downward trend in flax-fibre prices, which began in autumn 1974, was halted towards the end of 1974/75 following the introduction of aid for private storage and to compensate for poor 1975 yields. Prices rose during the 1975/76 marketing year as the drought adversely affected the 1976 harvest; by the end of the year they had again reached the earlier high levels. Contract prices for paper hemp, set at 64,8 u.a./t for the 1975 harvest, were maintained for the 1976 harvest.

6. Outlook

Although the areas under fibre flax in 1976 were unchanged as against the previous year, straw yields were badly affected by the drought and fibre production is estimated at only 45.000 t (26.000 t of long fibre and 19.000 t of short fibres), or about half the normal crop. The profitability of cultivating fibre flax was therefore affected, despite the rise in straw prices; as a result, the retting and scutching industry will lack supplies and the available straw will be too short to permit normal processing yields. It is to be feared that the rise in fibre prices will only partially offset the rise in processing costs, so that having drawings on fibre stocks may become inevitable.

It seems likely that the industries using fibre flax will have to pay higher prices for raw materials, especially short fibres, for which supply difficulties may occur if deliveries from non-member countries decline. Areas under paper hemp have again increased; but, since yields are only 3,5 t/ha, the area under cultivation (7.800 hectares) will produce only 27.000 t of straw, as against 42.000 t for the 1975/76 marketing year.

7. Forecasts for the 1977/78 marketing year

Since yields have been bad for two years, it is possible that less fibre flax may be sown in 1977; however, the probable rise in fibre prices may encourage producers to persevere. Since deliveries from non-member countries seem unlikely to increase, supplies to the retting and scutching industry and other users of fibres would be endangered if the areas under cultivation contracted.

Paper manufacturers will try to diversify their hemp supply possibilities; hemp cultivation could progress further if the contract price was brought into line.

8. Economic aspects of measures taken

From the 1976/77 marketing year, the flat-rate aid per hectare will be granted only for fibre flax, while fibre flax seed will benefit from the aid arrangements introduced for seed flax seed.

9. Budgetary expenditure

The amount of aid for fibre flax granted in the 1976/77 marketing year was unchanged at 188,15 u.a./ha; for hemp, it rose from 161,90 u.a./ha in 1975/76 to 174,04 in 1976/77. The guide price for flax seed was set at 29 u.a./100 kg. Expenditure by the EAGGF Guarantee Section in respect of flax and hemp amounted to 11,8 million u.a. in 1974, and 13,9 million u.a. in 1975. It is estimated at 10.6 million u.a. for the first eight months of 1976.

8. SEEDS¹

1. Introduction

The common organization of the market in seeds covers the following varieties:

Dried leguminous vegetables for sowing	CCT 07.05
Hybrid maize for sowing	CCT 10.05 A
Oilseed and oleaginous fruit for sowing	CCT 12.01
Seeds, fruit and spores, of a kind used for sowing	CCT 12.03.

The resulting seed and crop production requires to be studied not only from the harvest angle, but also from that of the place of these crops in crop rotation and the final use of the seed, as many varieties inside a species are adapted to special purposes. Leguminous crops are very important because of the nitrogen enrichment of the land on which they grow.

The Community produces 1,7 million quintals (1975) of fodder crop seeds or about 25% of world production. In 1974/75, the Community was an overall net importer of 150 000 quintals of seed. Hybrid maize production amounted to about 1,2 million quintals. The Community is a net exporter of hybrid maize for seed.

No new species has been added to the list in the Annex to Regulation (EEC) No 2358/71 for the 1976/77 marketing year. A new additional criterion, persistence, has been introduced for the grouping of *Lolium perenne* varieties.

2. Production

The Community's largest producer is Denmark which provides about 33% of the total production (45% of the grasses). France and Italy are the main producers of legumes.

Community seed production was about 1.700.000 quintals in 1975. The increase over 1974 was about 140.000 quintals (8%). The main change in production involved three species, *Lolium multiflorum* (+ 65.000 ql), *Lolium perenne* L. (+ 50.000 ql) and *Pisum arvense* L. (+ 34.000 ql). A provisional estimate of the 1976 harvest shows a total production of 1.100.000 quintals.

This decrease in production is caused by two factors:

- I. decrease in area
- II. drought.

Compared with 1975 (215.000 ha), the area certified for the 1976 harvest (186.000 ha) has decreased significantly. The surplus production of the previous two years resulting in a very low price level has been the dominant reason for the reduction but the drought has also contributed.

¹ see Tables II.B/8.1-II.B/8.3 of Part II.

The influence of the serious drought from which various regions of the EEC have suffered has resulted in a generally lower yield compared with 1975 and also in destruction of large areas in production, particularly in France.

The legumes, which are mainly produced in France and Italy have suffered most: Italy suffered further from heavy rain during harvest time.

The main changes in production involve the following species:

	1975		1976	
	ha	qt	ha	qt (±)
<i>Festuca pratensis</i> L.	9.423	67.359	6.600	47.000
<i>Festuca rubra</i> L.	13.827	133.688	9.900	80.000
<i>Lolium multiflorum</i> L.	25.217	284.299	21.000	180.000
<i>Lolium perenne</i> L.	49.849	466.151	31.000	277.000
<i>Poa pratensis</i> L.	7.557	75.712	5.500	48.000
<i>Medicago sativa</i> L.	45.367	108.761	50.200	77.000
<i>Trifolium pratense</i> L.	13.824	37.079	9.700	9.000
<i>Trifolium repens</i> L.	7.785	28.353	5.700	20.000

(±) Provisional DG Agriculture estimate.

3. Supply situation

The supply situation in the Community has in recent years been good and our dependence on imports from third countries has been reduced. The Community is generally self-sufficient with a production of about 1.600.000 quintals in 1975 and an estimated demand of 1.700.000 quintals. However, the Community still has to import seeds of certain species from non-member countries in order to meet its requirements. The largest imports come from the United States, Canada and New Zealand.

The stocks at the 1st July 1975 were 836.000 quintals and the estimate for 1976 is around 1.000.000 quintals (*Lolium perenne* L. 400.000 qt).

Because of the high stock level, the relatively low harvest in 1976 has not created an urgent situation since the available amount of seed for the marketing year 1976/77 is estimated at around 2.000.000 quintals and the supply situation is generally good.

Some species (*Lolium multiflorum* L., *Phleum pratense* L. and *Trifolium pratense* L.) will have to be imported to a greater extent than normal. For *Medicago sativa*, of which the Community is normally a net exporter, a shortage situation will probably occur in Spring 1977.

The world supply situation is generally good but supply problems can occur for *Lolium multiflorum* and *Medicago sativa*.

4. Prices

The previous year's decrease in market prices continued during autumn 1975 and reached the lowest level in January 1976. Since then prices have continually increased and have now reached a satisfactory level.

Prices on the Danish market (u.a./100 kg) which is the main Community market, were as follows:

	<u>Sep 1975 u.a./100 kg</u>	<u>Sep 1976 u.a./100 kg</u>
Lolium perenne L.	24	58
Lolium multiflorum L.	26	96
Festuca pratensis L.	28	111
Festuca rubra L.	27	83
Poa pratensis L.	42	122
Trifolium repens L.	152	181

The reference price for hybrid maize has been increased by 3 u.a./100 kg for all types except three-cross hybrids and single hybrids.

5. Prospects

Because of the drought and the consequent increase in demand (estimated + 20%), the market situation is likely to be good with reasonable prices for all species for the marketing year 1976/77.

The fact that different species can be used with flexibility in grass mixtures (Lolium perenne L. 20-60%) together with the reduced production in 1976 and the increase in demand, there will probably be reasonable stocks for most of the main grass species in 1977.

The area to be harvested in 1977 can at present be estimated at around 185.000 ha. Large areas have been destroyed by the drought, both established and new sown areas. This is particularly serious for species which require 2 years of development before they are in full production (Poa pratensis L., Festuca rubra L.).

It is therefore necessary to keep some of the existing production area in production for a longer period than normal to secure the supply.

The supply situation for 1977/78 is therefore somewhat uncertain and is to some extent dependent on the quality of the area which shall remain in production.

6. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of seed amounted to 15,2 million u.a. in 1974 and 23,8 million u.a. in 1975, and the

estimate for 1976 is 22.1 million u.a.; these figures represent 0,5%, 0,5% and 0,4% of the Guarantee Section's total expenditure in 1974, 1975 and 1976 respectively.

9. WINE¹

1. INTRODUCTION

In 1975, wine represented about 4,6% by value of the Community's final agricultural production. The area under vines totalled 2.379.000 ha or 2,7% of the Community UAA.

According to the FAO world wine production for 1975/76 is 316 million hl, compared with 339 million in 1974/75 and 343 million in 1973/74. Community production, which was 142 million, 160 million and 171 million for the same marketing years, therefore represented 45%, 47,2% and 49,8% respectively of world production. These percentages are distinctly higher than those for the area under vine (about 24%), due to the fact that the average yield in the Community is higher than the world average.

France and Italy produce 95% of the Community's wine (each with 60-70 million hl per year) and the remaining 5% is shared between Germany (7-9 million hl) and Luxembourg (150.000 hl).

2. PRODUCTION

The 1974 harvest, producing 160 million hl, may be regarded as quite abundant. However, it was 6,1% less than the quite exceptional one of 1973. A variation of this proportion in the wine sector, where weather conditions play a decisive role in determining production from one year to another, may in no way be interpreted as indicating a long-term trend. Production in 1973 was indeed 34% up on the previous year. It is only possible to obtain more significant indications by taking into consideration a number of harvests. The average annual growth rate in production from "1968-69" (3-year average) to "1973-74" (3-year average) was 2,4% and was shared in by all the wine-producing Member States, although not to the same extent.

3. CONSUMPTION

In 1974-75 total internal consumption amounted to 169 million hl against 149 million in 1973-74. The total increase is largely due to the increase in exceptional distillations.

¹See tables II.B/9.1 to II.B/9.5 of Part II.

(a) Human consumption

In 1974/75 direct human consumption was 133 million hl against 125 million in 1973/74 and 130 million in 1972/73. The calculation of the average annual growth rate in human consumption from "1968/69" to "1973/74" shows that there was virtually no change during the period.

(b) Processing

The quantity processed, which amounted to 23 million hl in 1973/74, increased to 35 million hl in 1974/75, as a direct consequence of a large increase in the amount distilled in order to cope with an exceptional supply situation.

(c) Self-supply

The Community self-supply rate was 95% in 1974/75 (115% in 1973/74) in relation to total internal utilization. If the quantities which were distilled following Council decisions to relieve the market (more than 20 million hl) are deducted from the supply figure, the rate of self-supply for 1974/75 is 108%. This figure was 119% in 1973/74 and 89% in 1972/73. The difference between demand and supply was covered in 1973/74 by a 25,6 million hl increase in stocks. In 1974/75 the distillations referred to above enabled the volume of final stocks to be reduced by almost 6 million hl.

4. TRADE

In 1974/75 Community imports amounted to 5,3 million hl, compared with 7,2 million in 1973/74, which represents a reduction of 26,5%. This reduction follows on that of the previous year, which was 9,3%, and reflects the abundance of internal supplies.

Exports rose from 3,6 million hl in 1973/74 to 4 million hl in 1974/75, an increase of 12,3%.

The Community's net export deficit was 1,3 million hl in 1974/75 against 3,6 million hl in 1973/74.

5. PRICES

(a) Common prices

The increase in guide prices for all types of table wines was 6,5% for 1976/77, compared with an increase of 8% in the previous year.

(b) Market prices

The average prices quoted for the various marketing centres in 1975/76, except for two centres for table wine of type RI and two centres for table wine of type R II, for which there was a drop of between 0,5% and 5%, were higher than market prices for the previous marketing year. The increases were not uniform, and varied between 0,1% and 21,3%

Except at the beginning of the marketing year, prices in France were above the activating price, whereas in Italy prices remained, throughout the marketing year, generally lower than the relevant activating price. They fell short by an average of between 7,1% and 14,5% depending on the type of wine, but in extreme cases by 40%.

As in the previous marketing year, however, the gap between market prices and the relevant activating prices was particularly wide for table wines of types R III, A II and A III, for which on average it was 17%, 35% and 21% respectively.

The unsatisfactory price levels during the marketing year just ended cannot be explained by the volume of production, which was scarcely equivalent to normal use, but by an initial level of stocks which, whilst slightly lower than that of the previous year, was still very large.

(c) World prices

According to the FAO's information, wine prices on the world market developed in an uneven manner, although the final result was an increase almost parallel to that in Community prices. The gap between world prices and Community prices is still very large and in some cases exceeds 40%. Generally speaking, however, consignments were offered to the Community at higher prices than the free-at-frontier reference price, thus complying with the corresponding reference prices.

6. OUTLOOK

(a) Short term

Preliminary information suggests that the 1976/77 harvest will give slightly less wine than the previous year. According to preliminary estimates by the Member States, the quantity harvested should amount to 146 million hl. This quantity is slightly below normal foreseeable utilization, but in view of existing stocks there should be no problem of supply. On the basis of the Community's internal situation and the world market, it may be assumed that imports and exports will not vary very much compared with the past.

(b) Medium term

The trend towards structural surpluses observed in the Community during recent years led the Council in May 1976 to decide upon measures to adapt wine-growing potential to market requirements. These measures should be completed by 1 October 1978, taking into account the upward trend in production due to a growth in average yields and the relative stagnation in consumption. The impact of these measures, and of those modifying the instruments of market intervention, is not easy to assess, but it seems likely that a less unstable balance than in the past will be achieved in the medium term.

7. ECONOMIC ASPECTS OF MEASURES TAKEN

(a) Levies and refunds

1. Import levies

Import levies, known as "countervailing charges" in the wine sector, play only a very minor part, since they do not apply to 18 non-Community countries who have undertaken to respect the reference price and who are the Community's principal suppliers. The level of countervailing charges remained the same throughout the 1975/76 marketing year.

2. Refunds

At the beginning of the 1975/76 marketing year there was an increase in refunds and a less restrictive application than in the past with regard to geographical destination.

(b) Quantities in respect of which intervention measures were taken

In 1975/76, as during the previous marketing year, all the intervention measures provided for in Community rules were applied. However, the quantities involved in subsidised distillation of surpluses were less than in 1974/75. The quantity of wine distilled was about 4 million hl compared with 20 million hl in 1974. On the other hand, the monthly average of quantities covered by storage contracts amounted to 17 million hl (16,8 million in 1974/75) with a maximum of 27,8 million (24,8 million in 1974/75).

(c) Stock situation

At the beginning of 1975/76, stocks held by producers and in the trade totalled 81 million hl. At the end of the marketing year, it may be expected that stocks will total between 78,4 million hl, which may be regarded as above normal carry-over stock.

(d) Unity of prices

The monetary decisions taken in relation to Italy resulted, for the period ending on 15 December 1976, in the application of prices which did not correspond to the application of corresponding representative rates.

Developments on exchange markets led to the reintroduction of monetary compensatory amounts in February for Italy and in March for France.

8. BUDGETARY EXPENDITURE

Expenditure by the Guarantee Section of the EAGGF amounted to 41,9 million u.a. in 1974, 139,1 million u.a. in 1975 and is estimated at 151,1 million u.a. in 1976, or respectively 1,4%, 2,9% and 2,6% of the Guarantee Section's total expenditure.

The total amount of 151,1 million u.a. for 1976 breaks down as follows: 4 million u.a. for export refunds, 50,9 million u.a. for storage, 2 million u.a. for rehousing, 86,2 million u.a. for distillation and 8 million u.a. for distillation of the by-products of wine making.

10. RAW TOBACCO¹

1. INTRODUCTION

World tobacco production rose again by 2,6% in 1975 compared with the previous year and reached the record level of 5,3 million t. This situation is mainly due to abundant harvests in the industrialized and developing countries (+ 10% in the USA, where there was an increase in the area quotas for the second consecutive year, and + 40% in Greece). There were also quite large increases in Brazil, Turkey, Argentina and Thailand. Virginia flue-cured makes up about 30% of the total and accounts for 50% of all trade. Compared with the 1974 crop (156.000 t) there was an increase of 14,7% in the Community with the 1975 production at 179.000 t. The share of tobacco in the value of the Community's final agricultural production in 1975 was about 0,4%.

2. PRODUCTION AND STRUCTURE

During the past decade there has been, at world level, a steady trend towards the relocation of tobacco production in the developing countries (+ 30%) and the countries with planned economies (+ 40%); in the industrialized countries production has increased by only 4%. Inflation and increased production costs (labour in particular), which are particularly marked in these countries, will continue to encourage this trend.

During the same period EEC production has increased by 34% as a result of a considerable increase in Italy (+ 53%) and a lesser increase in France (+ 12%). In Germany and Belgium, on the other hand, the downswing continues. Another reason for this situation is the far-reaching changes which the tobacco sector has undergone in its production and marketing structures, particularly with the entry into force of the common organization of the market (1970), in order to adjust to real market requirements.

As far as the major types of tobacco are concerned, 1975 world production of flue-cured and sun-cured increased by 5% compared with the previous year, and of Burley by 14%, whereas dark air-cured decreased slightly (1 to 2%).

At Community level no great change has occurred for the dark Badischer Geudertheimer, Philippin, Nostrano and Kentucky varieties, for which there has been a slight decrease in areas planted and in production, in keeping with a longer-term trend. On the other hand, the oriental varieties and Bright have increased by about 35% and the production of Burley has increased by about 17%.

¹ See tables No. II.B/10.1 to II-B/10.7 of Part II.

3. DEGREE OF SELF-SUPPLY

CONSUMPTION

The degree of self-supply in the Community is 27,5%. Compared with 1974, world tobacco consumption in 1975 increased by about 2%, whereas Community consumption has remained more or less stable as a result of the economic recession, the increase in taxation and anti-smoking campaigns. However, it should be pointed out that whilst the world increase was 2%, it was more than 5% in the developing countries.

4. TRADE

World exports in 1975 amounted to 1,23 million t, which is 9% down on 1974. Moreover, it should be stressed that an increasing share in world trade is being taken by the developing countries and the countries with planned economies.

Although EEC exports for 1975 fell by about 15% compared with 1974 (approx. 43.600 t), imports increased by about 8% with the increase in German (+ 57%), Italian (+ 23%) and French (+ 17%) imports easily offsetting the fall in imports into the Netherlands and the United Kingdom. The policy of running down tobacco stocks in customs warehouses and the amendments to the Common Customs Tariff from 1975 (ACP, GSP, etc.) were among the reasons for this increase. Virginia flue-cured tobacco accounts for about 57% of total imports, whilst Burley only accounts for 10%. It should also be noted that about one-third of imports enter the Community with zero or preferential customs duty.

This situation results in a drop in Community revenue and, above all, increased competition for tobacco produced in the Community, whence the need for greater support measures under the common organization of the market (premium and export refunds).

5. PRICES

The world recession together with the increase in production and the inflation in costs have led manufacturers and traders to contain their demand for tobacco by drawing on part of their stocks, with negative repercussions on price levels in 1975. The prices of flue-cured tobaccos showed a drop of 5% on the most representative market at world level (USA) and the prices for Burley dropped still further. The prices of oriental tobaccos, on the other hand, rose again as a result of very high minimum export prices in Greece and Turkey (principal exporting countries). However, in 1976 early indications are of a partial reversal in the situation in view of a certain improvement in the relationship between supply and demand.

As far as the situation within the Community is concerned, planters may generally be considered to have reached the norm price for the 1975 harvest. However, the situation varies depending on the region in question: in Italy prices remained at practically the same level (very high) as for the 1974 crop, whereas in Germany the norm price was not reached for varieties with certain marketing difficulties.

6. OUTLOOK

Preliminary information for 1976 indicates that the supply/demand ratio for raw tobacco will evolve in such a way that the surplus of last year may turn into a slight shortfall: a fall in production is expected in the principal producer countries in the world, i.e., USA, India, Brazil and Canada. To this should be added the detrimental effects of the weather on yields and quality, which suggest that stocks will have to be used and prices increased.

However, as regards the Community more especially, it should be stressed that the structural difficulties for certain varieties (particularly Beneventano) will continue and that, despite the fall in production, the Burley variety seems to have reached its ceiling: offerings to intervention may therefore be expected which, in view of the market situation, should not reach a high percentage of output.

7. ECONOMIC ASPECTS OF THE MEASURES TAKEN

In 1973, 2.800 t were offered to intervention, of which 1.300 t were Kentucky and 1.500 t Beneventano. In 1974, the total (provisional) quantities increased (3.000 t) because of purchases of Badischer Geudertheimer (108 t) and Badischer Burley (120 t), with the quantities of Beneventano and Kentucky remaining unchanged as a whole. During 1975, 9.000 t of tobacco from the 1971 crop held by intervention agencies were sold by tender for export.

The fixing of export refunds was undoubtedly a decisive factor in the considerable improvement in trade with non-member countries. Community varieties, which were little known in the past, now play a role in world trade. Exports from the 1973 crop receiving a refund amounted to only 4.000 t, whereas those from the 1974 crop reached 13.500 t.

8. FINANCIAL EFFECTS

Expenditure by the Guarantee Section of the EAGGF in respect of raw tobacco amounted to 183,6 million u.a. in 1974 and 228,5 million in 1975 and is estimated at 208,3 million u.a. in 1976, or 5,9%, 4,8% and 3,6% respectively of the Guarantee Section's total expenditure. Of the total amount of 208,3 million u.a., 6 million were spent on refunds and 202,3 million u.a. on intervention.

11. FRESH AND PROCESSED FRUIT AND VEGETABLES

I. Fresh fruit and vegetables¹

1. Introduction

Community production of fresh fruit and vegetables in 1974, including crops intended for processing, amounted to 28,3% by value of final crop production, or 11,5% by value of final agricultural production.

It held steady at this level in 1975, to represent 11,9% of final agricultural production.

The positions occupied by the main fruit and vegetable producing Member States, according to their production expressed in '000 tonnes, are as follows:

1975	1st Member State	2nd Member State	3rd Member State
<u>Fruit</u>	Italy 9.620	France 3.235	Germany 3.114
Apples	Italy 2.127	France 2.126	Germany 2.035
Pears	Italy 1.453	France 409	Germany 386
Peaches	Italy 1.139	France 109	United Kingdom 3.076
<u>Vegetables</u>	Italy 10.740	France 4.550	United Kingdom 287
Cauliflowers	Italy 610	France 460	Netherlands 371
Tomatoes	Italy 3.637	France 574	

2. Production

Commercial fruit production² in the Community in 1975 amounted to 17,6 million t, an increase of 2,5% compared with the previous year.

The trend was not the same in all the Member States; in some of them (Italy, the Netherlands, Belgium and the United Kingdom) a drop of 0,9 to 11,8% was recorded, which was balanced by a rise of 12,4% in Denmark and 25,5% in Germany. For the last two years, production in France has been virtually unchanged.

These variations are due to the well-known phenomenon of alternation of fruit crops and do not signify a particular trend; the annual rate of change of -0,6% confirmed that between the 1975 harvest and that of "1968", production was fairly stable.

¹ See Tables II.B/11.1 to II.B/11.15. of Part II

² This is "biological production", i.e., total production, even if not harvested, excluding that from household gardens.

The following observations may be made about the main fruit crops:

- (a) compared with the 1974 harvest, there was an increase in Community apple production of around 28% in 1975. This increase was general, though it was particularly marked in Germany (+58,8%) and France (+32,0%). In Italy, the largest producer, it did not exceed 13,0%. It is therefore not surprising that apples account for around 40% of total fruit production;
- (b) pear production dropped by around 6,6%; Italy and France the main producer countries, registered a drop of 3,6 and 3,9% respectively, while in Germany, the third most important producer, an increase of 16,5% over 1974 was recorded. In the other Member States, trends were in the other direction; however, they had little effect on the overall situation in view of the relatively low volume of national production;
- (c) peach production was particularly low in France in 1975 (around 20% of the normal level) and dropped by 9% in Italy as compared with 1974;
- (d) citrus fruit production, representing 15,7% of total fruit production in 1975, dropped by 4,3% compared with 1974; however, only the orange crop was affected as production of lemons and small citrus fruits (mandarins and clementines) rose by 5,7 and 4,9% respectively.

Commercial vegetable production in the Community reached 23,08 million t in 1975, a drop of 1,5% on 1974, corresponding to a normal fluctuation.

However, limiting the analysis to the longer-term trend, the annual rate of change of only -0,3% for the original Community from "1968" to 1975 indicates some degree of stability.

The following observations should be made about the two main products:

- (a) cauliflower production was more or less steady, varying between 1,55 and 1,58 million t in the period 1973-75;
- (b) tomato production, representing around 20% of total annual vegetable production, dropped by 1,5% from 1974 to 1975 after increasing by 7,7% from 1973 to 1974. Over the longer period "1968" to 1975, for the original Community the annual rate of change was only +0,6%. Thus, there have been fairly wide fluctuations in production from one year to another around a relatively constant average.

3. Consumption

Internal consumption of vegetables in the Community amounted to 28,6 million t in 1974/75, a figure identical to that recorded in 1973/74.

This utilization, which also includes preserved vegetables expressed as fresh product weight, was mainly accounted for by human consumption (88,8%); animal feedingstuffs accounted for only 0,6% whilst market losses represented 10,6%.

Internal fruit consumption, including citrus fruits, dropped, accounting for only 20,5 million t in 1974/75 compared with 22,5 million t in 1973/74, owing to a decline in utilizable production.

Human consumption absorbed 89,4%, industrial uses other than food manufacture 3,3% and animal feed 0,9%. The remaining 6,4% was accounted for by market losses.

(a) Human consumption

The average human consumption of vegetables in the Community amounted to 98 kg in 1974/75, varying considerably from one Member State to another; In Italy it reached 155 kg compared with only 48 kg in Denmark.

Per capita annual consumption in the original Community was around 107 kg. This figure is fairly stable, since the annual rate of change for the period "1967/68" to "1973/74" was only 0,5%.

Annual per capita consumption of fruit in 1974/75 was 79 kg, including 23 kg of citrus fruits and 56 kg of other fruit (excluding tropical fruit such as bananas and pineapples and dry and dried fruits).

As in the case of vegetables, consumption varied widely from one Member State to another: 102 kg in Germany, 33 kg in Ireland.

Individual consumption of citrus fruits in the original Community rose by 2,9% a year from "1967/68" to "1973/74", while that of other fruits dropped by 1,6% a year over the same period.

(b) Animal consumption and industrial uses

Only very small quantities of fruit and vegetables are absorbed by these two outlets, and the uses are for the most part fortuitous.

(c) Rate of self-supply

The Community's self-supply rate is particularly high for vegetables, reaching 94% in 1974/75: the figure is 79% for fresh fruit and 44% for citrus fruits.

4. Trade

The Community's total imports of fresh fruit in 1975 amounted to 6,8 million t, an increase of 8,69% over 1974.

Around two thirds of these imports came from non-member countries, the rest from intra-Community trade.

Citrus fruits, at 3,3 million t, were the most heavily imported, followed by apples, imports of which amounted to 1,3 million t (including intra-Community trade).

Fruit exports totalled 3,26 million t in 1975, an increase of 5,8% over 1974. Around three-quarters of this volume was accounted for by intra-Community trade, one quarter being exported to non-member countries.

The main export products were apples at 1,2 million t, citrus fruits at 0,6 million t, and pears, table grapes and peaches at a little over 0,3 million t.

Imports of fresh vegetables in 1975 totalled 2,8 million t, a drop of 5,13% compared with 1974; tomatoes and onions accounted for around 0,7 and 0,6 million t respectively.

Exports were 3,44% down on the 1974 figure, totalling 2,27 million t; only 0,34 million t went to non-member countries, but this volume was 1,8% higher than in 1974.

5. Prices

(a) Common prices

The basic prices and buying-in prices for the 1975/76 marketing year have been increased so that the resulting average withdrawal prices, at which producer groups buy back their members' unsold produce, are about 11% higher than the withdrawal price for the 1974/75 marketing year except in the case of apples and pears, for which the increase is only about 9%.

The average increase from 1975/76 to 1976/77 was 4% for apples and pears and 8% for other products.

Since basic prices and buying-in prices were first fixed in 1967/68, the corresponding withdrawal prices have thus increased by from 42% to 100% according to product.

These are, of course, average increases which may vary to a greater or lesser extent according to season, as the basic prices and buying-in prices are fixed at different levels during the marketing year.

The reference prices, which determine the minimum level of entry prices for imported products, showed an average increase from 1975/76 to 1976/77 of about 7% for apples and pears and around 8% for other products, though varying from one period to another.

(b) Market prices

Fruit and vegetable prices vary considerably from one time of the year to another, from one market to another and from one batch to another.

An analysis of the data available leads to the following conclusions based on average basic and buying-in prices for pilot products:

(i) Apples (Golden Delicious variety, quality class I, size not less than 70 mm)

The exceptionally abundant apple crop in 1975/76 had an unfavourable effect on prices which, compared to 1974/75, dropped by from 6 to 35% depending on Member State. Only in Italy were retail prices slightly higher than in the previous marketing year.

Average monthly prices were higher than the corresponding basic prices in Italy, Ireland and Denmark; they hovered around this price in the Netherlands, but were generally lower on the other markets, where the disparity sometimes amounted to almost 40% of the basic price.

- (ii) Pears (various varieties, quality class I, size not less than 60 mm or 70 mm according to period)

Apart from Denmark, where the average price for the season was more or less equal to that in the previous marketing year, the prices of pears recorded in 1975/76, compared to those in 1974/75, rose by around 20% in Germany and Italy, around 33% in France, the United Kingdom and Denmark, 67% in the Netherlands and 114% in Belgium.

Monthly average prices were generally much higher than the corresponding basic prices except in Italy, where they hovered around the basic price from November onwards.

- (iii) Table grapes (various varieties, quality class I)

Compared to 1974/75 levels, prices in the 1975/76 marketing year showed an increase of 27% in France and a drop of 17% in Italy, where the monthly averages were considerably below the basic prices.

- (iv) Peaches (various varieties, quality class I, size 51/61 mm or 61/67 mm according to period)

As a result of the abnormally low production in France, no meaningful information can be obtained on the level of prices on French markets.

Compared to 1974/75, prices rose by 60% on the Italian market, often reaching twice the basic price.

- (v) Lemons (quality class I, size 53/62 mm)

The average annual price for lemons in 1975/76 was around 17% higher than in the previous marketing year.

Depending on markets and periods, the average monthly prices were higher or lower than the corresponding basic prices.

- (vi) Mandarins (quality class I, size 54/64 mm)

The average annual price was only slightly higher (1,5%) than in 1974/75, whilst average monthly prices were sometimes higher and sometimes lower than the basic price, depending on markets and periods.

(vii) Oranges (various varieties, quality class I, size 67/80 mm)

The average price of oranges in 1975/76 was up by about 8% on 1974/75.

The average monthly prices, which were fairly stable during the season and varied little from one market to another, held at 16-20% below the basic price.

(viii) Tomatoes (round, quality class I, size 57/67 mm)

In all the Member States with the exception of Ireland, tomato prices in 1975 were higher than in 1974, though the increase varied considerably: 0,6% in Germany, 17% in France, 79% in Italy, 35% in the Netherlands, 32% in Belgium, 13% in the United Kingdom and 12% in Denmark.

The average monthly prices were always considerably higher than the corresponding basic prices.

(ix) Cauliflowers ("with leaves" or "trimmed", according to period, quality class I)

Except in the United Kingdom, where there was a 3% drop compared to 1974, the average annual price of cauliflowers in 1975 increased by 13-25% depending on Member State, and by as much as 48% in France.

On almost all markets, average monthly prices were higher - sometimes considerably so - than the corresponding basic prices.

Obviously, the often rapid change in daily prices and the conversion factors applied to products which differ from the pilot products may explain why, despite average prices higher than the basic price, some products fell short of the withdrawal price and were withdrawn from the market by the producer groups.

Moreover, as a result of the depreciation of certain currencies, price changes expressed in u.a. sometimes differ from those expressed in national currencies in the countries concerned.

(c) World prices

Strictly speaking there are no world markets - and, accordingly, no world prices - for fruit and vegetables, the prices for products being fixed more or less independently on the principal markets.

However, to limit competition facing Community products from abnormally low-priced imports from non-member countries, certain measures can be taken under the system of reference prices.

(d) Consumer prices

According to the indices, consumer prices in 1974 showed only a slight increase in Germany, Luxembourg (from 2,4 to 3,8%); Italy and the United Kingdom experienced increases of around 20,0%, while for the other Member States they ranged from 7,8 to 12,3%.

In the United Kingdom and Ireland the increases were 37,4% and 34,8% respectively in 1975; in the other Member States they ranged from 13,2 to 19,5%.

6. Outlook

The rapid succession of crops, which often permits two harvests to be obtained per plot, and the possibility of using fixed (greenhouses) or movable (frames, mobile glasshouses) means of protection are factors giving great flexibility and enabling production to adapt itself rapidly to demand. On the basis of the trends in vegetable production over the last few years, no major changes are to be expected in the immediate or more distant future.

As regards fruit, the initial survey to determine the production potential of plantations of certain types of fruit trees (Council Directive 71/286/EEC) has enabled some conclusions to be drawn although the Member States carried out the survey at different times.

As regards apples, orchards planted less than 10 years ago account for more than 60% of the area under apple-trees in France, the Netherlands and Belgium, for 44% in Germany and 36% in Italy; but in each of these Member States the proportion of orchards aged less than 5 years was less than that of orchards aged between 5 and 9 years.

One may therefore expect over the next few years an increase in apple production followed by a slowdown or stagnation.

As regards pears, the situation is fairly similar except that the proportion of orchards aged under 10 years is still smaller. Only in France, where it amounts to 57%, is there a very young production potential.

The prospects for these two products may however have been partly changed as a result of the grubbing measures adopted by the Council¹.

As regards peaches, orchards aged under 5 years accounted for 36% of the total area in France and 38% in Italy; orchards aged 5 to 9 years represented 37% and 35% respectively. Seeing that a peach orchard has a productive life of about 15 years, one may conclude that renewals are being made regularly in both countries and that no great change in production is to be expected.

As regards oranges, the survey revealed that the youngest orange groves (less than 5 years) account for only 11,6% of all orange groves, which is a lower percentage than for any of the higher age categories. It seems, therefore, that there is a decline in new plantations, which will reduce production in the future.

7. Economic aspects of the measures adopted

(a) Import and export measures

(i) Countervailing charges on imports

During the 1975/76 marketing year, countervailing charges were imposed on imports of the following products:

- cucumbers from Spain, Bulgaria and Romania;
- tomatoes from Spain, Morocco and Bulgaria.

These measures, some of which were applied for only a short time, resulted in higher prices for the imported products following a drop or even a complete halt in shipments to the Community.

(ii) Export refunds

Export refunds were fixed during the 1975/76 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, fresh table grapes, walnuts in shell, shelled almonds, shelled hazelnuts, apples other than cider apples, peaches and tomatoes.

These refunds, which vary according to the product and are generally fairly low, were fixed only for destinations which afforded real export outlets and if justified by difficulties in effecting exports.

¹Council Regulation (EEC) No 794/76 of 6 April 1976 laying down further measures for reorganizing Community fruit production (OJ No L 93 of 8.4.1976, p. 3).

(iii) Protective measures

A protective measure was adopted on 9 June 1976 against the import of dessert apples from Chile, suspending the free circulation of these apples in the Community from 9 to 30 June 1976.

(b) International agreements

Imports of apples from the Southern Hemisphere are normally spread over the six months from March to August.

In view of the surplus of apples in the Community, discussions were held with the main exporting countries, which led to an agreement whereby these countries adjusted the timetable of their shipments in such a way that the quantities sold from April to June did not exceed the amount the market seemed able to absorb without difficulty. These quantities were similar to the import figures for April, May and June 1974 - a period for which a similar agreement was concluded.

(c) Withdrawals from the market

At almost 800.000 t, the quantities of apples withdrawn from the market in 1975/76 were particularly high, representing 10,59% of production. The highest figures were recorded in France and Italy, both in absolute terms (400.000 t and 323.600 t respectively) and as percentages of national production (18,82 and 15,22% respectively).

Withdrawals of pears were lower than in most years, even though they amounted to 7,31% of Community production. Italy accounted for 98,3% of the withdrawals, which corresponded to 11,88% of its national production.

In view of the smallness of the crop, especially in France, only Italy withdrew peaches from the market; the quantities were relatively limited, however, amounting to only about 33.000 t, or 2,63% of Community production.

Withdrawals of oranges and lemons were also relatively low, amounting to 2,77% and 1,29% respectively of Community production.

The amount of mandarins withdrawn from the market was, on the other hand, proportionally larger, amounting to 12,79% of production.

There were no withdrawals of table grapes.

Withdrawals of cauliflowers were very low, amounting to only 4.800 t or 0,31% of Community production.

Withdrawals of tomatoes amounted to 133.300 t, corresponding to 2,76% of Community production. Of these withdrawals, more than 93% were made in Italy and 6,4% in the Netherlands.

(d) Unity of prices

(i) Accession compensatory amounts

With effect from 1 February 1973, accession compensatory amounts were introduced for certain products and certain periods. These amounts are reduced by 20% each year in accordance with the Treaty of Accession.

(ii) Monetary compensatory amounts

No monetary compensatory amount was fixed for fruit and vegetables.

(e) Measures to promote the marketing of Community citrus fruits

Measures to promote the processing of oranges

For the 1975/76 marketing year, the financial compensation - that is, the penetration premiums - provided for by Council Regulation (EEC) No 2511/69 of 9 December 1969, laying down special measures for improving the production and marketing of Community citrus fruit, as amended by Regulation (EEC) No 2481/75, was fixed at the following rates:

7,8 u.a. per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties;

6,7 u.a. per 100 kg net for oranges of the Sanguinello variety;

4,4 u.a. per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;

6,7 u.a. per 100 kg net for mandarins;

3,9 u.a. per 100 kg net for clementines;

4,7 u.a. per 100 kg net for lemons.

In application of Council Regulation (EEC) No 2601/69 of 18 December 1969 laying down special measures to encourage the processing of certain varieties of oranges, the minimum prices to be paid by processors to producers of oranges and the financial compensation payable to these processors were fixed at the following levels for the 1975/76 marketing year:

Class of product	Minimum price per 100 kg net	Financial compensation per 100 kg net
I	7,30 u.a.	4,70 u.a.
II	6,00 u.a.	3,40 u.a.
III or mixed	4,70 u.a.	2,10 u.a.

8. Budgetary expenditure

The expenditure of the Guarantee Section of the EAGGF for fruit and vegetables, including processed fruit and vegetables, amounted in 1974 to 66,9 million u.a. and in 1975 to 90,3 million u.a., while for 1976 it is estimated at 172,8 million u.a., or 2,2%, 1,9% and 3,0% respectively of the total expenditure of the Guarantee Section. The sum of 172,8 million u.a. breaks down into 44,9 million u.a. of expenditure on export refunds and 127,9 million u.a. on intervention measures.

II. PROCESSED FRUIT AND VEGETABLES

1. PRODUCTION

From 1974 to 1975, production of the main processed fruit and vegetable products changed as follows:

(in t)

Products processed from:	1974	1975
Vegetables	2.686.471	2.627.250
Fruits	1.619.530	1.595.861

Generally, production of preserved vegetables remained more or less stable from 1974 to 1975.

The production of jams, marmalades and jellies was similarly little changed from 1974 to 1975. Preserved fruit production, on the other hand, was around 20% below the 1974 level. The increase in the production of fruit juices (i.e. citrus fruit juices and others) is estimated at between 15 and 20%.

Community production of some sensitive products was as follows:

- (a) Tomato concentrates: production was 156.500 t in 1975 compared to 181.800 t in 1974, a drop of 16,2%;
- (b) Peeled tomatoes: production dropped by 17,5%, from 705.600 t in 1974 to 582.200 t in 1975;
- (c) Tomato juice: production rose from 33.000 t in 1974 to 37.000 t in 1975, an increase of 12,1%;
- (d) Preserved mushrooms: production dropped by 4,0%, i.e., from 160.900 t to 154.000 t, from 1974 to 1975;
- (e) Preserved peaches: production was 25.800 t in 1975, considerably lower than the 40.150 t recorded in 1974. This represents a drop of 35,7%;
- (f) Citrus fruit juices: production in some Member States is based on the reconstitution of imported citrus fruit juices, Italy being the only Community country which produces these juices from fresh home-grown citrus fruits. The production of orange juice in Italy was 63.000 t in 1974 and rose by 15,1% to 72.500 t in 1975. Lemon juice production also increased, rising by 13,2% from 39.300 t in 1974 to 44.500 t in 1975.

2. CONSUMPTION AND TRADE

The general state of trade in this sector is shown in the following table:

1974

	IMPORTS		EXPORTS	
	t.	EUR ('000s)	t.	EUR ('000s)
TOTAL	3,502,125	1,637,666	2,046,205	928,001
INTRA	1,572,728	718,508	1,671,892	717,661
EXTRA	1,922,861	916,351	358,246	196,938

1975

	IMPORTS		EXPORTS	
	t.	EUR ('000s)	t.	EUR (000s)
TOTAL	3,549,613	1,659,675	1,953,614	886,713
INTRA	1,642,758	747,303	1,675,188	728,065
EXTRA	1,897,031	970,533	258,133	150,982

The available quantities of tomato concentrates and peeled tomatoes fell from 1974 to 1975. This was due first to a drop in production and secondly to lower imports.

The available quantities of tomato concentrates for consumption dropped by 16,2%, from 272.700 t in 1974 to 228.400 t in 1975. Imports fell from 151.200 t in 1974 to 104.900 t in 1975 and exports also fell, from 60.400 t in 1974 to 33.000 t in 1975. Intra-Community trade was stable at 71.000-72.000 t for both years.

Imports of peeled tomatoes dropped from 76.300 t in 1974 to 53.500 t in 1975, whilst exports dropped from 53.900 t to 33.400 t. The fall of 17,3% in the quantities available on the Community market (from 727.900 t in 1974 to 602.300 t in 1975) was due to the previously mentioned drop in production. Intra-Community trade amounted to around 113.000 t for both years.

Imports of tomato juice dropped from 11.000 t in 1974 to 10.000 t in 1975. Exports also declined, from 1.700 t in 1974 to 1.100 t in 1975. In view of the increase in production, the overall effect was to increase the quantities available for consumption in 1975 to 45.800 t, a rise of 8,3%.

Imports of preserved peaches rose from 136.300 t in 1974 to 163.000 t in 1975. Exports were at a very low level during these two years (200-300 t). The quantities available for consumption were 176.000 t in 1974 and 188.600 t in 1975, an increase of 7,1%.

The available quantities of orange juice increased by +11,1%, from 251.100 t in 1974 to 278.000 t in 1975. Imports rose from 194.100 t in 1974 to 212.600 t in 1975, while exports rose only from 6 000 t in 1974 to 6.500 t in 1975. Intra-Community trade amounted to 95.300 t in 1974 and 116.300 t in 1975.

Mainly because of the growth in production, the quantities of lemon juice available for consumption rose by 11,0% from 1974 to 1975, reaching 45.000 t in 1975. Imports fell from 2.400 in 1974 to 800 t in 1975, whilst exports dropped from 1.200 t in 1974 to 250 t in 1975.

The quantities of preserved mushrooms available for consumption dropped only slightly (by 0,7%), from 179.800 t in 1974 to 178.600 t in 1975. Imports fell from 47.000 t in 1974 to 44.600 t in 1975; exports also fell, from 28.100 t to 20.500 t.

3. PRICES

Price levels for tomato concentrates, peeled tomatoes and tomato juices were fairly high in 1974, leading to the suspension of the export refunds for these products in October 1974. Prices have gradually fallen since the beginning of 1975 under the pressure of high production in the main producer countries and somewhat reduced demand due to the high prices in 1974 and the existence of large stocks held by some consumer industries, particularly in the United Kingdom. Export refunds for the three tomato-based products were reintroduced in May 1975, the levels being increased in October 1975 in respect of tomato concentrates and in December 1975 in respect of peeled tomatoes.

The low price levels for preserved mushrooms, which led to the introduction of protective measures in August 1974, continued during the first half of 1975; as a result, these measures were tightened up in July 1975. The market started to return to normal in the second half of the year, and the protective measures were gradually eased in 1976.

The prices of other processed fruit and vegetable products remained at satisfactory levels in 1974 and 1975.

4. OUTLOOK

Production of tomato-based products is expected to fall in 1976, compared to 1975. The price of tomato concentrates, in particular, has risen during the second half of 1976.

Production of preserved peas and green beans is appreciably lower in 1976 than in previous years. The price of these products will probably increase despite the fact that stocks were carried over from last year.

The market for preserved mushrooms has slowly continued to return to normal in 1976. If this trend continues, suspension of the special measures may become possible.

5. BUDGETARY EXPENDITURE

See I. 8.

11a. LIVE PLANTS¹

1. Introduction

The live plants sector includes open-air products (bulbs and nursery products) and grown under glass products (a growing proportion of cut flowers and ornamental plants). This sector - with an annual production valued at 2.100 million u.a., representing 3% of total agricultural production in the Community - has generally been able to hold its own despite the problems caused by the energy crisis and the economic downturn.

2. Production

Production in this sector may be estimated as follows:

	(million u.a.)			change in %		
	Bulbs	Nursery products	Cut flowers Pot plants	Bulbs	Nursery products	Cut flowers Pot plants
1972	167	305	I.389			
1973	160	324	I.498	- 4 %	+ 7 %	+ 7 %
1974	154	304	I.592	- 4 %	- 6 %	+ 6 %
1975	150	304	I.605	- 3 %	± 0 %	+ 1 %

The sector is now in a period of consolidation after 20 years of extremely rapid development.

3. Consumption

The available sources reveal no significant change in consumption.

4. Outlook

The sector has entered a period of consolidation, combined with an effort to convert and modernize the means of production to curb the rise in production costs, develop new products and find new outlets. This general trend will no doubt continue in the immediate future.

¹See Tables II.B/11-22 of Part II.

12. HOPS¹

1. Introduction

Hops are a worldwide market, with considerable trade between countries. They are very sensitive to variations in climate, to disease and to parasites and the world market thus fluctuates widely from one year to the next. In 1975, world production was 113,500 t, an increase of 2% on 1974.

During the period 1969-73, the world's hop producing areas increased to a greater extent than demand, the result being a drop in prices. The imbalance between supply and demand results from the increasing use of hop extracts in the brewery industry and from the high demand for varieties rich in alpha acid. This has resulted in the use of fewer hops per unit of beer. In addition, new techniques for the manufacture of hop powders and extracts enable these products to be stored for several years. Merchants' and brewery stocks from the 1973 harvest surplus exerted pressure on the 1974 market, and in 1975, there was again a surplus. As a result, in 1975, contract prices increased less than inflation rates, and non-contract prices dropped by 8% against 1974.

2. Structure

In 1975, the Commission recorded that there were 9.246 hop growers in the Community, including 7.055 members of recognised producer groups, the setting up of which is encouraged under Regulation (EEC) No 1696/71, as well as 440 members of non-recognized groups, and 1.751 independent growers.

3. Production

EEC production was 44.700 t in 1975 (about 39% of world production of hops); this represents a reduction of 7% on 1974, from an area of about 29.000 ha (a reduction of approx. 300 ha on 1974).

However, demand expressed in terms of alpha acid content went up considerably. The above mentioned increase in demand for varieties rich in alpha acid has led to large-scale replantings with those varieties in all the Member States. After the harvest surplus of 1975, merchants' and brewery stocks, before the 1976 harvest, represented
nine months' production (about 50% above normal).

4. Consumption

The brewery industry is the only consumer of hops. The annual increase in the demand for beer is about 3,5% in the world (the highest increase in beer production is in the Third World countries) and 1-2% in the EEC. For the reasons stated above, the demand for hops is increasing less rapidly, by 2-3% in the world, and is more or less stationary in the EEC.

¹ See Tables II.B/12.1 - II.B/12.6 of Part II.

5. Trade

In 1975 the EEC exported 37% of its production to non-member countries. A study of the figures shows that imports of cones from non-member countries, particularly from the United States, decreased on 1973, whereas imports of extract remained fairly constant. Exports of cones and extract to non-member countries decreased on 1974 because of the small harvest in 1975.

6. Prices

In 1974 average prices increased by 5% on 1973. In 1975, however, though they were up 3,0% for hops sold under contract, they dropped by 8% for hops not sold under contract, and thus did not reach their level for 1972, a year of relative balance on the market. With a world surplus, strong inflation, and Community production well in excess of internal demand, the tendency of producers to sell on the open market explains the drop in prices since 1972. The conclusion of contracts between members of producer groups and buyers is essential in order to achieve a more balanced market and to ensure a certain degree of stability. It is for this reason that Community legislation encourages the setting up of producer groups.

7. Medium-term Forecasts

For the 1976 and 1977 harvests, in view of the market structure, there is likely to be a slight reduction in the world area under hops. The yields for the 1976 harvest will be lower than in 1975 because of the drought in Europe, and may bring about a reduction in world stocks. In view, however, of the high level of stocks in 1975, no major increase in prices should be expected, although the prices of hops not sold under contract will improve.

In 1977, despite the expected reduction in the world area under hops, the imbalance recorded in 1975 and 1976 could continue, and it is even to be feared that the level of stocks may rise again to what it was before the 1976 harvest.

For 1978, the likelihood of a more stable market depends mainly on an accelerated reduction of the area under hops at both world and Community levels.

8. Revision of the Basic Regulation

As a result of the surplus on the world and Community markets during 1973 and 1974 and of different prospects for 1975, the Commission forwarded to the Council in February 1976 a proposal to change the present system of production aid with a view to ensuring effective control of the Community market. This will require making provision for;

- a strengthening of the role of producer groups on the market,
- the development of a contractual hop market,
- improved guidance on varietal conversion, linked with a partial reduction in the area under hops,
- the granting of production aid according to groups of varieties in order to meet market demand more effectively,
- a ban on the extension of the Community area under hops for a certain period.

9. Budgetary Expenditure

The expenditure of the Guarantee Section of the EAGGF was 4,4 million u.a. in 1974, 8,0 million u.a. in 1975 and is estimated at 15,0 million u.a. in 1976, or 0,1%, 0,2% and 0,3% respectively of the total expenditure of the Guarantee Section.

13. MILK AND MILK PRODUCTS¹

1. Introduction

(a) In 1975, milk production represented 18,7% by value of the Community's agricultural production. Of the total world output of milk in 1975, estimated at about 380 million t, the Community's share was some 92 million t, which represented a substantial proportion of world production, namely 24%.

(b) There have been considerable changes in the structure of milk production in recent years. There are some 2 million milk producers in the Community owning about 25 million dairy cows. 1,5 million producers own fewer than ten cows, accounting for about 20% of the total dairy cow numbers. The average size of herd varies from five cows in Italy to 70 in Scotland; the Netherlands represent a mid-point (23 cows per herd). In general, it may be said that in the specifically dairy regions of the Community (regions where permanent pasture occupies more than 50% of the UAA) the number of dairy cows has increased by about 25% in the last ten years, whereas in regions which are not principally given over to dairy farming (regions where permanent pasture occupies less than 25% of the UAA) the number of dairy cows has decreased by almost 20%.

The restructuring of milk production seems to be continuing; it has even increased in recent years and has taken the following forms:

- drop in the number of milk producers;
- increase in the average number of cows per herd;
- standstill and even slight decrease in the total number of dairy cows;
- continuous improvement in the average milk yield per cow, disregarding economic fluctuations;
- increasing transfer of milk production to regions where there is a high proportion of permanent pasture;
- maintenance of the slight growth in milk production as a whole.

(c) The preparation and processing of milk in the Community is carried out by some 7.000 firms with about 9.000 establishments, almost half of which are in Italy.

¹ See Tables II.B/13.1 to II.B/13.26 in Part II.

According to the latest statistical data, gathered at the end of 1973, the following are the average quantities of milk treated and processed per establishment:

	'000 t
Italy	1,7
France	9,1
Denmark	14,0
United Kingdom	16,1
Germany	19,2
Ireland	26,7
Belgium	28,9
Netherlands	39,0
Luxembourg	56,4

With concentration and modernization, the number of establishments is continuing to decrease. The aim of the rationalization measures is to lower processing costs and make more effective use of modern techniques for the production of products of high profitability. However, these rationalization measures reach their limit of effectiveness when the savings resulting from their application to the production of milk and milk products no longer compensate for the increased transport and distribution costs. Where this principle is not taken into account, producers whose milk is bought at relatively low prices are penalized by a concentration of the dairy industry.

2. Production and use of milk

(a) In December 1975 the number of dairy cows in the Community was 24,8 million, i.e. 1,8% less than in the previous year. Trends differed, however, from one country to another. With the exception of Germany, the number of dairy cows decreased in all Member States, Luxembourg and the United Kingdom registering the most pronounced decrease (over 4%). The latest figures available point to a further slight reduction in dairy herds in the Community as a whole.

(b) The sharp rise in milk production and deliveries in 1972 has not been repeated since 1973. In 1975, milk production (91.7 million t) exceeded that of 1974 by only 0,5%. In view of the long period of drought suffered by large areas of the Community, milk production in 1976 is expected to increase only slightly.

Deliveries of milk to dairies continued to increase in 1975 (81,7 million t), this being 0,6% up on 1974.

The main reason for milk deliveries decreasing in Italy, Belgium and Luxembourg in 1975 was that the costs of milk production, particularly the prices paid for feedingstuffs, increased. Producers' receipts from milk did not rise to the same extent, so that the overall

profitability of milk production fell. But milk deliveries in all the other Member States, particularly the Netherlands, Denmark and Ireland, increased.

3. Production and consumption of the principal milk products

(a) Milk for human consumption

Production and consumption rose slightly in 1975, consumption being 26,8 million t, 18% more than in 1974. The consumption of whole milk continued to decrease, whereas that of semi-skimmed and skimmed milk increased. Sales of cream rose slightly. As regards the consumption of fresh milk products (yoghourt and milk-based beverages), the rate of increase has practically stabilized in recent years.

Where milk consumption is concerned, the demand structure is not likely to alter appreciably and it is probable that there will be no change in the trends recorded over the past few years.

(b) Butter

Butter production in 1975 amounted to 1.719.000 t. At the beginning of the year the Community butter market was not burdened with excessive surpluses. Account being taken of imports, total supply was 40.000 t less than in 1974. Since both per capita and overall consumption remained practically stable, a balance was achieved on the Community market in 1975. Stocks were relatively low (164.000 t) at the end of 1975.

Since then, the situation has changed. Production will probably be 2% higher in 1976 than in 1975. Butter consumption in the Community, which was tending to stabilize, should fall again in 1976. This applies both to consumption at market prices and to sales under special measures. This reversal in trends is due mainly to two increases in butter prices while consumer subsidies have decreased in several Member States and the price of margarine has generally remained stable, which has reduced butter's share of the market.

Exports to non-member countries have continued to fall in the wake of the massive special sales in 1973 which, thanks to high subsidies, to some extent eased the situation on the butter market.

As a result, stocks at the end of 1976 will be about 250.000 t. Given the expected further drop in consumption and the slight prospects of selling the product on the world butter market, it is to be feared that the imbalance will grow.

(c) Skimmed milk powder

Skimmed milk powder production amounted to 1.988.000 t in 1975, i.e. 8,6% more than in 1974. Consumption was 1.290.000 t, which meant that it dropped by about 110.000 t (8%) during the same period. Of the quantity consumed in the Community, it proved possible to sell just under 20% for human consumption at market prices, the remaining 80% being used for the production of compound feedingstuffs selling at extremely low prices and chiefly intended for the rearing and fattening of calves. Whilst exports decreased, stocks increased by some 600.000 t, reaching the unprecedented figure of almost 1,2 million t at the end of 1975.

As regards skimmed milk powder, the serious imbalance continued in 1976. Community production increased by about 5% compared with 1975 but sales of skimmed milk powder intended for human consumption continued to drop during the same period. In the case of skimmed milk powder intended for animal feed, only administrative measures made it possible to halt the downturn in demand. These included subjecting the granting of aid for animal feed to the requirement that the compound feedingstuffs concerned (particularly milk replacers) must contain at least 60% of skimmed milk powder and the temporary obligation to buy skimmed milk powder which, together with the special security for competing feedingstuffs, considerably expanded the outlets.

Since exports in 1976 are unlikely to reach the levels of previous years, stocks at the end of 1976 will not be lower than those recorded a year earlier, in spite of the measures introduced. It is probable that almost all the surplus will be held in public stocks since private stocks were steadily absorbed by manufacturers, traders and processors.

(d) Cheese

In 1975 cheese production in the Community amounted to 2.927.000 t, i.e. 1,7% more than in 1974, and it is expected to rise to 2.950.000 t in 1976.

Production and consumption of cheese are clearly no longer showing the high rates of expansion seen in preceding years. Overall cheese consumption appears to have reached a level which is unlikely to rise appreciably in the near future. Per capita consumption reached 11,3 kg in 1975.

On the other hand, the trends noted in recent years relating to the consumption of the various types and qualities will probably continue.

(e) Whole milk powder

In 1975 production of whole milk powder was 364.000 t, 5,5% more than in the previous year. About 60% of total production was marketed in the Community and about 40% in non-member countries.

No appreciable change is expected in 1976 as regards whole milk powder, which is mainly used in baby foods. Production has probably increased slightly.

(f) Condensed milk

Condensed milk production was 1.312.000 t in 1975 and has declined slightly since 1973. The drop in consumption in the Community is partly balanced by increased exports. In 1976 there is likely to be a slight increase in demand for condensed milk and some improvement in the general outlook for sales on the world market, so that condensed milk production should look up.

(g) Casein

In 1975, Community production of casein and caseinates was 42.500 t, 30% lower than in 1974.

In 1975 production, especially of casein, was cut back drastically, particularly in Ireland and France. The competitiveness of Community casein producers was at times noticeably undermined by the relatively high prices for skimmed milk intended chiefly for processing into powder. Also, New Zealand and the state-trading countries offered very low prices which contributed considerably towards reducing the Community's share of its own market and the world market.

Since then the Community procedure for aid to the manufacture of casein has been adjusted, so that it is hoped that in 1976 the economic position of the Community's casein producers will improve.

4. World market situation and international trade

World market

In 1975, the position on the international milk products market was completely reversed. The year was characterized by a drop in consumption and imports and by an increase in production and stocks. Milk production increased chiefly because weather conditions were favourable in most areas of the world and the relationship between milk prices and the cost of feedingstuffs improved. The economic recession meant that a number of marginal dairy farmers continued farming, partly for lack of occupational retraining facilities and partly because inflation obliged the governments to raise milk prices. These price increases caused a drop in consumption and imports. Large stocks, particularly of skimmed milk powder, therefore accumulated, thus creating an atmosphere of uncertainty and a loss of confidence in importing countries, while less expensive proteins were substituted for skimmed milk in feedingstuffs. The downward trend in butter consumption continued in quite a number of countries and at the same time price increases slowed down the process of expanding outlets. Where cheese was concerned the increase in national subsidies to producers resulted in the introduction to several markets of measures limiting imports.

In the United States cow numbers continued to decrease while yields increased and total milk production rose marginally as compared with 1974. There was hardly any increase in liquid milk consumption. The large stocks of cheese at the beginning of 1975 and the marginal drop in consumption resulting from the general economic situation resulted in a decline in American cheese production and hence an increase in the quantity of milk available for butter production. However, butter consumption increased and the only way to maintain market equilibrium was to raise prices substantially. At the end of 1975, available intervention stocks of skimmed milk powder were still as high as 200.000 t in all, in spite of the large volume of exports under the "Food for Peace" programme. Because of the threatened introduction of countervailing duties on certain cheese imports in 1975 total American imports of cheese dropped by approximately 62.000 t, i.e. 43%. Imports from the Community dropped by 32.000 t, i.e. almost 50%.

During the first half of 1976, milk production in the United States continued to increase although the decline in the cow numbers continued. The production of butter and skimmed milk powder dropped again while cheese production increased considerably in order to provide for the increased consumption resulting from economic revival. In September 1976 intervention stocks of skimmed milk powder had fallen to about 150.000 t.

In Canada cow numbers and the milk yield per cow increased in 1975. Total milk production rose by some 5%, entailing a substantial increase in the production of butter and skimmed milk powder. This in its turn almost completely halted imports of butter and raised the stocks of skimmed milk powder by 140%. In 1975 the Canadian authorities introduced an overall quota for cheese imports and in 1976 a system combining a quota and a milk production tax, the aim being to re-establish the balance between supply and demand. During the first six months of 1976 milk deliveries increased by 5% but dropped by some 11% between July and September. This drop resulted chiefly in less butter and skimmed milk powder being produced.

In New Zealand milk production increased by 12% in 1975 which was equivalent to a return to normal after the serious droughts which had occurred in 1973 and 1974. For the milk year June 1975 to May 1976 a new record in milk production was registered. A corresponding increase in the production of the principal agricultural products resulted in higher stocks. Thus skimmed milk powder stocks rose by almost 50% during 1975. In 1976 the New Zealand Dairy Board plans to increase the production of casein at the cost of skimmed milk powder production.

In 1975 milk production in Australia increased by 2,5%, entailing increased production of cheese and skimmed milk powder. Stocks of skimmed milk powder almost doubled during 1975. In 1976 milk production suffered from a severe drought in which a large number of cows had to be slaughtered. Milk production during the 1976/77 marketing year will therefore be considerably lower than in 1975/76.

Imports by Japan of butter and skimmed milk powder dropped in 1975 but rose again in 1976 although the high 1974 level was not reached. Cheese imports continued to decline.

To summarize, the main feature of the world market in 1975 and 1976 was the large stocks of skimmed milk powder which were three to four times as large as the normal quantity entering international trade. Export prices dropped during 1975 and, taken as a whole, reached the minimum price fixed by GATT (\$350/t fob for skimmed milk powder for human consumption) in spring 1976.

Under these circumstances several countries, as also the Community, stepped up supplies of skimmed milk powder under food aid programmes, which represent the main potential outlet.

Cheese exports were hindered by various forms of import restrictions and by the general consequences of the economic recession.

Community exports

Community butter exports in 1975 amounted to 92.000 t (including food aid), or some 23% of world trade compared with 28% in 1974. The fact that exports by way of normal trade dropped by 47.000 t must be seen against the high levels reached in 1974 chiefly as a result of deliveries of butteroil for reconstitution.

Community cheese exports decreased by a total of some 30.000 t, or 15%, particularly because of the uncertainty in respect of countervailing duties on the United States market. This uncertainty also caused the total volume of world trade to drop so that the Community's share was reduced to about 34% compared with 38% in 1974.

Total exports of skimmed milk powder (including food aid) dropped by 135.000 t, or 43%, exports of whole milk powder by only 9.000 t, or 5%, and exports of condensed milk by 61.000 t, or 13%. The Community has almost managed to maintain its previous share of the world market in whole milk powder and condensed milk, but not in skimmed milk powder (39% compared with 45% in 1974).

Thus, the general downturn recorded on the world market in milk products in the second half of 1974 persisted in 1975.

Community imports

The fact that Community imports of butter in 1975 fell by almost 60.000 t, i.e., 30%, is chiefly due to the drop in production (and exports) of butteroil for reconstituting into butter. Imports of butter from New Zealand under Protocol No 18 of the Act of Accession amounted to some 120.000 t. Cheese imports from New Zealand under the same Protocol amounted to about 31.000 t. In all, the Community's cheese imports increased by 13% and represented 20% of the world trade, compared with 17% in 1974.

5. Prices

(a) Target prices and producer prices for milk

Following two alterations, the target price for milk for the 1976/77 marketing year was fixed at 16,76 u.a./100 kg. This represents an increase of 7,5% over the previous marketing year and of 42,4% since 1 February 1973, the date of entry into force of the common organization of the agricultural markets in the enlarged Community.

Intervention prices for butter, skimmed milk powder and certain Italian cheeses were raised to try to ensure that the milk target price would be obtained for the entire quantity of milk sold by producers during the marketing year.

Actual producer prices for milk varied in 1975; these variations existed not only as between Member States but also as between dairies and different regions within Member States.

By and large, producers did receive higher prices in 1976 despite the increase in treatment and processing costs. However, whereas in previous years the average producer price in the Community had generally been higher than the target price, it has rarely exceeded the target price since 1974.

(b) Wholesale and consumer prices

These prices in the Member States have been running more or less parallel to the intervention prices. However, as a result of the continuing inflationary tendency in all Member States, the indices of both wholesale and consumer prices for milk and milk products have in certain cases risen more rapidly than delivery prices to dairies, since increased charges at the various marketing stages have been passed on to the consumer.

Owing to the stagnation of the demand for milk and milk products and the generally slower increase in purchasing power, sellers sometimes had difficulties in imposing price rises on the market in 1976. This explains to a large extent the increased quantities, particularly of skimmed milk powder, offered to the intervention agencies.

6. Outlook for 1977

In 1976 there have been no major changes in milk production and the quantities of milk delivered to dairies. Cow numbers have fallen further than expected, mainly as a result of early slaughterings (due to the feed situation in the autumn and difficulties on the market in beef and veal). Even so, the yield per cow has increased, so that milk production and the quantities of milk delivered to dairies have risen slightly. In 1977 there should again be a slight reduction in the number of dairy cows as well as a further increase in the milk yield per cow. The supply situation for feedingstuffs should be back to normal in 1977; it appears unlikely that the temporary effects of the 1976 drought will continue to be felt in 1977. Also, it is likely that protein feedingstuffs will continue to be supplied at competitive prices.

In these circumstances milk production could increase by 0,5 to 1,5% and deliveries of milk by 1-3%. If the weather is good in 1977 this rise in production and deliveries might gather strength. In general it will be difficult to encourage greater consumption of milk and fresh milk products, and a larger volume of milk will therefore be available for processing, particularly into butter and skimmed milk powder, for which the annual rate of increase could be as high as 2-4% for butter and 3-6% for skimmed milk powder. For these two products the gap between production and consumption will widen as a result of increased prices and structural changes (butter market in the United Kingdom, fodder products market in the case of skimmed milk powder). Cheese production will continue to reflect the commercial possibilities of the market. Exports, which have been falling since 1975, will probably remain at the present level in 1977. The rate of increase in cheese consumption in the Community has slowed down since 1974. In 1977 it might improve slightly, chiefly as a result of the general rise in incomes and the overall economic situation. The production of the other storable milk products, including casein, will depend largely on the world market situation. Access to the world market will continue to be difficult, due to the sufficiently large supplies mainly from New Zealand. In these circumstances, the amount of butter and skimmed milk powder bought in might continue to increase over the next few years because of trends in production and consumption both within and outside the Community.

7. Economic aspects of the measures taken

(a) Import levies

In accordance with Article 14 of Regulation (EEC) No 804/68, the levy must be equal to the threshold price less the free-at-frontier price.

The free-at-frontier price must be determined on the basis of the most favourable purchasing opportunities in international trade.

For the principal milk products, the trend of this price has been as follows:

- Skimmed milk powder:

Prices have declined steadily since 1974, falling from 60,50 u.a./100 kg in January 1974 to 16,53 u.a./100 kg in August 1976.

- Butter:

In 1975 prices varied between 50,51 u.a./100 kg. During 1976 the price dropped back to 56,60 u.a./100 kg (October 1976).

- Cheese (Gouda and Cheddar):

In 1975 prices for Gouda remained at 72,35 u.a./100 kg. After temporarily reaching a level of 85,60 u.a./100 kg, the price dropped back to 65,22 u.a./100 kg in October 1976.

Prices for Cheddar were 66,92 u.a./100 kg in 1975 falling to 55,90 u.a./100 kg in August 1976. In October 1976 the price rose again to 65,22 u.a./100 kg.

In general it may be said that bilateral and multilateral trading agreements made it possible to continue traditional imports of New Zealand butter, certain types of cheese (particularly Emmentaler, Cheddar, Tilsit, St Paulin, goat's milk cheese and processed cheese) and some infant foods.

(b) Export refunds

In accordance with Article 17 of Regulation (EEC) No 804/68, to the extent necessary to enable products to be exported the difference between Community prices and world market prices may be covered by an export refund.

In fixing the refund, particular account has to be taken of the objectives of the common organization of the market in milk and milk products, as well as the economic aspects of the exports concerned.

Using these criteria as a basis, it is apparent that refunds remained fairly stable up to the end of 1974.

Since 1975 refunds in general have risen, the aim being to compensate for price increases in the Community and the lowering of prices on the world market.

(c) Subsidies for skimmed milk, skimmed milk powder and casein

Subsidies for skimmed milk used in animal feed are granted subject to the condition that the skimmed milk is obtained:

- as a by-product of farm butter production (1975: 348.000 t);
- from the cream delivered to dairies (1975: 168.000 t);
- from milk sold by dairies (1975: 3.045.000 t).

In 1975 the total volume of skimmed milk for use as animal feed was 3.561.000 t. It is estimated that the equivalent volume for 1976 for the Community as a whole will be 3,5 million t. As special measures have been introduced as a result of the drought in order to encourage the utilization of liquid skimmed milk, there is no reason to expect a further drop during the period concerned.

In 1975 subsidies were granted for 1.047.000 t of skimmed milk powder used in animal feed, which represented a decrease of 8,4% compared with 1974.

In the first six months of 1976 there was an increase in the quantities for which subsidies were requested. The decrease recorded in previous years is gradually turning into an increase and this is essentially due to the fact that milk replacers for rearing and fattening calves must now have a minimum content of 60% of skimmed milk powder.

Subsidies for skimmed milk converted into casein were adjusted very cautiously during the years 1973 and 1974. There was an appreciable increase in the quantity of skimmed milk converted into casein in 1974. The quantity for which subsidies were granted was 2.470.000 t in 1974 compared with 1.869.000 t in 1973. In 1975 the quantity decreased again by about 30%, so that the quantity of skimmed milk converted into casein fell to 1.725.000 t which is lower than the 1973 level.

(d) Storage

The common organization of the market in milk and milk products provides for the application of the following four measures:

- public and private storage of butter;
- public storage of skimmed milk powder;
- public and private storage of certain Italian cheeses;
- private storage of certain long-keeping cheeses.

Butter

At the beginning of 1976 stocks of butter amounted to 164.000 t, only 71.000 t of which were in public storage.

In 1975 about 125.000 t had been sold at cut prices whilst 45.000 t were allocated to food aid following processing into butteroil.

The special measures concerning sales within the Community related mainly to sales to the ice-cream and confectionery industries (about 6.500 t per month) and to the armed forces and non-profit-making bodies (about 2.000 t per month).

Private stocks of butter in respect of which contracts were signed in 1976 amounted to 225.000 t.

Finally, the following measures were applied to boost sales of fresh butter and butter from private stocks:

- sales at reduced prices for social welfare purposes;
- national and Community subsidies for the consumption of fresh butter (so far applied only in Luxembourg, the United Kingdom and Ireland).

Skimmed milk powder

At the beginning of 1974, public stocks of skimmed milk powder amounted to only 166.000 t. Since then stocks have increased, particularly from April 1974 onwards; total stocks amounted to 1.112.000 t in 1975. It would seem that stocks are continuing to grow although, to counteract this trend, food aid has been stepped up (it is due to rise to 150.000 t in 1976) and there is a temporary obligation to buy skimmed milk powder for use in animal feed.

Italian cheeses

In 1976 hardly any Italian cheeses were bought in and it even proved possible to release products which had been stored during the previous year. From 1974 onwards certain quantities had been stored under the system of private storage aid. As a result of market trends it proved possible to suspend these measures temporarily in 1976.

Long-keeping cheeses

Several long-keeping cheeses, especially those for which customs duties are fixed under GATT, and goat's milk cheeses requiring at least six months to mature, may qualify for private storage aid. This system of aid has been applied on a regular basis since 1974 (in respect of about 17.000 t of Emmentaler in 1976).

(e) Food aid

Since 1970, food aid measures by the Community have provided skimmed milk powder and butter in the form of butteroil. It has not yet been possible to deliver the full amounts promised for 1976, namely 150.000 t of skimmed milk powder and 45.000 t of butteroil. There is also a certain delay as regards the commitments for previous years.

Price uniformity

- Accession compensatory amounts

In accordance with Article 86(1) and (2) of the Accession Treaty, the compensatory amounts for the milk and milk products sector should have been calculated on the basis of the difference between market prices in the original Community and those in the new Member States.

Since it was not possible to determine representative prices for milk products or to calculate such prices on the basis of the price relationships recorded, the accession compensatory amounts were calculated, in accordance with Article 86(3), on the basis of the compensatory amount applicable to butter and in respect of the butterfat content of each individual product. No special problems were encountered in the application of the accession compensatory amounts.

From 1 January 1975, Denmark has applied Community prices. The accession compensatory amounts between Denmark and the original Community were therefore abolished on that date.

- Monetary compensatory amounts

All milk products with the exception of casein are subject to the system of monetary compensatory amounts¹.

In general, the application of monetary compensatory amounts in the milk products sector did not give rise to any particular difficulties.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF in respect of milk products amounted to 1.219,2 million u.a. in 1974 and 1.149,8 million u.a. in 1975 and is estimated at 1.930,1 million u.a. for 1976, or 39,4, 24,3 and 33,1% respectively of the Guarantee Section's total expenditure. The total amount of 1.930,1 million u.a. can be broken down into 752,1 million u.a. to be spent on export refunds and 1.178 million u.a. on intervention, including 561,0 million u.a. on subsidies to skimmed milk, 107 million u.a. on subsidies to casein and 223,5 million u.a. on storage and special measures in respect of butter.

¹Regulation (EEC) No 974/71, OJ No L 106.

14. BEEF AND VEAL¹

1. Introduction

Beef production (adult bovine animals and calves) accounted for 16,3% of the value of final agricultural production in 1975.

The number of farms engaged in beef production is about 3,3 million, or nearly two-thirds of all farms in the Community. The area growing animal fodder represents nearly 60% of the Community's UAA. Since beef production is dependent on land, it is not surprising that the larger Community countries are also the main producers of beef and veal, with France at the top of the list.

The Community, with about 15% of world production, holds second place, ahead of the USSR, among world producers of beef and veal, but is well behind the USA.

2. Production

(a) The cattle count

The number of cattle has fallen steadily since December 1974, when it stood at a record level of 79.346.000 head; the reason for the fall is that producers have lost confidence in beef production.

By December 1975, the cattle count had fallen by 2,3%; after a drop of 0,7% in December 1974 the number of cows was a further 1,8% lower in December 1975.

Similarly, the number of calves (cattle under one year old) had fallen by 1,1% in December 1974, and by 4,5% in December 1975.

The medium-term increase in cattle numbers has been about 1% per year, while the number of cows has remained stationary.

A fresh reduction in the cattle count is to be expected by December 1976, mainly because of the abnormally large number of cattle slaughtered in June, July and August 1976 in certain Community regions affected by the drought.

¹See Tables II.B/14.1 to II.B/14.8 in Part II.

(b) Production of beef and veal

Slaughterings

After the large number of adult bovine animals and calves slaughtered in 1974 and 1975, the beef and veal market has entered the downward phase of the production cycle.

In 1975 more than 22 million head of adult bovine animals were slaughtered in the Community, a figure some 3% higher than in 1974; in the first half of 1976 the number of slaughterings was about 4% to 5% lower than the figure for the same period in 1975.

Consequently, the Community beef cycle appears to have reached a turning point, and despite the drought's impact on slaughterings, it is thought that the average decrease in slaughterings of adult bovine animals for the whole of 1976 will be about 4% to 5%. This decrease will be particularly marked in Ireland and the United Kingdom.

Slaughterings of calves have shown a different trend from slaughterings of adult bovine animals in past years; whereas the latter have increased by 1 to 2% per year, slaughterings of calves have fallen by about 4% per year.

In 1975, slaughterings of calves, at just over 7 million head, were comparable to the 1974 figure; in the first half of 1976 the number of calves slaughtered fell by about 4%.

Total slaughterings of adult bovine animals and calves, at a record level of over 29 million head in 1975, helped to prolong the slaughter trend which began in autumn 1973.

Slaughtering coefficient

The slaughtering coefficient dropped sharply in 1972 and 1973; in view of the considerable increase in this coefficient in 1974, its high level in 1975 and in 1976, partly as a result of the drought, it is likely that the replacement of breeding stock will be curtailed, that fewer young bovine animals will be fattened and that the expansion of beef production will therefore be less marked in future years.

Average slaughter weight

The average slaughter weight of adult bovine animals increased considerably in 1972 and 1973, but fell in 1974 and even more so in 1975. It would therefore seem that the inadequacy of market prices in relation to production costs prompted breeders to send greater quantities of younger or insufficiently fattened animals to market in 1974 and 1975.

In the first half of 1976 the average slaughter weight showed a considerable increase over 1975, probably because grazing conditions and the fodder supply were better in spring 1976; however, because of the drought in summer 1976, all that is expected for 1976 as a whole is a very slight increase in the average slaughter weight.

Similarly, following the marked increase in the average slaughter weight of calves in 1972 and 1973, the rate of increase slowed down in 1974 and there was a fairly marked decrease in 1975.

Production of beef and veal

Although varying from one year to the next, production of beef and veal increased until 1971, but in 1972 fell sharply by about 8 to 9%, with the result that in 1972 and 1973 the level was barely that of 1968.

In 1974, net beef and veal production jumped by 18,5%, and in 1975 remained at the very high level of 6,6 million t.

In 1975, beef production increased by only 0,5% in the Community as a whole, but fell by about 4% in the six original Member States; in the first half of 1976 production fell by 2 to 3%.

Veal production, very low in 1972 and 1973, also showed a marked increase (about 10%) in 1974, but fell by over 5% in 1975. A slight increase is expected in 1976.

Over the medium and long term, the production of beef and veal rises on average about 2% a year.

In recent years stock-rearing structures have greatly changed:

fewer stock-farmers, mainly because of the disappearance of small farms;

more animals per farm.

In December 1975 the average size of cattle herds per farm was 25 head for the Community as a whole, being about 10 in Italy and nearly 70 in the United Kingdom.

Beef and veal production takes three main forms corresponding to the three main categories of animals reared, namely:

culled cows and young calves (milk production);
grass-reared adult bovine animals (beef animals);
young male bovine animals fattened on feed grains in special production units (maize silage).

Young male animals (young bulls), the slaughter of which increased sharply until 1974, now appear to represent about 20% of all adult bovine animals slaughtered.

3. Consumption

(a) Consumption of beef and veal

The increase in beef and veal consumption was curbed in 1975, to a greater extent than in 1974, by chronic economic difficulties, such as the fall in the growth rate as a result of the energy crisis and the great increase in unemployment.

Beef and veal consumption in 1975, at about 6,5 million t, was much the same as in 1974. Similarly, the consumption trend for the coming years is expected to be less favourable than in the period 1960/73, when great economic expansion took place in the Community; this is likely to be accentuated by the relative inelasticity of the demand/income coefficient in the Community at present.

Bearing in mind the general economic problems, and more particularly the economic difficulties in the main importing countries, there is unlikely to be a substantial increase in beef and veal consumption in 1976 and 1977.

Furthermore, the increased supply of other meat, particularly grain-fed meat (pigmeat), will compete with beef and veal on the consumer market, especially in 1977.

Meat consumption is affected by the following factors:

population growth, which in recent years has slowed down considerably;
expansion of the economy, and of private expenditure in particular;

- market offerings and prices of meat;
- lastly, the size of the trading margin between producer and consumer prices.

The per capita consumption of beef and veal increased steadily from 1964 to 1971; in 1972 and 1973, however, it stabilized in the Community at around 24,5 kg, about one kg less than the maximum attained in 1971. In 1974, per capita consumption was much higher throughout the Community, except in Italy where it fell considerably; thus ended, for the time being, the most rapid expansion of beef and veal consumption in the last decade.

In 1975 per capita consumption was 25,2 kg, the same as in 1974.

Total consumption of beef and veal increased markedly between 1964 and 1971, but fell in 1972 and 1973, probably because of the downward cyclical trend in production.

In 1974 and 1975 human consumption of beef and veal in the Community was higher than in 1971.

Although per capita consumption increased by an average of more than 1% per year in the previous decade, which was marked by considerable economic expansion, this figure appears now to have fallen well below 1% as a result of the present economic difficulties.

In the medium-term, per capita consumption of beef has increased by about 2 kg while consumption of veal has dropped by about 0,5 kg.

In 1975 per capita consumption of beef amounted to 22,7 kg while that of veal was only 2,6 kg.

The annual rise in total consumption of beef and veal in future years will probably be less than in the past ten years because of the drop in the birth rate and in economic activity.

(b) Degree of self-supply

In 1972 and 1973, the Community's degree of self-supply in beef and veal was about 85%, reflecting a deficit of about 0,9 million t; this percentage is much lower than that of 1971, which was 91% (deficit of about 0,5 million t).

In 1974 and 1975, the Community was self-sufficient in beef and veal, but in 1976 it may again have a slight deficit. In the late 1970s the degree of self-supply will probably continue to drop because of the cyclical fall in production without, however, reaching the level of 1972/73.

Large imports of beef and veal in 1973 and the large-scale buying-in by intervention agencies in 1974 and 1975 left a certain amount of beef and veal in storage at the end of these years. In mid-October 1976, over 0,30 million t of intervention beef and veal (bone-in) remained in storage and it is likely that there will still be a considerable quantity in storage at the end of the year.

4. Trade

In 1972, 1973 and 1974 intra-Community trade in beef and veal amounted to less than 1 million t. The figure for 1975 was up by about a third, at about 1,3 million t, a noteworthy increase.

Imports of beef and veal from non-member countries reached the record level in 1972 and 1973 of about 0,95 million t against 0,65 million t in 1971; the quantity of frozen beef and veal imported from non-member countries increased from 0,33 million t in 1971 to about 0,55 million t in 1972 and 1973. As a result of the protective clause applied since July 1974, imports of beef and veal from outside the Community have fallen to between 0,2 and 0,3 million t per year.

The Community's external trade

('000 t)

Trade	1971	1972	1973	1974	1975	1976 (esti- mate)
Imports from non-member countries						
Beef and veal	652	943	951	356	141	264
of which live animals	170	190	168	102	35	44
('000 head)	(957)	(1046)	(846)	(517)	(183)	(200)
fresh or chilled meat	153	203	235	83	29	70
frozen meat	329	550	548	171	77	150
Exports	110	58	75	178	217	150
Net trade balance	542	885	876	178	- 76	114

In 1975 exports of beef and veal to non-member countries amounted to some 0,2 million t; the figure will probably be in the region of 0,15 million t in 1976.

The Community's external trade deficit in beef and veal rose in 1972 and 1973 to a record level of about 0,88 million t. This deficit was mainly attributable to Italy (about 40% of total imports). The USA, the Community, Japan and the USSR have been the world's main beef and veal importers.

The main suppliers of beef and veal to the Community in 1975 and 1976 were:

- Argentina and Uruguay, which supplied about a quarter of total imports;
- Eastern Europe, which supplied more than a quarter of total imports, and two-thirds of the live animals imported, in particular Hungary and Poland;
- Australia and New Zealand;

- Yugoslavia, which supplied nearly 15% of the total imports, especially fresh and chilled meat;
- Austria, which supplied almost 10% of total imports;
- Lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar), which supplied more than 10% of total imports.

5. Prices

(a) Common prices

The guide price for adult bovine animals for the 1976/77 marketing year has been fixed at 118,74 u.a./100 kg live weight for the Community, excluding Ireland and the United Kingdom, for which the price fixed is 109,81 u.a./100 kg live weight.

The guide prices fixed for calves are 139,04 u.a./100 kg and 128,57 u.a./100 kg live weight respectively.

In addition the Council fixed the intervention price for the Community, excluding Ireland and the United Kingdom, at 106,87 u.a./100 kg live weight (98,83 u.a./100 kg live weight for Ireland and the United Kingdom), i.e. at 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for the 1976/77 marketing year.

(b) Market prices

In 1973 there was a reversal of the general trend in beef and veal prices in the Community; this trend had been upward since the 1968/69 marketing year, but a downward trend in market prices began in 1973/74.

Community market prices for adult bovine animals rose by about 10% on average in 1975, in line with the rate of inflation.

In 1976 the rise in prices has been less pronounced, particularly until October. The seasonal rise in prices was stopped in late spring by the drought, which even brought the prices paid for adult bovine animals down to a level well below the Community intervention price.

In mid-October the Community market prices recorded for all qualities of animal were almost 90% of the guide price in the case of adult bovines and less than 110% of the guide price in the case of calves.

Adult bovine price (u.a./100 kg live weight)

Period	1972/73	1973/74	1974/75	1975/76	1976/77	Change 76/77/1 75/76
Price						
Guide price	75,00/ 78,00	86,20	96,50/ 101,33	109,94	118,74	+ 8,0%
Intervention price	69,75/ 72,54	80,166	89,745/ 94,237	99,42	106,87	+ 7,5%
Market price in monetary terms	92,11	89,24	86,36	96,81	100,92*	+ 5,2%
Market price as percentage of guide price	118,1 %	103,5 %	85,2 %	88,06 %	85,0 %	
Import price	70,63	77,50	58,80	56,32	61,19 *	+ 7,4%

* March to September 1975.

(c) Import prices

The import prices recorded for live animals and fresh or chilled meat in 1973 and 1974 showed a similar downward trend to that of market prices in the Community, but to a more marked degree.

In 1975, import prices remained relatively stable at a level some 25% below the 1973 figure. In 1976 they have risen by almost 7% compared with 1975, but are still lower than in 1973.

Similarly, world market prices for frozen meat slumped in 1974 and 1975, and are still very low in 1976.

(d) Consumer prices

Consumer prices for beef and veal, which had risen sharply in 1972 and 1973, increased by about 4,8% in 1974 and 13,6% in 1975, on average.

Since the increase in private spending is expected to be about the same in 1976 as in 1975 and producer prices have risen slightly, a relative increase in the trading margin, which fell in 1975, is to be expected in 1976.

(e) Cost of animal feed

After a very sharp rise in prices in 1973/74, the cost of feedingstuffs was stabilized somewhat in 1974 and 1975, mainly because of a drop in the price of oilcake and protein-rich meal on the world market.

However, there has been a marked increase in the cost of animal feed since mid-1976 as a result of the fodder shortage caused by the drought.

6. Outlook

(a) The fall in cattle numbers, especially in those of breeding animals, which has taken place in the Community since the end of 1974 and has been confirmed by several surveys, notably that of December 1975, points to a drop in beef and veal production in the coming years.

In 1976, given a reduction in slaughterings by about one million head and a slight reduction in the average slaughter weight, particularly in the second half of the year, it is thought that beef and veal production will fall by two to three percent; consumption of beef and veal will remain fairly stable as consumption is expected to fall off in the United Kingdom.

Internal beef and veal production is expected to fall again in 1977, by 5 to 6 %. A relatively low production level, of about 6 million t per year, is expected for 1978.

Over the period 1977-79, beef and veal consumption will depend not only on the general economic trend and the average rate of population growth, but also on the recovery in pigmeat production, particularly in 1977, and the likely upward trend in beef and veal prices in 1978 and 1979.

The degree of self-supply, which was nearly 100 % in 1974, 1975 and even in 1976, will probably be lower in 1977 and 1978.

Since supplies of beef and veal will fall off again in the face of more stable demand, the rise in prices in 1977 will probably be higher than the rate of inflation and in 1978 this upswing of prices will probably be further accentuated.

(b) In 1977 and the following years beef and veal production is expected to fall not only in the major non-member countries using intensive rearing methods, particularly the USA, but also in the countries using extensive rearing methods where natural conditions have not been very conducive to stockrearing (drought in Australia). Consequently, the 1976 drought will probably accentuate the downward trend of the beef production cycle in the coming years. This will probably mean a steeper reduction in the cattle count, followed by an increasingly acute shortage of beef and veal on the world market as from the second half of 1977.

7. Economic aspects of the measures taken under the common organization of the market in beef and veal

(a) Unity of prices

Since Ireland and the United Kingdom have not yet aligned their guide prices on the common level, accession compensatory amounts still apply to trade with those countries (8,93 u.a./100 kg live weight as the basic compensatory amount for adult bovines for the 1976/77 marketing year, compared with 12,39 u.a./100 kg live weight for 1975/76).

(b) Market support measures

In order to mitigate the fall in prices resulting from the surplus, the Community has continued to operate a number of measures to balance supply and demand:

- protective measures at frontiers, including the control of imports of beef and veal from outside the Community, in application of the protective clause adopted in July 1974. This measure was relaxed in April and September 1975 by the EXIM procedure and by authorizing the import of a specific number of calves and young bovines for fattening; in 1976 the EXIM import system was replaced by the "linked sales" system, which allows beef and veal to be imported from non-member countries following the acquisition by tender of beef and veal from the intervention agencies; this "linked sales" system must end when the amendments made by the Council to the system of trade with non-member countries take effect on 1 April 1977.
- market clearance measures
 - granting of temporarily higher export refunds, with the possibility of advance fixing;
 - direct buying-in by public intervention agencies (0,41 million t in 1975, and 0,30 million t by early October 1976;
 - granting of private storage aid for carcasses and forequarters of adult bovine animals (0,16 million t) in 1976 (with provision for boning);
- measures to stimulate consumption (publicity campaigns (1975), sale at reduced prices to social organizations (1975 and 1976) and to social welfare categories (1975)); delivery to the Italian intervention agency of 40.000 t of intervention meat.

- possibility of granting variable premiums for the slaughter of certain adult bovine animals (clean cattle); only the United Kingdom has made use of this in 1976/77;
- lastly, the continued granting of a calving premium in Italy.

In addition, as part of the action programme for restoring balance on the milk market, the Commission has proposed a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds.

(c) International agreements

Under the GATT agreement the Community has agreed to the following annual import quotas:

- 38.500 t (in terms of boned meat) of frozen beef and veal, at the rate of 20%;
- 30.000 heifers and cows of certain mountain breeds, and 5.000 head of certain Alpine breeds other than those intended for slaughter, at the rate of 4%.

Under the ACP/EEC Lomé Convention, a special system was established for the import of beef and veal from Botswana, Kenya, Madagascar and Swaziland. In addition to exemption from customs duties, the agreement also provides for the reduction of other import charges.

Under an agreement concluded with Austria, Sweden and Switzerland, specific levies may be fixed on imports of live bovine animals and fresh and chilled beef and veal from these countries.

Reduced levies may also be applied to certain imports from Yugoslavia (baby beef), when market conditions are normal.

Owing to the length of time required for sea transport, the Community has also agreed to the advance fixing of the levy for chilled meat imported from Argentina and Uruguay, and other distant non-member countries.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on beef and veal was 324,4 million u.a. in 1974, 979,8 million u.a. in 1975, and is estimated at 750,0 million u.a. for 1976, or 10,5%, 20,7% and 12,9% respectively of its total expenditure. The sum of 750 million u.a. includes 148,6 million u.a. for export refunds and 601,8 million u.a. for intervention, 364,1 million u.a. of this figure being for public and private storage and 108,8 million u.a. for orderly marketing premiums.

15. PIGMEAT¹

1. Introduction

The pigmeat sector covers all products obtained from the domestic pig, ranging from the live animal itself, through lard obtained by melting pig fat, to prepared and tinned meat.

In spite of their importance, pure-bred breeding pigs are not covered by market rules. The health, genetic and zootechnical aspects of the trade in these animals, however, are governed by national and Community rules.

In December 1975 there were 8,4 million breeding pigs - including 8,0 million sows - in the enlarged Community.

At the same date there were 68,7 million pigs, for breeding or fattening, on rather over 2,6 million farms.

Pig production structures still differ very widely from one region to another; in 1975, the average number of pigs per farm in the Community as a whole was 26, the figures ranging from 170 in the United Kingdom to just over 7 in Italy.

Pig production is becoming increasingly specialized, with the result that growing numbers of marginal holdings are tending to disappear. Surveys of the number of pig farms in December 1975 indicated a fall of around 5,5% in comparison with the situation in December 1973.

Although pig production is still mainly concentrated in the areas bordering the North Sea and the English Channel and in Northern Italy, new large-scale pig farms are being set up in other regions.

Quantitatively, pigmeat, which in 1975 accounted for more than 13,1% by value of gross final production of agriculture and 36,7% by value of meat production in the Community, occupies first place in the sector (about 45% of all meats produced).

Outlets for pig production in the Community concern two sectors which are roughly equal in size:

- . trade in fresh meat, including bacon, for direct consumption;
- . curing and processing.

¹See Tables II.B/15.1 to II.B/15.8 of Part II.

2. Production

The pig census carried out on 1 August 1976 put the number of pigs at 72 million, i.e., an increase of 3% over the same period in 1975. The number of sows - particularly sows covered - rose by 2,3% as against 1975.

This increase in production potential will result in an expansion in the supply of home-produced pigs in 1977.

The number of slaughterings in 1975 was 102,3 million head.

At 8,34 million t, Community pigmeat production in 1975 was 1,1% down on 1974. In 1976, pig production is estimated to be 1-2% higher than in 1975; in the first half of 1976, however, it fell by 0,6% as against the same period in 1975. As in the past, trends vary from one region to another.

In 1975, the average weight at slaughter was 81,8 kg in the Community as a whole. This figure has remained relatively stable in the original Community (around 87 kg for several years) and appears to be rising in the new Member States.

3. Consumption

Pigmeat consumption in the Community in 1975 totalled 8,5 million t, the same quantity as in 1974.

The high prices in the upward phase of the "pig cycle" appear to have curbed per capita consumption, which was 32,8 kg in 1975 as against 33,0 kg in 1974.

The greatest increase in per capita consumption was recorded in the Federal Republic of Germany, with 50,3 kg, and the lowest in Italy, with 17,8 kg. The figures recorded in the other Member States were fairly close to the Community average.

Although Germany is the largest consumer, it is only 88% self-supplying.

The countries with the lowest self-supply rates are the United Kingdom (66%), Italy (73%) and France (86%).

The highest rates are to be found in Denmark (360%), followed by the Netherlands (210%), the BLEU (170%) and Ireland (117%).

For the Community as a whole, the self-supply rate was 98% in 1975.

4. Trade

The volume of intra-Community trade was 1,9% higher in 1975 than in 1974 (1,59 million t as against 1,56 million t).

The deficit countries in pigmeat in 1975 were:

		<u>% change 75/74</u>
United Kingdom	661.000 t	+5,4
Germany	356.000 t	-1,9
France	252.000 t	+11,5
Italy	233.000 t	-3,3

and the surplus countries were:

Denmark	536.000 t	-7,7
Netherlands	524.000 t	+4,6
BLEU	264.000 t	-9,6
Ireland	21.000 t	-8,7

Intra-Community trade in the first half of 1976 was higher than in the same period in 1975 (775.000 t as against 757.000 t).

Trade with non-member countries in 1975 included imports of 392.000 t from these countries and Community exports to them of 234.000 t.

Compared with 1974, imports from non-member countries increased in 1975 by 11,0% while exports to these countries fell by 19,9%. The trade deficit widened from 81.000 t in 1974 to 158.000 t in 1975. In the first half of 1976, however, imports from non-member countries were about 30,0% down on the corresponding period in 1975 and exports to non-member countries also contracted, albeit to a lesser extent (5%).

The trade deficit with non-member countries in 1976 is expected to be smaller than in 1975.

Imports from non-member countries continue to follow an established mix: around 60%, live pigs and fresh or salted meat; almost 20%, lard; 8%, tinned pigmeat; 12%, offal.

Community exports, on the other hand, are mainly of processed products (nearly 65%), while fresh or salted meat account for about 25%.

The Community's main non-member trading partners continue to be:

- suppliers: - The United States (notably offal, lard)
- Eastern European countries (notably fresh meat and live pigs)
- China (boneless frozen meat)
- Sweden

- customers: - The United States
- The Republic of Cuba
- Japan
- Sweden.

5. Prices

(a) Common prices

The basic price in the pigmeat sector, fixed annually for the marketing year from 1 November to 31 October, applies to carcass pigs from Class II of the Community pig carcass classification scale.

Its principal function is to act as a threshold for setting in motion intervention measures on the market and as a basis for the calculation of buying-in prices. It is an important stabilizing factor, helping to ensure equilibrium between supply and demand in the pig production sector.

Where prices on the reference markets fall below 103% of the basic price, intervention measures may be set in motion, and where buying-in becomes necessary, the buying-in price for a standard quality carcass is fixed at between 85% and 92% of this basic price.

To allow for the rise in certain components of production costs, the Council has decided to fix in advance a new basic price (114,48 u.a./kg of carcass weight) applicable from 15 March 1976 to 31 October 1977.

The profitability of pig production in relation to production costs - in particular, the cost of feedingstuffs - will therefore be held within traditional limits.

(b) Market prices

The year 1975 formed part of the upward swing in the cyclical movement of pig carcass prices, which had bottomed out in 1974. Prices picked up sharply in the spring of 1975, and the intervention measures applied in 1974 were discontinued. The cyclical upswing persisted throughout the winter of 1975/76 and into the spring of 1976 before a seasonal lull occurred, with downward movements in July-August 1976. In September 1976, pig carcass prices were satisfactory thanks to the usual seasonal increase in the final phase of the upward cycle. Pigmeat prices may now be seen as being at their peak and will probably begin to slip downwards as of the second quarter of 1977.

Pig carcase prices

u.a./100 kg

	1 Nov. 73 - 6 Oct. 74	7 Oct. 74 - 31 July 75	1 Aug. 75 - 14 March 76	15 March 76 - 31 Oct. 77
Basic price	86,00	97,65	106,00	114,48
% change	100	113,5	123,3	133,1
Market price	98,18	100,81	119,30	
% change	100	102,7	121,5	
Ratio market price/ basic price	114,2	103,2	112,5	

(c) World prices

Generally speaking, prices on world markets followed the same trends as in the Community.

Cyclical fluctuations were still, however, more marked in non-member countries than in the Community.

(d) Consumer prices

Consumer price movements in this sector show a different trend from that of producer prices.

Cyclical changes are hardly detectable; from a long-term viewpoint retail prices in the Community as a whole for some of the most widely marketed cuts have risen almost continuously, failing to reflect the overall downward trend in producer prices.

The drop in pig carcase prices in 1974 was not followed by a proportional drop in retail prices. By contrast, as a result of the cyclical rise in pig carcase prices, retail prices began to move upwards in 1975.

The price increases in a number of processed products in 1975 were of a magnitude not previously recorded.

(e) Feedingstuffs prices

In 1976, feed grain prices on the world market levelled off following the rise in 1975.

Within the Community, prices of feed grains showed a moderate increase while protein prices rose more rapidly.

The cost of the standard feed ration, however, was almost constant in relation to pig carcass prices on reference markets.

6. Outlook

After poultrymeat, pigmeat has the lowest grain meat conversion index of all livestock products. It is also one of the best liked meats in cured and preserved forms.

Because of the likely effect of the new economic situation on Community - and, above all, world - cereal production and since demand for all processed products is showing a general upward trend, it would appear logical to expect a substantial long-term increase in both production and consumption.

In the short term, production in the first half of 1977 will probably be 2-3% up on the first half of 1976.

The expansion in production will probably continue throughout 1977, but at a more rapid rate in the second half of the year than in the first half.

In this context, pig carcass prices may be expected to fall from the beginning of the year, gathering momentum during the second half.

7. Economic aspects of the measures taken under the common organization of the market in pigmeat

(a) Levies and refunds

Trade arrangements with non-member countries provide for the fixing of levies and, if necessary, additional amounts applying to imports; export refunds can also be granted.

The fixing of levies depends on the trend of world and Community feed grain prices.

The fixing of additional amounts did not prove necessary in 1976.

Export refunds were kept in force for the more sensitive products - particularly processed products - with the aim of maintaining established trade patterns.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF in respect of pigmeat amounted to 66,5 million u.a. in 1974 and 53,8 million u.a. in 1975, and is estimated at 50 million u.a. for 1976, or 2,2%, 1,1% and 0,9% respectively of total expenditure of the Guarantee Section. The amount of 50 million u.a. includes 42 million u.a. for expenditure on export refunds and 8 million u.a. for storage expenditure.

16. EGGS¹

1. Introduction

Recent estimates of the relative value of egg production in the Community show modifications but underline the important place held by these products.

	<u>1974</u>	<u>1975</u>
Eggs/Animal products	7,9%	6,5%
Eggs/Total agricultural production	4,5%	3,8%

Production continues to concentrate in fewer enterprises but further horizontal and vertical integration seems to have stabilized.

At the professional level contacts were reinforced throughout the Community but, to date, a single European representative organization has not been established.

2. Production

Statistics for the laying population in Member States indicate a slight reduction (- 1,5%) in 1975 from 1974 in general terms, although among the individual Member States changes varied from - 7% to + 12% (Table II.B/16.1).

Data for the number of chicks hatched in the Community indicate an overall reduction of 3,8% in 1975 compared with 1974, although much greater reductions took place in certain Member States (Table II.B/16.2).

These two factors, the present and future laying populations, show a downturn in the cyclical pattern of production which have clear implications for production in the year 1976. The tendency towards a reduction in production is the normal reaction to the increasing production of 1974 and 1975 whose 2 year cycle peaked in mid-1975. Although the overall production of 1975 of 3,755 Mt was only 0,5% up on 1974, this is due to a severe reduction between mid-1975 and the end of the year (Table II.B/16.3).

Even this apparently slight increase in production, because of its seasonality, did not prevent the egg market from being in very difficult circumstances during most of 1975, prolonging the crisis situation of the end of 1974 well through the following year.

3. Consumption

The consumer prices for eggs in 1975 were very attractive, falling in money terms in most Member States, and therefore showing a considerable reduction in real terms, while other foodstuffs generally rose in price. One could

¹ See Tables II.B/16.1 to II.B/16.8 of Part II.

thus have reasonably expected an increase in consumption which would have alleviated the market situation in the first half of the year. This hope was not fulfilled and consumption per head in 1975, remained at the same figure as 1974 in the Community of 9. This confirms the low price elasticity of demand for eggs (consumption does not increase noticeably when prices fall).

A certain proportion of eggs is always used for egg product manufacture (5-10%) and the low prices in 1975 seem to have stimulated this production within the EEC, while imports of such products in 1975 declined from the level of the previous year and exports increased.

4. Supplies and trade

Community supplies are assured by the production of Member States. Trade between Member States is active and the most important exchanges are the import of over 200.000 tons by West Germany, supplied in almost equal proportions by the Netherlands and Belgium. Total intra-community trade in 1975 of 296.000 tons was less than 8% of production, while third country trade, totalling 78.000 tons, (33.000 tons imports, 45.000 tons exports) was only 2% of production (Table II.B/16.6). Imports from Eastern European countries, mostly made under the regime of Article 8 of Regulation 2771/75, benefit from the non-application of additional amounts and are imported at the sluice-gate price, but such imports were only about 4.000 tons in 1975.

In the northern regions of the Community certain enterprises continue to introduce large quantities of eggs in shell and egg products under the regime of inward processing, and this trade no doubt accounts for the greater part of third country supplies. The products are subsequently sent out in the form of egg products and certain industrial products based on eggs (biscuits - mayonnaise - pâtes alimentaires).

The Community only exports a small quantity of eggs (1% of production in 1975) and the main markets are the Middle East, Switzerland and Austria. This export trade was assisted during most of the year by export refunds, limited in general to Middle East destinations.

The balance sheet for eggs in the Community (Table II.B/16.6) indicates that self-sufficiency is 100%. It is in such circumstances that very small changes in production or trade have a disproportionate effect on the market and provoke marked price reactions.

5. Prices

Producer prices in 1975 were in general sharply reduced from their levels in 1974 (Table II.B/16.7). The only country where this apparent change did not take place was Italy and this fact is partly explained by a sudden

reversal of production trends changing from a 5% increase over the previous year in 1974 to a 2% reduction in 1975.

Any discussion of price changes is made difficult by the influence of inflation and changes which are apparent in money terms may be quite different in real terms, for the relative devaluation of currency accentuates price increases and masks price falls when seen in money terms. The price changes indicated in Tables II B/16.7 and 16.8 must be viewed in the light of inflation rates in the different Member States. However, as the general price movement both at wholesale and consumer levels is downwards in money terms, it is certain that in real terms, quite severe price reductions were the major feature of 1975. Wholesale prices fell much more than retail prices, except in West Germany, and while the costs of packing and distribution no doubt increased, it seems clear that producers remain the weakest link in the supply chain, while other intermediaries are better able to protect their margins in times of crisis.

6. The Outlook

As indicated earlier, the reduction in the laying population in 1975 and the greater reduction in the number of chicks hatched in that year, had clear implications for 1976. Production in 1976 probably reached its lowest point in June or July, this being indicated by reasonable prices at a time of year when the seasonal price movement normally results in low prices. The number of chicks in incubation for laying has already gone up slightly. The supply at the end of 1977 will depend essentially on the number of "laying" chicks incubated at the beginning of the year and, if prices remain favourable during the first quarter, a significant increase in numbers may be expected, and the production from these hens is likely to have a favourable effect upon prices. However, the favourable seasonal movement of prices at the end of the year will partially counterbalance the expected drop in prices.

7. Measures taken in the framework of the common market organization

(a) Sluice-gate prices and levies were calculated as usual on the basis of world and EEC cereal prices and the coefficients and standard amounts fixed in 1974. Relatively high world cereal prices resulted in proportionately high sluice-gate prices and very low levies (element (b) only) for much of the year. From 1 August 1975 the EEC cereal market situation vis-à-vis the world market caused a sharp increase in the levy and a corresponding fall in the sluice-gate price. More stable world market conditions result in the levy remaining at approximately the same level to the end of 1976.

(b) Export refunds in 1975 concerned only eggs in shell. During this period the refund was related to the internal and overseas market situation. During February and most of March the refund was relatively low at 5 u.a./100 kg, but for the remainder of the year, with the exception of June, the refund was of 10 or 12 u.a./100 kg with prefixation and a restricted list of destinations. In mid-December 1975 the refund was granted for all third country destinations.

(c) From January to April 1975 the Accession Compensatory Amounts remained at 0, but from May to the end of the year they were once again positive.

(d) As in other sectors of the CAP, the continuing monetary problems engendered considerable changes in green exchange rates and monetary compensatory amounts. From March 1975 a change was made in the eggs and poultry sector related to the application of a monetary coefficient in the conversion of sluice-gate prices into national currency. This had the effect of eliminating a degree of under or overprotection from third country imports in Member States whose currencies were in reality stronger or weaker respectively than the rates fixed for the CAP.

8. Budget expenditure

Budget expenditure for the combined eggs and poultrymeat sector came to 16,9 M u.a. in 1974, 8,4 M u.a. in 1975 and is estimated at 20,0 M u.a. for 1976, or 0,6%, 0,2% and 0,3% respectively of the total expenditure of the EAGGF Guarantee Section.

17. POULTRYMEAT¹

1. Introduction

The relative value of poultrymeat production remains important and fairly similar to that of eggs, that is, together about 13,5% of animal production and 7,9% of total agricultural production. The figures relating to poultrymeat alone are:

	<u>1974</u>	<u>1975</u>
Poultrymeat/Animal products	7,6%	7,0%
Poultrymeat/Total agricultural production	4,4%	4,1%

Poultrymeat is always characterized by concentration and integration, both horizontal and vertical. The degree of concentration is greater in the poultrymeat sector than in the egg sector with a very large proportion of the production of some Member States being in the hand of very few industrial-scale producers.

Even under such conditions, which would be expected to lead to some form of central organization to avoid the repeated crises, no European group covering all interests has yet emerged, although certain sectors of the industry have strong representative groups.

2. Production

The hatchings of day-old-chicks for meat production showed an increase in all Member States in 1975, except for Ireland and Denmark (Table II B/17.1). Considerable variation exists in the relative increase in different Member States, and for the EEC of 9, this averages 4,7% over the number of chicks hatched in 1974. Data for poultrymeat production (Table II.B/17.2) indicate that the change in production of the 9 was not as great as that implied by the figures of hatchings, being 0.5% up on 1974. The explanation lies in two areas; firstly the data on hatchings in Table II.B/17.1 concerns broilers only and secondly, it takes no account of trade. While the hatchings of day-old-broiler-chicks increased, hatchings of the other main meat-producing species, turkeys, fell by over 5% between 1974 and 1975. The import of day-old-chicks of all types remained constant between these two years, but exports increased by 20%.

The total production of the Community in 1975 was estimated to be 3,167 Mt, and a considerable degree of variation is seen among the Member States in the direction and magnitude of change in comparison with 1974. While West Germany and Italy increased production by 6,6% and 7,3% respectively, other Member States reduced production by between 1,7% (UEBL) and 7,9% (Ireland), with no simple explanation being apparent for these differences.

¹See Tables II B/17.1 to II.B/17.7 of Part II.

3. Consumption

Poultrymeat is probably the cheapest form of meat available to consumers and evidence from other countries suggests that absolute consumption levels can increase in the EEC. There is clearly considerable scope for further consumption, apart from the extremely competitive price, by such means as improving quality, shelf-life and taste, by expanding the market in poultry parts and de-boned poultry "joints", as well as the usual devices of advertising, sales promotion, special offers, and so on.

Consumption per head in the EEC (Table II.B/17.5) indicates that, in the 6, a long term increase is continuing, and indeed, in 1975 a sharp return in consumption occurred, raising the absolute level from 12,0 kg/head to 12,5 kg/head. In the EEC of 9, this increase was much less marked, but the change occurring in the previous year was more important than that of 1975. Poultrymeat is only one of several forms of meat, and the consumption is influenced by the relative availability and price of beef and pigmeat.

4. Supplies and trade

For several years the degree of self-sufficiency of the Community has varied between 101 and 103%. Third country trade represents around 2% (66.000 tons) of Community production in terms of imports, and about 4% (131.000 tons) in terms of exports. While imports from third countries of the EEC of 9 increased by some 14% in 1975 over 1974, the various components of this trade show great variation.

Imports of chicken fell 3.000 tons, turkey parts 2.300 tons and guinea fowl 1.000 tons, while imports of whole turkeys rose by 5.600 tons, geese by 2.400 tons, ducks by 1.500 tons, live poultry by 900 tons and conserves by 1.600 tons. Imports from Eastern Europe under the regime of Article 8 of Reg. (EEC) No 2777/75, whereby additional amounts are not imposed since sluice-gate prices are respected, totalled 7.070 tons of ducks and 7.300 tons of geese in 1975. Imports of turkeys and turkey parts from the USA were 10.163 tons in 1975 compared with 8.073 tons in 1974.

Exports to third countries declined in 1975 by 10.000 tons or 7% from their 1974 level. This decline was mainly through reduced exports of turkeys (- 800 tons), poultry parts (- 4.000 tons) and conserves (- 3.000 tons).

Intra-Community trade totalling 278.000 tons in 1975 concerned mainly chicken (195.000 tons), ducks (6.000 tons), turkeys (13.000 tons), poultry parts (41.000 tons) and conserves (16.000 tons). The principle trade flows

are from other Member States towards West Germany, which continues to import 50% of its consumption. By way of contrast, the Netherlands export 70% of their production. Difficulties of a sanitary, veterinary or zootechnical nature continue to inhibit free exchange of produce between Member States.

5. Prices

In 1974 poultrymeat prices in the EEC were very low and were below average production costs for much of the year. 1975 showed a considerable improvement in this situation and by mid-1976 prices were tending to relatively high levels. As in any discussion of prices, the real changes are confused by the effects of the changing value of the unit of measurement - the national currency. Thus, study of Table II.B/17.6 suggests much greater market price increases in France, Italy, United Kingdom and Ireland in 1976 than occurred in the other Member States, but when one realizes that these four countries have floating currencies and have suffered from considerable inflation, the relative changes are thrown into doubt immediately.

The same comment is relevant to Table II.B/17.7 on consumer prices, but here the implication is clear that consumer prices increased less than did producer prices. This is a fairly normal situation in which, over a period of several years, the primary producer suffers a much greater degree of price fluctuation than any other person in the food supply chain.

6. Outlook

It is difficult to forecast, on the basis of parent stock, poultrymeat production with a satisfactory degree of accuracy. The problem lies in the very short production period necessary to increase parent stock - a matter of 6-12 months - and the large margin of variability in the number of utility chicks used in relation to the potential available.

Poultrymeat production is variable and depends on many factors including the recent price situation, costs of feedingstuffs, export possibilities and the general trend of demand. Since the last quarter of 1975 the prices have increased and have remained reasonable. This has stimulated an increase in production which began to appear at the end of 1976. If this tendency continues, it is probable that some difficulties will arise in sales and a consequent tendency to lower prices will result.

7. Measures taken within the framework of the common market organization

(a) Sluice-gate prices and levies are calculated as usual on the basis of world and EEC cereal prices and the coefficients and standard amounts fixed in 1974. As in the egg sector, high world cereal prices resulted in relatively high sluice-gate prices and very low levies (element (b) only) during much of 1975, but on 1 August 1975 the EEC cereal prices became higher than the declining world prices and had the effect of raising levies considerably.

From the same date, sluice-gate prices declined and these two elements are expected to maintain their relative magnitude until the end of 1976.

(b) Export refunds in 1975 and 1976 concerned only chickens and at all times was restricted to certain destinations. In the early part of 1975 there were no export refunds, and on 1 June they were fixed at 5,00 u.a./100 kg, with the possibility of prefixation (for 3 months). This level of refund was maintained until June 1976, with slight changes in the destinationary restrictions, and in June 1976 was raised to 8,50 u.a./100 kg.

(c) As in the egg sector, Accession Compensatory Amounts were fixed at 0 from January to April 1975 but from May onwards they were positive again.

(d) It is hardly necessary to say that the monetary problems which generally disturbed the CAP, had their effects also on poultrymeat. The change in the method of calculation of sluice-gate prices, by no longer incorporating the monetary coefficient, applies throughout the poultry sector and the reasons for this change were outlined in the chapter on eggs.

8. Budgetary expenditure

The budgetary expenditure for the entire eggs and poultrymeat sector amounted to 16,9 M u.a. in 1974, 8,4 M u.a. in 1975 and is estimated at 20,0 M u.a. for 1976, i.e., 0,6%, 0,2% and 0,3% of the total expenditure of the Guarantee Section of the EAGGF.

18. FISHERY PRODUCTS¹

1. Production

In 1975 landings of fish by the EEC fishing fleet were slightly lower than the production of the previous year (4,53 million t as against 4,81 in 1974).

The production of fish for industry and for human consumption declined in 1975 and many Member States suffered from the general depression of the market.

The value of the fish landed in 1975 decreased in comparison with the previous year by about 2 million u.a., Community production being valued at 1.662,8 million u.a. .

The amount of fish caught by the EEC expressed as a percentage of world production also fell between 1974 and 1975 from 6,9% to 6,7% in spite of the poor results of anchovy fishing in Peru.

The United Kingdom and Germany had the biggest reductions in catch (-11% and -14% respectively on previous years), but in Denmark, Ireland, France and Italy production was also well below that of 1975.

The figures for total production of haddock, whiting, mackerel, sardines, anchovies and prawns are not yet available for 1974 but landings of the six other species dropped by 7,4% between 1974 and 1975. It is reasonably certain that the production of mackerel in the Community has dropped whereas landings of haddock and prawns in the original Community in 1975 were 12% and 1% down on the 1974 figures. For the leading products the landings in the Community were as follows:

Species	1974	1975	Percentage change 1975/1974
Herring	328.156	277.289	-15,5
Cod	432.856	415.617	- 4,0
Coalfish	165.097	150.540	- 8,8
Haddock	:	130.383	:
Whiting	:	105.394	:
Redfish	45.976	41.874	- 8,9
Plaice	128.601	128.177	- 0,3
Sardines	:	66.328	:
Anchovies	:	55.268	:
Hake	22.130	25.742	16,3
Prawns	:	:	:

Source: Estimate by the DG for Agriculture.

¹See Tables II.B/18.1 to II.B/18.8 of Part II.
²Survey of fisheries, OECD 1975.

The landings of five of the six species for which statistics are available have dropped. The drop in the herring catch was particularly large. Certainly production of hake has increased by 16,3% and, since the anchovy market was overloaded in 1975, landings of this species must have increased between 1974 and 1975. But as none of the species for which statistics are not available is captured in large quantities, their inclusion would not much affect the general picture. There are numerous and varying underlying causes for this drop which cannot be analysed except by a market survey for each species.

In 1975 the number of producers' organizations increased in four of the eight maritime Member States. Producers' organizations now exist in Italy and in Ireland; in France the members of these organizations have increased by 66,7% and in the United Kingdom by 150%. The quantities landed for the producer organizations represented 41,3% of production in 1974 in Germany, 65,9% in France and 41,2% in Denmark.

2. Trade

In 1975 total Community imports from non-member countries dropped by 3,7% over the previous year. This is a reversal of the tendency of the previous two years which was towards increasing dependence by the Community on non-member countries.

Exports to non-member countries had a minimal increase of 0,5% in 1975 and this is also a reversal of the previous trend towards a reduction in the volume of exports to non-member countries.

Intra-Community trade decreased slightly in 1974 and 1975 by 1,3% and 2,3% depending on whether one considers imports or exports. In the period 1970-75 the trend in the original Community was towards an increase in intra-Community trade of about 1,7 and 2,7% but, there too, the developments in recent years have shown a decrease in trade among the Six.

Major increases in imports of crustaceans and molluscs, fresh or preserved, have more than counterbalanced the drop in imports of all the other categories of fish: fresh, chilled, frozen, salted, dried, smoked and preserved. There was no change in exports of preserved crustaceans and molluscs but exports of other products (apart from salted, dried and smoked fish) have increased.

The improvement of the trade deficit is one of the rare encouraging factors in the present fisheries situation. Nevertheless it should be noted that imports of the dearest species - fresh molluscs and crustaceans - have increased, whereas there has been no increase in exports of preserved molluscs and crustaceans, an even more expensive product.

Of course it is impossible to work out a long-term trend as regards the development of Community trade, but trade in the original Community indicates a fairly stable situation over the five years ended December 1975.

3. Prices

The value of the fish produced by the Community in 1975 fell by 2 million u.a. from 1.644 million u.a. in 1974. It is the first time in recent years that the value of fish produced by the Community has gone down from one year to the next, and if one takes into account the average inflation rate in the EEC between 1974 and 1975 this reduction is quite considerable. Whereas the increase in production costs continued at a relatively low rate in 1975 compared with the previous two years in some regions fishing has become unprofitable, particularly in the United Kingdom. Changes in the total value landed between 1974 and 1975 are shown in the table below.

Total value of landings in million u.a.¹

<u>Member State</u>	<u>1974</u>	<u>1975</u>
Germany	175,6	134,0 ²
France	500,2	500,0 ²
Italy	284,3	364,4 ²
Netherlands	139,0	151,6 ²
Belgium	29,7	31,0
United Kingdom	292,1	286,4
Ireland	16,6	17,4
Denmark	227,3	178,0
	<u>1.664,8</u>	<u>1.662,8²</u>

The value of fish landed in the OECD countries in 1975¹ (5.862 million u.a.) was 1,8% higher than that of the previous year and this increase should be about the same as the increase in the value of world production.

¹OECD Survey of Fisheries.

²Estimate.

4. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF amounted to 1,2 million u.a. in 1974, 9,3 million u.a. in 1975 and is estimated at 8,0 million u.a. in 1976, or 0,04%, 0,2% and 0,1% respectively of total expenditure by the Guarantee Section. The amount of 8,0 million u.a. consists of 5,0 million u.a. for expenditure on export refunds and 3 million u.a. for intervention expenditure.

19. SILKWORMS¹

Silkworms rearing represents only a minimal part of agricultural activity in the Community and also of world sericulture, whose production is about 400.000 t of cocoons.

About 3.000 persons in Italy and ten in France are involved in this activity. The slump in cocoons in 1974 and 1975 put an end to the upturn in silkworm rearing in 1974. In 1975 only 15.200 boxes were cultivated producing 387 t of cocoons compared with 19.300 boxes and 562 t in 1974. Following a recovery in the price of raw silk on the world market, producers had ordered more boxes than in 1975, but there was a further drop in actual production as a result of a number of cultivation accidents.

Community production of raw silk from Community sericulture is far below users' needs. In 1975 2.442 t of raw ilk were imported of which 2.000 t came from China and 379 t from Brazil as well as 2.955 t of silk waste of which 1.450 t came from the USSR, 486 t from Japan and 438 t from China. These imports exceed those of 1974 when 1.439 t of raw silk and 2.633 t of silk waste was imported.

The amount of aid per box of silk seed in cultivation rose from 33,18 u.a. for the 1974/75 marketing year to 36,50 u.a. for 1975/76. For 1976/77 the aid has been fixed at 40 u.a. per box put into cultivation; this amount is, however, increased by 15 u.a. if the cocoons produced are marketed by an approved producers' group.

An increase in production in 1977 is not expected unless the price situation improves.

Expenditure by the Guarantee Section of the EAGGF for silkworms rose in 1974 to 0,5 million u.a., in 1975 to 0,8 million u.a. and is estimated at 2,0 million u.a. for 1976.

¹See Table II/B.19.1 in Part II.

20. Products not subject to a common market organization

(a) Agricultural alcohol¹

1. Introduction

The agricultural alcohol sector is not yet governed by a common market organization. Each Member State may still apply its own policy in this sector. However, the Court of Justice has in recent decisions criticized national measures which may form barriers to the free movement of goods.

2. Production

The 1975 financial year was marked by a considerable increase in the production of agricultural alcohol (up by 12%), due essentially to an increase in the production of vinous alcohol (up by 95%). The agricultural alcohol sector is still affected by the special distillation measures adopted by the Community to resolve the difficulties in the wine sector. It should be noted that in addition to vinous alcohol these special distillation measures supplied large quantities of "wine distillates" of which only a part may be sold as wine spirits. In contrast to previous years these quantities have been included in the production figures given in Annex II. The situation is expected to return to normal very soon because the amount of wine distilled in 1976 was considerably lower.

The production of alcohol from other raw materials (cereals, potatoes, fruit, etc.) in 1975 was unchanged. There has been a slight fall in the amount of beet alcohol produced which should be seen in relation to the situation at the same period on the Community sugar market.

France is still the Community's main producer of agricultural alcohol with 43% of the market, followed by Italy (27%) and Germany (11%).

¹See Table II.B/20a in Part II.

3. Consumption

The use of alcohol remained generally stagnant during the 1975 financial year. The surpluses of vinous alcohol therefore largely helped to swell existing stocks.

4. Prices

Prices for agricultural alcohol were relatively stable during the 1975 financial year, with a very slight tendency to fall. The harmonization between the price of synthetic alcohol and that of molasses alcohol continued.

5. Trade

As the Member States pursue a policy of self-supply, trade is generally low. France is still the only Member State exporting large quantities of agricultural alcohol.

6. Outlook

The application by the Federal Republic of Germany, since the beginning of 1976, of the principles laid down in the Court's judgments has seriously disturbed this national market and the Commission has been forced to introduce countervailing charges in order to prevent the total deterioration of this market in the absence of a common organization.

7. Expenditure

For memory only (as this expenditure does not concern the alcohol sector) it should be noted that about 20 million hl of wine were distilled in the Community in 1974 and 1975, 14 million in France and 6 million in Italy, and that Community expenditure committed amounted to about 170 million u.a. for those two years.

(b) Potatoes¹

1. Introduction

There is still no common organization of the market in potatoes. A proposal governing all fresh and processed products was submitted by the Commission to the Council on 23 January 1976.

This proposal provides for:

- marketing standards;
- measures to encourage the setting up of producer groups;
- support measures limited to stabilization of the market;
- arrangements for trade with non-member countries, including a system of reference prices for early potatoes.

This proposal has already been examined by the various Community institutions; a favourable opinion was given by the European Parliament on 15 September 1976 and by the Economic and Social Committee on 30 June 1976.

Some products, such as potato starch² and dehydrated potatoes³, are already subject to a common organization of the market. A Council Directive⁴ governs the marketing of seed potatoes.

2. Production

In 1975, the value of potato production was 7,5% that of crop production and 3,0% that of total agricultural production in the Community.

The number of farms in the Community growing potatoes is about 2,5 million. The production structure varies greatly from country to country; there are about 35.500 UK producers farming 180.091 ha (1975) and about 900.000 French producers farming 310.000 ha (1970). The average area of farms therefore varies from 500 ha in the United Kingdom to 0,4 ha in France and Italy.

During the past twenty years the area under potatoes in the Community has declined by about 61% from 3.512.000 ha in 1951/1955 to 1.374.000 ha in 1975. However, the increase

¹See Tables II.B/20.b.1 and II.B/20.b.2 in Part II.

²Regulation (EEC) No 120/67 of 13 June 1967, OJ No L 117 of 19 June 1967, p. 2209.

³Council Regulation (EEC) No 1420/75 of 26 May 1975, OJ No L 141 of 3 June 1975, p. 1.

⁴Consolidated version of the Council Directive of 14 June 1966, OJ No C 66 of 8 June 1974, p. 35.

in unit yield has generally allowed supply to be adapted to demand (about 40 million t).

In 1975, however, because of an extremely dry summer, production fell sharply to 33,478 mio t., a drop of 19,6% against the previous year (41,638 mio t. en 1974).

In 1975 world production was 301.621.000 t, according to FAO statistics. Community production amounted to 33 million t, or about 11% of world production, compared with about 14% in 1974.

The average yield per hectare in the Community in 1975 was almost double the world yield per hectare.

The Community's net exporters are the Netherlands, France, Denmark and Ireland. The other countries depend on imports.

3. Consumption

(a) Human consumption

Per capita consumption of fresh potatoes has dropped somewhat in the last few years from 109 kg in 1956/57 to 77 kg in 1974/75 (EEC 6). The figure for the enlarged Community is 82 kg. Shortages in the last two years should lead to a slight drop in consumption. On the other hand, the processing industry (crisps, puree, chips) is growing steadily.

(b) Animal consumption

In 1974/75 animal consumption was particularly high in Germany (5.822.000 t), and lower in France (480.000 t), the Netherlands (474.000 t) and the United Kingdom (428.000 t).

(c) Industrial use

The quantities absorbed by the processing industry are rising. In 1974 the Community processed 2.904.000 t against 2.499.838 t in 1973, an increase of 16,5%. The most important products are dehydrated products, crisps, fresh pre-cooked chips and deep-frozen products.

4. Trade

Intra-Community trade in potatoes accounts for only about 4% of total Community production whilst in seed potatoes and early potatoes it is between 10 and 12%. In 1975, however, this trade increased considerably as a result of the shortage in several regions of the Community.

The situation with regard to trade in processed products in the Community is similar to that with regard to fresh potatoes. The main exporting countries are the Netherlands (88.510 t in 1974; 111.830 t in 1975) and France (6.719 t in 1975) while

the importing countries are Germany (74.648 t in 1974; 82.665 t in 1975) and the United Kingdom (51.000 t in 1974/75; 301.000 t in 1975/76). Figures for this last country do not refer to processed products but to fresh potatoes imported for processing.

5. Prices

Prices are very irregular and vary from year to year. In 1975 they reached an exceptional level because of the severe shortage of potatoes in the EEC. On 2 May 1975, 100 kg sold for 41,73 u.a. on the Rotterdam Exchange against 4,99 in 1974 and for 45,97 in London compared with 8,73 in 1974. Once again the weather played an important role on the potato market.

Nevertheless, the lack of a common market organization and thus of Community stabilization measures has encouraged speculation and considerable price fluctuations.

6. Outlook

The 1975 marketing year was marked by extremely high prices. However, there was no increase in the area under potatoes in 1976 : 1.374.000 ha in 1975, 1.371.000 ha in 1976.

Furthermore, this second year of drought in Europe, caused yields in several regions on the EEC to fall even lower than in 1975, and 1976 production was down yet again. For this reason prices at the beginning of the 1976 marketing year were much higher than in the corresponding period of 1975.

In the short term it is likely that exports from the EEC will be reduced because of the very high prices within the Community, while large amounts will be imported on account of the deficit within the Community and the surpluses in the United States and certain European countries such as Finland. This should allow prices to become stabilized at their present very high level, which could perhaps undergo a further slight rise at the beginning of 1977.

In the long term, although the quantities absorbed by the processing industry will increase, it is difficult to estimate the extent to which consumers, because of the two years of shortage, have become or will become accustomed to substitute vegetable products.

Lastly, the establishment of a common organization of the market in this sector should prove favourable to improved organization of production and supply.

7. Economic aspects of the measures taken

In order to mitigate the serious shortage, the Council, acting on a proposal from the Commission, adopted two classes of measures to ensure supplies to the Community market: an export charge to prevent the export of potatoes from the Community¹ and, to encourage imports of potatoes into the EEC, suspension of the CCT duties for the following periods:

- on main-crop ware potatoes from 20 January to 30 June 1976
- on seed potatoes from 9 February to 25 March 1976
- on early potatoes from 9 February to 31 May 1976.

For the 1976/77 marketing year, the suspension was extended for the following periods :

- on main-crop ware potatoes from 1 August 1976 to 28 February 1977
- on seed potatoes from 18 September 1976 to 28 February 1977
- on early potatoes from 1 January 1977 to 28 February 1977.

¹Council Regulation (EEC) No 348/76 of 17 February 1976, OJ No L 43 of 19 February 1976, p. 14.

(c) SHEEPMEAT¹

1. PRODUCTION

Community internal production increased slightly over the previous year in 1975 (515.000 t against 499.000 t in 1974), thus exceeding the 1966 production which was 500.000 t (record figure for the period 1962 to 1974). In 1975 sheepmeat production accounted for 1,3% by value of final agricultural production.

The United Kingdom is by far the major producer with 50% of Community production, followed by France (25%), Ireland (9%), Italy (7%), Germany (4%), the Netherlands (3%), BLEU and Denmark. This slight increase in Community production is mainly due to an increase of about 4% in the production of the United Kingdom, and to smaller increases in the Netherlands and Germany.

Since the increase in production in the United Kingdom was brought about by a fall in the number of lambs kept for breeding, it is logical to expect a drop in production in 1976; a similar phenomenon is occurring in Ireland.

Community internal production should, therefore, be at a slightly lower level in 1976 than in 1975 (494.000 t against 509.000 t), despite an increase in production in France, the Netherlands and Germany.

In 1977 production in the United Kingdom should continue to fall (estimated production: 240.000 t) as a result of cyclical movements which affect the number of ewes. In the other Member States the present trends should also continue until 1980 with a rise in production, except in Ireland and Italy.

2. CONSUMPTION

During the last fourteen years consumption of sheepmeat has remained relatively stable in the Community with, however, a slight tendency to fall off. However, this relative stability conceals two opposing trends: a very considerable and regular drop in consumption in the United Kingdom and a large increase in France and Germany. Between 1962 and 1974 consumption in the United Kingdom fell from 617.000 to 441.000 t, whereas in France and Germany it increased between 1962 and 1975 from 117.000 to 190.000 t and from 14.000 to 35.000 t respectively.

¹See table II.B/20c.1 to II.B/20c.3 of Part II.

In 1975 consumption in the United Kingdom increased by about 8% and in the Community by about 8,5% over the previous year. The largest increase occurred in Germany (+45%) whilst in France consumption increased by about 4,5% compared with 1974.

One of the major reasons for the growth in consumption in the United Kingdom is the increase in the price of beef and veal.

In 1976 consumption should resume its downward trend in the United Kingdom at about 430.000 t (about -10% compared with 1975). In consequence, Community consumption should fall by about 5% (774.000 t against 810.000 t in 1975) with consumption remaining stationary in all the other Member States except for France (+2,6%).

3. SELF-SUPPLY

The balance between production and consumption in 1975 shows a net deficit of 295.000 t, which constitutes an increase in the Community deficit of 18 % over 1974. The self-supply rate was therefore 62,6% in 1975 (63,6% in 1974).

The deficit (207.000 t) of the United Kingdom, which is the principal consumer country, amounted to 69% of the total Community deficit in 1975.

Forecasts show that the net production/consumption deficit for 1976 will be 275.000 t (- 8% on 1975), which means that the Community self-supply rate will rise slightly to about 65 %.

4. TRADE

(a) External trade

1. Imports

The Community deficit obviously leads to a flow of imports from non-member countries to offset the difference between production and consumption in the Community. This flow of imports is, therefore, closely tied to the degree of self-supply in the Community and follows changes therein.

Thus, since 1971, imports from non-member countries have dropped and the Community deficit has done likewise. In 1971 imports amounted to 384.165 t and in 1975 to 295.937 t with a minimum of 246.066 t in 1974.

The main Community suppliers are New Zealand, Argentina, Australia, Hungary and Bulgaria. In 1975 these countries supplied 83,5%, 4,7%, 3%, 3% and 1,5% respectively of the total imports.

The United Kingdom is by far the main importer in the Community. In 1975 the former accounted for four-fifths of imports from non-member countries, i.e., 242.500 t or 230.000 t of frozen lamb from New Zealand, the remaining fifth being divided between Germany (17.000 t), Italy (8.000 t), France (6.700 t), BLEU (3.700 t) and the Netherlands (1.300 t).

2. Exports

Community exports are always very low: 4.000 t in 1975, mainly intended for certain non-member countries bordering on the Mediterranean.

(b) Intra-Community trade

In contrast to imports from non-member countries, intra-Community trade is increasing:

1971:	37.000 t
1972:	50.000 t
1973:	60.000 t
1974:	60.000 t
1975:	85.000 t

The main trade flow is to France from the United Kingdom, the Netherlands, Germany and Ireland (26.500, 16.000, 5.800 and 2.900 t respectively). Exports from the United Kingdom to France have been relatively stable since 1973; on the other hand, exports from the Netherlands to France have almost doubled since 1973 (16.000 t in 1975 against 8.700) and exports from Germany have increased remarkably (1.900 t exported to France in 1973, 2.017 t in 1974 and 5.800 t in 1975), far exceeding Irish exports which, on the other hand, are falling off (2.900 t in 1975 against 4.900 t in 1973).

It is interesting to note that there was also a large increase in German exports to Italy. In 1975 Italy imported 4.227 t of sheepmeat from Germany (against 1.712 t in 1971, an increase of 247%) out of a total of 4.435 t from the Community as a whole.

5. MARKET PRICE TRENDS

Sheepmeat prices in the Community are mainly determined by the UK and French markets. The former has a direct influence on the price level of the Irish market. The latter determines the price received by producers in other Member States of the quality of meat required for the French market (the Netherlands, Germany, Belgium and, to a lesser extent, Italy). The market price (in Germany and Italy) is, however, lower than the French price since the representative markets of these Member States are influenced by imports for home consumption which are often of lower quality than the meat which goes to supply the French market.

The difference in market prices between France and the United Kingdom is very large. Thus, since 1968 the level of the UK market price has been about 50% that of the French market price; this gap widened in 1975 as a result of the weakness of the pound.

6. SUMMARY

(in t)

	1973	1974	1975	1976 estimates
Production	466.000	499.000	515.000	500.000
Consumption	781.000	749.000	810.000	775.000
Difference between production/consumption	- 315.000	- 250.000	- 295.000	- 275.000
Self-supply rate	59,4	66,6	63,6	64,5
Imports	313.600	246.000	295.900	280.000
Exports	2.900	3.500	4.000	4.500
<u>Net deficit</u>	<u>310.700</u>	<u>242.500</u>	<u>291.900</u>	<u>275.500</u>

7. OUTLOOK

In the medium-term the United Kingdom should continue to play an important role in Community developments. Production in this Member State should continue to fall in 1977, then rise again to reach, around 1980, a level similar to that of 1968 and 1974, if the cyclical movements affecting the number of breeding ewes should continue.

Consumption in the United Kingdom, which had fallen by 40% between 1971 and 1974 should increase slightly in the medium term (after the reductions anticipated in 1976, and perhaps again in 1977). UK consumption could amount to about 450.000 t towards 1980 and the United Kingdom deficit would then be about 200.000 t which, in view of the foreseeable continuation of present export flows (30.000 t) would leave about 230.000 t to be supplied by non-member countries.

In the other Member States, current trends should continue until 1980: a rise in production (except in Ireland and perhaps in Italy) and a rise in consumption (except in Ireland).

In these circumstances Community production should reach about 540.000 t and consumption about 830.000 t, i.e., a deficit of 290.000 t, which would give a self-supply rate of 65%, marginally higher than the present rate.

However, these forecasts, which rely on present sheep farming trends and on the measures taken at national level to support producers' incomes, may be much affected by the policy to be adopted for the future common market organization, as to which a provisional draft regulation is currently being discussed at Council level.

B. ANALYSES OF CERTAIN SECTORAL GROUPS

21. MEAT¹

The survey includes edible offals and carcass fat.

1. Gross meat production in the Community

In 1975 meat production in the Community was little changed against 1974, at about 20,4 million t. In 1976 a slight drop is expected compared with 1975.

The breakdown of total production into the various kinds of meat in 1975 was as follows:

pigmeat:	40,7%
beef and veal:	32,3%
poultrymeat:	15,5%
sheepmeat and goat meat:	2,5%
horsemeat:	0,3%
rabbit and game:	2,4%
offal:	6,3%
	<hr/>
	100,0%

The relative share of each kind of meat in total production continues to be strongly influenced by the wide, often short-term swings in beef and veal and pigmeat, which together represent almost three quarters of total production. However, an examination of the trends in recent years highlights the following points:

- faster expansion of grain-fed meat production up to 1973, followed by two years of relative stability,
- the start of a change in production structures for beef and veal, with male calves being fattened in special units,
- the continuing expansion of sheepmeat, goat meat, rabbit and game production and the decline of horsemeat.

¹See tables II B/21.1 to II B/21.3 of Part II.

(a) Production of grain-fed meat

- pigmeat:

this is the largest item of meat production in terms of volume. In 1975 production totalled 8,3 million t, as compared with 8,4 million t in 1974.

It should be noted that pigmeat production continued to increase each year until 1974; in 1975, for the first time in 6 years, production dropped slightly, by 1 - 2%. In 1976 it is estimated that production will be 1 - 2% up on 1975.

It thus seems that at Community level, cycles take the form of a slowdown of production followed by an upturn, both with relatively small rates of change.

- poultrymeat:

production of poultrymeat has expanded appreciably over the past 15 years; in 1975 it had more than doubled since the early 1960s, to a total of 3,2 million t, slightly more than in 1974.

For 1976 the relatively high price level points to an increase in production.

An increase in absolute terms for these two kinds of grain-fed meat may therefore safely be forecast for 1976.

(b) Beef and veal production

In value terms, beef and veal production is the largest branch of meat production.

Beef and veal production reached the peak of its cycle in 1974/75, rising to 6,5 million t in 1974 (20% more than in 1973) and 6,6 million t in 1975. In 1976 a drop of over 2% is expected. In recent years beef and veal production has expanded quite rapidly, by almost 2% per year. It was at a relatively high level in 1970 and 1971, fell in 1972 and 1973 and has expanded considerably since autumn 1973, to the extent that the Community became virtually self-sufficient in 1974 and 1975 and will probably be very close to a 100% rate of self-supply in 1976 as a result of the slaughterings prompted by the drought.

This trend towards greater production capacity is the result partly of increasing average yields per cow and partly of better utilization, for beef and veal production of existing reserves of calves, slaughterings having declined by an annual average of about 4%.

(c) Production of other kinds of meat: the production trends for these categories of meat seem to be emerging more clearly:

- other meat (rabbit and game): this category had been expanding steadily since the early 60s; however, in 1975 production merely held steady at 0,5 million t.

As a result, production under this heading (rabbit, game) is in relative decline as a proportion of meat production in general.

- sheepmeat and goat meat: production is progressing slowly; it totalled 0,5 million t in 1975, the United Kingdom accounting for over half;
- horsemeat: production has been falling steadily in both absolute and relative terms, amounting to only 50.000 t in 1975 with France accounting for about half;
- production of edible offals is closely linked to beef and veal and pigmeat production; it amounted to 1,3 million t in 1975 (as in 1974).

2. Meat consumption in the Community

In 1975, per-capita consumption of meat in the Community was up by about 1% on 1974, rising from 81,1 kg to 81,8 kg after increasing by about 2 kg per capita in 1974 and declining slightly in 1973 on the levels for the previous two years for the first time since the early 60s.

It may be noted, moreover, that meat consumption per capita shows smaller but more constant fluctuations from one year to the next than total meat production.

As for the recent rise in meat consumption per capita, the main features are the following:

- relative stability in the consumption of grain-fed meat, i.e. pigmeat and poultrymeat;
- a steady per capita beef and veal consumption of over 25 kg, despite a decline in consumption in Italy and an expected drop in 1976 in the United Kingdom - the two countries hardest hit by the economic crisis;
- a slight increase in the consumption of sheepmeat, goat meat and horsemeat, together with relatively stable consumption of the other categories.

In 1975, consumption of offals increased once again, to its present level of over 7% of total meat consumption. Total net imports accounted for about 200.000 t, i.e., about 15% of the Community's offal supplies.

(a) Consumption of grain-fed meat increased steadily until 1972 and levelled off in 1973, 1974 and 1975, at about 55% of total meat consumption.

- pigmeat: per capita consumption of pigmeat has risen considerably in recent years; the increase has been steady with slight falls in 1963/64, 1966/67, 1969/70 and 1973; in 1975, consumption per capita amounted to 32,4 kg, slightly less than in 1974.

Since the early 1970s, pigmeat consumption has risen markedly in Italy, to about 1 kg per capita per year. The relative share of pigmeat in total meat consumption is expected to hold steady at about the 40% level in the years ahead;

- poultrymeat: since the early 1960s, per-capita consumption of poultrymeat has practically doubled, levelling off in 1974 and 1975 at about 12 kg. Poultrymeat accounts for about 15% of meat consumption.

(b) Beef and veal consumption:

In the 60s, a period of fast economic growth in the Community, beef and veal consumption per capita rose by an average of over 1% per year. Like pigmeat consumption, it increased steadily, with slight falls in 1965/66 and 1972/73. In 1975, beef and veal consumption per capita was, as in 1974, 25,2 kg.

The continuing economic difficulties in some Member States thus played a part in keeping consumption at the same level as in 1974. In view of the difficulties faced by the major importing countries, it is unlikely that consumption will increase appreciably in 1976 and 1977; moreover, in 1977 beef and veal will face competition from the increased supply of other kinds of meat.

(c) Consumption of other categories of meat

- rabbit and game consumption increased steadily during the 60s but has been stable since 1971 at about 2,2 kg per capita;
- sheepmeat and goat meat: the United Kingdom and Ireland consume nearly six times as much meat of this category per capita as the other Member States, thus accounting for two thirds of all consumption of these products in the Community.

At Community level, after a decline in per-capita consumption of sheepmeat and goat meat starting in 1971, sheepmeat consumption increased in both absolute and relative terms in 1975;

- horsemeat: per-capita consumption of horsemeat has hovered around 0,8 to 0,9 kg since 1971, its relative share in total consumption being about 1%;
- edible offals: per-capita consumption of offal rose from 5,4 kg in 1971 to 5,8 kg in 1975; its relative share in total meat consumption also increased.

3. The net balance of external trade in meat

The net balance of external trade in meat is equal to gross production in the Community \pm changes in stocks less total human consumption. A comparison of these figures brings out the following points:

- the expansion of beef and veal production from the autumn of 1973 onwards led to a distinct drop in net imports of meat, which now total less than 1 million t; the Community's rate of self-supply therefore rose from 92-93% in 1972/73 to 96-97% in 1974/75. In 1975, with net imports of only about 664.000 t, the self-supply rate was 96.4%;
- whereas in the past net imports of beef and veal were by far the largest item in total net imports, in 1975 net exports were recorded for the first time. In 1975 the Community's exports and imports of grain-fed meat were in balance: it was a net importer of pigmeat, but a net exporter of a roughly equal tonnage of poultrymeat. As in 1974, the list of net imports was headed in 1975 by the sheepmeat and goat meat category (between 250.000 and 300.000 t).

Imports of horsemeat (about 180.000 t) and rabbit and game (about 75.000 t) have been relatively stable since 1971.

Net imports of edible offals are also an important item, amounting to about 200.000 t in 1975;

- as regards the breakdown of net imports into live animals (in carcass weight equivalent) and slaughtered animals, in 1975 just under one third of all meat imported was in the form of live animals and just over two thirds in the form of meat or offal.

22. OILS AND FATS

It should be pointed out that whereas information on vegetable oils relates to marketing years, information on animal and fish oils and fats, and margarine, relates to calendar years. Because of this, the sector must be examined separately for each product group, an overall balance sheet being still impossible.

From the consumer point of view, all these products are interchangeable to some degree and are therefore in competition; but they are subject to different market organizations which influence this trend in different ways.

1. Vegetable oils (excluding olive oil)

The decline in the consumption of vegetable oils which was first apparent in the 1973/74 marketing year and was mentioned in the previous report accelerated in 1974/75. In the original Community, total internal consumption fell from 3,853 mio t to 3,512 mio t, a 9% drop. Per capita consumption also fell from 18,0 kg to 15,9 kg, the lowest level since 1969/70.

With respect to the enlarged Community, total consumption fell from 4,757 mio t in 1973/74 to 4,280 mio t in 1974/75, a 10% drop. The consumption of rape oil fell the most (-47% compared with 1973/74). The decline was less noticeable in the case of soya oil, internal consumption of which went from 1,137 mio t in 1973/74 to 1,134 mio t in 1974/75. In 1974/75 soya oil represented 26,5% of the total consumption of all vegetable oils and fats compared with only 23,9% in 1973/74.

Since 1974, vegetable oil prices have continued to decline and are at present relatively low. This trend is due to increasing supplies of certain oils, in particular hardened oils and soya oil; the large quantities available of the latter are the result of increased crushing of soya beans in the last three years following an increased demand for proteins.

The outlook for availabilities of vegetable oils gives reason to expect that price levels will change little in 1976/77. Therefore, in view of the low prices and the more favourable economic situation in several Member States, the consumption of vegetable oils in the Community can be expected to go up in the coming marketing year.

2. Fish oils

Although fish oils are regarded as complementary to, rather than a replacement for, vegetable oils their prices normally used to keep more or less in line with those of vegetable oils.

Since 1973, however, the situation has changed. When the price of vegetable oils doubled the price of fish oils increased to a lesser extent. At present, the prices of fish oils are relatively high as they

only partly followed the downward movement of the other oils. It may be deduced from the few details available that supplies and consumption of fish oil rose gradually until 1973, but demand fell sharply in 1974 in spite of the fact that fish oil prices had risen less than those of vegetable oils. Indeed, internal use of fish oils and fats fell from 574.000 t in 1973 to 517.000 t in 1974, a 10% drop, and per capita consumption fell from 1,6 kg to 1,4 kg. Despite high prices, fish oil imports expanded in 1975, though without reaching the high level of 1973.

3. Animal oils and fats (excluding butter)

The enlarged Community produces about 80% of its requirements in animal oils and fats. In 1974 production rose by 7% compared with 1973, from 1,758 mio t to 1,886 mio t. Human consumption rose from 1,140 mio t to 1,318 mio t and per capita consumption from 4,7 kg to 5,1 kg. Contrary to developments in the rest of the sector, production of animal oils and fats does not depend on supply and demand but on developments on the meat market.

4. Margarine

From balance sheets available for 1973 and 1974 it appears that internal consumption (human consumption) of margarine fell from 1,341 mio t in 1973 to 1,289 mio t in 1974, a drop of at least 4%. It should be noted that this drop is less significant than in the case of nearly all the other products in the oils and fats sector. Per capita consumption in the Community fell from 5,2 kg to 5,0 kg. This decline was more significant in the three new Member States, in particular the United Kingdom, where a 9% fall was recorded.

In 1975 the trend towards a fall in margarine consumption continued; according to some sources the decline in 1975 compared with 1974 was once again 4%. In view of the slight improvement in consumption in several Member States, and in particular those which are the largest margarine consumers, consumption may pick up in 1976.

5. Olive oil

Demand for olive oil normally depends of course on its price and on the prices of substitute vegetable oils. Since the latter have been falling rapidly since the end of 1974 it is no surprise that since then the main effect of the fall in olive oil consumption has been for large quantities to be submitted for intervention in 1976. Soya oil and groundnut oil seem to be providing the strongest competition for olive oil, and in view of the abundant supplies of soya oil in the world and the Community price levels for olive oil laid down by the Council for the 1976/77 marketing year, it is unlikely that olive oil consumption will pick up in the short term.

6. Butter

In 1975 butter consumption remained stable despite the fall in vegetable oil prices. This can possibly be accounted for by consumer prices for products that compete with butter not reflecting the decline in the price of their raw materials until the end of the year. Butter consumption is unlikely to increase in 1975 but on the contrary may decline.

23. FEEDINGSTUFFS¹

1. Introduction

The raw materials entering into animal feed are of two main kinds: "marketable" raw materials (cereals, feedcake, animal meal etc.) and raw materials termed "normally not marketed" (green fodder including grasses, fodder beet, silage etc.).

It was estimated² that in 1973 the second group covered 57% of the feed requirements of animals in the Community. It may be assumed that this share of the total requirements varies little from year to year.

This chapter will be confined to an analysis of the position of the main "marketable" feedingstuffs, namely cereals³ and proteins. Special attention will be paid to proteins since most of them are imported in large quantities into the Community and do not yet receive support at Community level.

2. Consumption

It appears that a combination of two specific factors accounts for the situation as regards animal consumption of cereals and proteins in the Community in the 1974/75 marketing year. These two factors, the economic situation in general and the cereal/protein price ratio, also account for certain phenomena noted in animal feeding in the Community in the last marketing year.

Firstly, in 1973/74 and 1974/75, for the first time for many years, overall animal consumption of cereals and the main protein products (feedcake, etc.) did not increase, and indeed in 1974/75 it declined. In 1974/75 the overall consumption of cereals and proteins amounted to 90,1 million t compared with 91 million t in each of the previous marketing years. The stagnation since 1973/74 can only be explained by the deterioration of the economic situation in general, the first signs of which appeared in the second half of 1973 and which continued during 1974/75.

There was a second phenomenon in 1974/75 the partial replacement of cereals by protein substances in animal feed. Contrary to 1973/74, when proteins were relatively expensive and their use was accordingly limited, the amount used rose by 5,3% in 1974/75. From one marketing year to the next their consumption went from 18,9 to 19,9 million t, with consumption of cereals in the same period declining from 72,2 to 70,2 million t.

¹ See Table II.B/23.1 to II.B/23.9 in Part II.

² See "The agricultural situation in the Community, 1974 Report, Part II", COM(74)2000 final of 27 November 1974, p. 180.

³ For a more detailed analysis of animal consumption of cereals, see Chapter 1 on cereals.

Within the group of protein substances there has been a considerable increase in the use of soya cake: it went from 8,5 to 9,6 million t.

3. Feed requirements of livestock and compound feedingstuffs

Fodder needs of European herds have been calculated in fodder units (FU), the herds being expressed as livestock units (LSU) which take account of the structure and feed requirements of animals.

In absolute terms, the cattle count in 1975 declined by 1,5% compared with 1974 whereas the decline in LSU in the pigmeat sector was less than 1,0% and in poultry there was relative stability.

With respect to the other animals (sheep and goats; horses and donkeys), numbers increased slightly in 1975, by 4,2% for the first group and 5,3% for the second.

Overall, herds in terms of LSU and feed requirements declined slightly (-0,8%).

With respect to the pigmeat and poultry sectors expressed in LSU, it is possible to calculate how far feed requirements expressed in fodder units (FU) were covered by processed feedingstuffs, although this relationship provides only a general indication.

With respect to the pigmeat sector, coverage was 67% and in the poultry sector 74%. This differs very little from figures in previous years.

The production of compound feedingstuffs rose by no more than 0,6% in 1975 and thus for the third year running amounted to about 58 million t.

However, certain changes have occurred in the production of compound feedingstuffs: as a result of the diminished profitability of pigmeat and poultry, production of feedingstuffs for these two sectors declined by 3,8% and 3,2% respectively. This decline was offset by an 8,9% increase in cattle feed.

Following the fall in protein prices in 1974/75 the same phenomenon as that mentioned for feedingstuffs in general occurred in respect of compound feedingstuffs: the quantity of cake incorporated in feedingstuffs rose from 11 to 12,2 million t, that is from 19,1% to 20,9%, while cereals incorporated in compound feedingstuffs declined from 44,7% to 44,2%.

4. Economic aspects of the measures taken

Compulsory purchase of skimmed milk powder

Under Regulation (EEC) No 563/76 of 15 March 1976¹ the Council introduced a scheme for the compulsory purchase of skimmed milk powder held by intervention agencies for use in feedingstuffs.

In order to dispose of a certain quantity of skimmed milk powder held in intervention stocks, aid is not granted for oilseeds and dehydrated fodder

¹OJ L 67, 15 March 1976, p. 18.

produced in the Community and for proteins imported from non-Community countries unless a security is put up which is released only on purchase of a certain quantity of milk powder.

The system of securities is applicable from 19 March 1976 for imported products and from 1 April 1976 for products of Community origin. In principle the scheme was to end on 31 October 1976. This scheme ended on 31 October 1976. It is certain that disposals of skimmed milk powder will practically reach the target of 400.000 t.

5. Outlook

Since the 1974/75 marketing year no serious problems have arisen in connection with Community supplies of protein products. The general world economic situation had an unfavourable influence on demand for feedingstuffs in 1974/75 and therefore, despite the considerable reduction in the United States' soya harvest in 1974, world-wide demand for cake was not strong enough to counteract the downward trend in protein prices which began in November 1974.

Availabilities of soya in 1975 rose significantly with the result that although demand picked up in the protein sector, supply was sufficient to satisfy increased demand without causing major price rises.

In the 1976/77 marketing year, a greater quantity of cereals will be replaced in feedingstuffs in the Community by products such as manioc roots, bran and maize gluten feed, use of which has gone up significantly.

The outlook for world protein supplies in 1976/77 suggests that the market might be firmer. With respect to supply, a major reduction in the 1976 soya harvest in the United States will be only partially offset by the expected increase in soya production in Brazil in spring 1977, the increase in supplies of cottonseed cake and a possible rise in fish meal production in Peru.

On the other hand, the demand for feedingstuffs in the United States could decline, in view mainly of the present lack of profitability of pigmeat and poultry and of meat in general. As regards the Community, in view of the more favourable economic situation in several Member States, demand could pick up considerably in 1976/77. In view of existing stocks and the level of world supplies, no supply difficulties are expected in the near future, but subsequent drawing on world stocks is not to be ruled out.

C. SUMMARY OF THE PRESENT SITUATION
AND THE MARKET OUTLOOK

24. SITUATION ON THE PRINCIPAL AGRICULTURAL MARKETS

In agriculture, the year 1976 was marked by a drought which seriously affected production in several regions of the Community. Even though the consequences of the drought have not been catastrophic throughout the Community, they have been so for many farmers, especially stock breeders in certain regions (among others, Brittany, Normandy, Flanders, Luxembourg, Northern Brabant, Schleswig Holstein, Jutland and Southern England). The shortage of water in these areas led to a very difficult fodder supply situation after the first (and only) crop of hay, which was admittedly very good in quality but not nearly sufficient in quantity. The lack of grass during the summer forced many farmers to feed their cattle with fodder intended for the winter, thus creating supply difficulties in later months. The aim of the first series of measures taken by the Commission was therefore to safeguard Community farmers' fodder supply as far as possible, by introducing an export tax on hay, straw and other fodder, recommending Member States to encourage the use of straw for feeding cattle, suspending the customs duties on a series of feedingstuffs, increasing the subsidy for the use of liquid skimmed milk in the areas affected by the drought, and indicating that the Commission would look favourably on any requests for national action submitted to it by the Member States aimed at solving the supply difficulties of stock-farmers in the drought-stricken areas. However, not even these combined measures could solve all the problems in the livestock sector, and a number of producers were, from July 1976, obliged to set about slaughtering cattle which would not normally have been sent for slaughter until the autumn. These premature slaughterings, in some cases of cattle which would not otherwise have been slaughtered at all, tended to force beef prices down. The Commission therefore adopted a number of measures to support the price of beef in the Community (storage, special intervention, refunds). In the interest of the European consumer, the Council, on a proposal from the Commission, suspended or reduced the customs duties on certain agricultural products (potatoes and some vegetables) of which there was a shortage on the Community market during the summer of 1976.

Which regions were most affected by the drought? The simplest way of finding this out is to compare the rainfall recorded during a given period in 1976 with that over a long reference period (twenty or thirty years). However, taking rainfall as the sole criterion has certain inevitable disadvantages, as growth conditions in agriculture are also determined by many other phenomena: temperature, relative humidity, etc. Moreover, the same degree of drought will certainly not always have the same effect on production: the soil structure,

the water table and the crop species may all have greater influence than small differences in rainfall. Thus, on the basis of the data available to the Commission on rainfall, it is not possible to do more than indicate the degree of drought for relatively large areas, excluding regional and even local variations, which are often quite considerable. A study of relative rainfall, indicated on the maps below, leads to the following conclusions. Precipitation during the winter of 1975/76 (December to March) was less than two thirds of normal over the major central areas of the Community. It should be noted, however, that general soil conditions in late winter were fairly good in most agricultural areas. From July onwards, the drought spread northwards over the Community and, at the same time, persisted in some parts of France and the United Kingdom which had already been seriously affected.

What damage has the drought caused to Community agriculture? Apart from the results described above (fodder, beef and veal, potatoes and some vegetables) the often very substantial harm at regional level has not had very serious consequences at Community level. The spring and winter cereal crops are regarded as generally disappointing: maize production will only be two thirds of normal, a large proportion of the acreage (20%) being used to produce maize for silage. Sugar production is estimated at 10-15% below normal, although this will cause no particular difficulties for Community supply. Community colza production hardly seems affected by the drought: it is estimated at about the same level as last year. Although the drought must obviously affect milk production, the fall as compared with estimates made before mid-summer is very limited: - 2% in 1976 and - 1% in 1977. The output currently forecast for 1976 is still higher than that in 1975 (+ 0,9%) and that for 1977 is estimated at 1,7% higher than in 1976. Beef and veal production in 1976 will amount to about 110.000 t (1,7%) above previous estimates, while that for 1977 will be 85.000 t (1,5%) below. From 1978 onwards, the drought will no longer have any direct effect either on milk production or on beef and veal output.

Production of cereals in the Community fell by about 10% in 1975 and a further decline of about 6% is forecast for 1976. While the large stocks at the beginning of the 1975/76 marketing year enabled the Community to carry out a very satisfactory export programme, the marketing year ended with fairly small stocks of cereals as a whole. Only those of durum wheat have increased, owing to higher Community production, especially of a variety (Durtal) not suitable for pasta manufacture. The outlook for production in 1976, and the smaller stocks on the internal market, have led to very high prices at the beginning of the 1976/77 marketing year, especially for barley. As regards the world market, the beginning of 1975/76 was marked by fairly high prices, because of Soviet purchases and steady demand from the other importing countries. However, supply and demand have been in balance, with little change in world stocks at the end of the marketing year.

Nonetheless, prices fell considerably during 1975/76 and at the beginning of 1976/77, because of the very good prospects for the 1976 harvests. These prospects are being borne out and world wheat production seems to be high, both in North America and in certain countries which sometimes import large quantities, such as India, the USSR and the North African countries.

As regards rice, Community harvests from 1973 to 1976 have all exceeded a million tons of paddy rice, a figure which gives an annual exportable surplus of about 250.000 t; however, this quantity is hard to export on a world market where supply exceeds demand. Consumption of rice in the Community is believed to have risen in 1975/76, the increase being covered by larger purchases of rice both in Italy and on the world market. In 1975/76, producer prices in the Community were on average 22% (long-grained) and 26% (round-grained) higher than the intervention prices, while world market prices declined by 30% as against 1974/75.

Due largely to the fact that sugar prices rose to a greater extent than prices for other agricultural products, areas under sugar-beet increased in 1975 by something like 16%. Because yields were even lower than in 1974/75, however, sugar output in 1975/76 (9,68 million t) increased by only 13%. Unlike the situation in the previous marketing year, domestic production together with imports of preferential sugar were adequate to ensure the Community's sugar supply. As Community consumption in 1975/76 hardly changed from the low level it reached in 1974/75 (about 9,5 million t), an appreciable surplus tonnage had to be exported. At the beginning of 1975/76, world sugar prices were slightly above Community prices. Consequently, some exports with levy were possible at the beginning of the period. However, since world production exceeded consumption, world prices have been below Community prices since November 1975.

Olive oil consumption began to decline in the first few months of 1975 in Italy and in France, a trend which continued throughout the 1975/76 marketing year; the almost non-existent demand led, for the first time in the ten years since the common organization of the market was established (apart from a minor intervention in 1967), to 85.000 t of olive oil being bought in by the Italian intervention agency. The situation on the Community market has also had an unfavourable effect on imports from non-member countries, so that at 31 August 1976, ten months into the marketing year, Community imports, according to licences issued, amounted to only 48.000 t against 121.000 t in 1974/75 - when imports were in any case well below former levels. Exports, on the other hand, were about 21.000 t.

On the vegetable oil market, the main feature throughout 1975/76 was an abundant supply, accompanied by a persistent downward trend in prices. This was mainly due to the following two factors: firstly, the supply of vegetable oils - especially hardened oils such as soya bean oil - went up, in the latter case mainly because of the strong demand for oilcake; secondly, the general economic situation led to a fairly appreciable decline in consumption. The result was an increase in vegetable oil stocks.

The Community's protein product supply has, since 1974/75, not posed any serious problems. The general economic situation in the world had an unfavourable influence on the demand for animal feedingstuffs in 1974/75 and therefore, despite the appreciable fall in the United States soya bean harvest in 1974, world demand for cake was not high enough to reverse the downward trend in protein prices which began in November 1974. In 1975, soya supplies increased considerably; consequently, despite the recovery of demand in the protein sector, availabilities have been sufficient to meet requirements without major price increases.

Community milk production in 1975 amounted to 91,5 million t, which represents 19% of final agricultural production. The Community's dairy herd at the end of 1975 was assessed at 24,8 million head, that is, 1,7% less than in December 1974. This reduction in the number of dairy cattle shows up the increase in yield per cow, as milk production in 1975 was 0,5% higher than in 1974. Deliveries to dairies increased more than overall production, evidencing once again the structural surplus in the dairy sector. The increase in yield per cow continued through the winter and spring of 1975/76 because of improved dairy herd structures, higher fodder quality, and especially the better relationship between milk and concentrate prices. The hot summers of 1975 and 1976 led to a slight increase in the consumption of liquid milk and fresh products during these two years. The consumption of cream is constantly rising, while the increase in cheese consumption has slowed down because of the economic situation and, partly, because it has been more often replaced by meat. Total butter demand, however, went down relatively less in 1975 than in 1976 because of stock replenishment and a more favourable price ratio between butter and margarine. In 1976 the decline was greater because of price increases - especially in the United Kingdom - and because no further sales were made to the ice-cream industry from EEC intervention stocks. The use of liquid and powder skimmed milk for animal feed continued to fall off during 1975. However, the special arrangements in 1976 (compulsory purchase and incorporation) have again boosted the use of skimmed milk in feedingstuffs. Community exports of dairy products fell during 1975

because of the poor world market for skimmed milk powder (international stocks are put at the equivalent of three to four years' commercial demand) and the fear that further protective measures might be taken on the cheese market. During the first half of 1976 the cheese and butter markets improved slightly; the skimmed milk powder market is still under heavy pressure, food aid being the only outlet which can be expanded. Consequently, stocks of skimmed milk powder tripled during 1975 and it has only been possible to stabilize them during 1976 by special measures. Butter stocks, which did not change from 1974 to 1975, have tended to increase considerably during 1976.

Net beef and veal production in 1975 amounted to more than 6,6 million t, making the Community self-sufficient for the second year running. During the summer of 1976 there was much early slaughtering of animals, and the resulting surplus supply led to a considerable fall in prices for adult cattle, to a level well below the Community intervention price. During the first six months of 1976 production went down by 4-5%, despite the large number of animals slaughtered from June onwards because of the drought. The beef and veal market is therefore at a turning point in the production cycle. The fall in production potential was confirmed by surveys carried out in some Member States in May-June 1976, especially in the British Isles. As consumption of beef and veal is still restricted by the economic difficulties which arose in the Community following the oil crisis, market prices have remained relatively low and the amount of meat put into intervention storage was similar to that in the previous two years. The rise in beef and veal production in 1975 also continued in the main non-Community producing and consuming countries and, despite the opening-up of new markets for meat, beef and veal prices on the world market have remained relatively low because of the existence of surpluses which are difficult to dispose of in a period of economic slowdown.

Pigmeat production in 1975 represented over 13% of gross agricultural production by value and more than 40% of total meat production by volume (beef and veal, pigmeat, sheepmeat and poultry). The main feature of the pigmeat market in 1976 was lower supplies as against 1975, especially during the first six months, accompanied by higher prices on the representative markets. This increase, which was foreseen, was the logical continuation of the upward cyclical movement which had already begun during the summer of 1975. The highest prices were reached in March 1976 (112% of the basic price). During the summer, prices of pig carcasses continued to maintain high levels, easing slightly in early autumn.

Egg production in the Community, having increased in 1974, grew by a further 0,5% in 1975. Production peaked in mid-1975, and began to fall off in 1976. The crisis which began in the second half of 1974 continued, worsening throughout 1975. Prices slumped considerably, and this situation went on until the second quarter of 1976. Despite the low prices, consumption of eggs in 1975 stayed the same as in 1974 (13,6 kg/head), which confirms that consumer demand for eggs is not very sensitive to price. In 1976 prices recovered and by the middle of the year had reached fairly high levels leading to an expansion in the rearing of chicks of laying breeds.

Poultrymeat production in the Community in 1975, at 3.167.000 t, was slightly higher than in 1974. Production of table poultry increased appreciably, but that of turkeys declined by about 5%, which partially explains the overall increase of only 0,5% in 1975. Consumption of poultrymeat is estimated to have been 12,1 kg/head in the whole Community and 12,5 kg/head in the six original Member States. This latter figure was more than 4% higher than in 1974. The explanation for this change is that in 1975, poultrymeat prices were extremely low at the beginning of the year, and even though they rose towards the end of the year, poultrymeat remained very cheap in comparison with other meats. In 1976, poultrymeat prices remained reasonably high and towards the end of the year production began to increase.

As regards fruit, the total output of apples in 1976/77 fell by about 17% against 1975/76, while the output of pears was more or less the same. Peach production was very high, with adverse effects on producer prices and on the quantity of withdrawals. As regards vegetables, the 1976 season has been greatly influenced by the drought and prices of certain products reached record levels on some markets during certain periods. The output of processed fruit and vegetable products fell in 1976. This was due firstly to restrictions on production, to enable stocks to be run down, and subsequently to the effects of weather conditions. Thus, output of tinned green beans, peas and carrots will be far below that of 1975. Output of tomato concentrates and canned tomatoes has been badly hit by poor weather and rain, from which the tomatoes have suffered. The general price movement is upwards. In the live plants sector, 1976 has seen a levelling-off of production as inputs - especially for greenhouses - are highly sensitive to energy costs. Adjustments to greenhouse management methods, in answer to rising production costs and higher imports, have enabled undertakings to hold their own, although their profitability has often been reduced.

Wine output in 1975/76 was about 142 million hl, 18 million hl less than in 1974/75. Availabilities have remained high, however, in relation to normal internal use, which has not appreciably changed. Although prices have improved almost everywhere, those on several markets - especially in Italy - are well below the respective activating prices. It has thus been possible for short-term storage contracts to be concluded throughout the marketing year. Only at the end of the year was there a general increase in prices on Italian markets, in view of the small harvest expected in Italy. The amount of wine which had to be distilled in 1975/76 was well below that in preceding years (less than 4 million hl as against 20 million hl in 1974/75). Although serious problems were caused by the appreciable difference between market prices in Italy and France and by the monetary fluctuations, the volume of intra-Community trade continued to increase. Imports from outside the Community fell slightly, but to a lesser extent than in the previous year, while exports rose slightly.

Because of the dry summer, the potato harvest in 1975 fell to 33.478.000 t, 19,6% less than the previous year (41.638.000 t). During 1975/76, therefore, market prices were exceptionally high. On 2 May 1976, on the Rotterdam market, 100 kilos were quoted at 41,73 u.a., against 4,99 u.a. for the corresponding period in 1974. To combat the shortage, the Council, on a proposal from the Commission, adopted two series of measures to ensure regular supplies for the Community market: the application of an export levy and the total suspension, provisionally, of CCT duties on main-crop ware, early and seed potatoes. In 1976, the total area under potatoes increased by about 3%. However, because of the weather, output was even lower than in 1975 (approx. 28 million t); consequently, at the beginning of the 1976/77 marketing year, prices were distinctly higher than in 1975.

Whereas world output of tobacco in 1975 increased by only 2,6% over the previous year, in the Community it went up by a record 14%. World consumption increased by about 2%, while in the Community it remained more or less steady because of the economic recession, increases in duty and anti-smoking campaigns.

World exports fell by about 9%, but Community imports increased by 8% over the previous year: the policy of destocking customs warehouses and the changes in the CCT (ACP and GSP preferential rates, etc.) were the main cause of this increase in supply, and since consumption was stagnant, world prices tended to fall somewhat. In the EEC, despite the sharp increase in costs, producer prices were generally the same as in 1974. Only 1,6% of total production (approx. 2.800 t from the 1974 harvest) was submitted for intervention. However, for certain varieties (Beneventano and Kentucky) a substantial percentage of the output was nevertheless submitted for intervention.

Hop production in the EEC, which accounts for about 40% of world production, fell by 7% in 1975 as against 1974. Both world and Community markets show continuing imbalances due to excessive increases in areas between 1970 and 1973, whereas demand was rising only slightly. As a result, stocks reached very high levels between 1973 and 1975, forcing down prices for the 1974 and 1975 harvests. This situation has led to a tendency, very slight in 1975 and stronger in 1976, to reduce areas. This tendency has been more marked in the EEC than in the other major world producers (USA, Czechoslovakia, Yugoslavia). However, as world stocks are still above normal, the reduction in areas has not been enough to enable growers' incomes to improve over previous years.

Seed production in the EEC in 1975 was approximately 170.000 t, an increase of about 14.000 t (8%) over 1974. As demand was stable (+ 150.000 t), available stocks increased and reached 100.000 t on 1 July 1976. Because of the large quantities available from the 1975 harvest, prices tended to fall during 1975/76, which led to some reduction in areas planted in 1976. As yields also declined appreciably, prices recovered and for certain species exceeded the level considered as normal.

World production of fishery products in 1975 was about 69 million t, or about 1 million less than the previous year. The causes of this fall lie in quota restrictions and in a whole series of socio-economic and technical factors; it should be noted, however, that some countries have been affected more severely than others. In 1975, landings by the EEC fleet were somewhat lower than in 1974 (4,53 million t as against 4,81 in 1974). Over the same period the total value of the catch declined from 1.664 million u.a. to 1.662 million u.a.

25. THE MARKET OUTLOOK

Cereal harvests in 1976 will not enable the Community to export barley in 1976/77 except in the form of malt. Quantities of common wheat available for export will probably be limited to the requirements of the flour export programme, food aid and supplies to certain long-established buyers of grain. At the same time, there is still a surplus of low-quality durum wheat for which outlets are hard to find. As to feed grains, higher demand and lower production in the Community will lead to greatly increased imports; in particular, maize imports are expected to rise by 3 - 4 million t as against previous years. On the world market, however, it is likely that wheat production will enable overall stocks to be built up during 1976/77, whilst for feed grains the higher demand means that further stock-piling can hardly be expected despite forecasts for a record harvest. On the basis of performance in previous years Community production should continue to rise until 1980 given normal weather conditions, reaching 110 million t in 1980 against about 105 million in 1977. However, it should be noted that in recent years production has fluctuated widely in relation to the general trend. Internal consumption, which is less changeable, will probably tend to rise more slowly than production. A slightly higher self-supply rate may therefore be expected in the years to come. On world markets, on the other hand, the reverse tendency is likely; especially for wheat, potential demand is expected to rise more strongly than production,

In the short- and medium-term, Community rice production should maintain its present level. Rice consumption will probably rise in 1976/77 as a result of the shortage of potatoes; this may stimulate sales of Community-produced rice. The current exceptionally low prices on world markets appear to be holding steady. The volume of Community surplus production available for export will probably show only minor changes arising from production and harvesting conditions.

The world sugar harvest is expected to amount to 86,5 - 88 million t in 1976/77, corresponding to an increase of between 4 and 6% on the previous year. The small harvests expected in most of Europe following the drought will therefore be broadly compensated by abundant production in other parts of the world. World sugar consumption stagnated in 1974/75 and 1975/76 as a result of high world prices in earlier years. It will probably recover in the coming years, especially if world prices hold steady at about their present level.

However, no recovery can yet be seen in the industrialized regions. In this respect a significant factor is the availability for the first time in appreciable quantities of a valid substitute for liquid sugar, namely glucose with a high fructose content. In the coming years it may be expected that world production will amply cover world needs and that world prices will therefore continue to be lower than Community prices. In view of the imports of preferential sugar, the Community supply situation will probably be such as to leave a substantial margin for export.

Given the upward trend of olive oil prices - even if some slowdown occurs - and the downward trend in seed-oil prices, no appreciable recovery in olive oil consumption may be expected in the immediate future; however, in view of the sharply lower forecasts for the 1976/77 harvest, it is unlikely that large quantities will be submitted for intervention. Furthermore, in view of the substantial stocks overhanging the world market, exceeding current demand and adding to supply, it may be assumed that the situation on the world olive oil market will not improve in the medium term and that the exporting countries will still be holding large stocks at the end of 1977.

In 1976/77 it may be expected that the downward trend in vegetable oil prices, together with an improvement in the economic situation, will have a favourable influence on consumption. At the same time, in view of current availabilities, a reversal of the present surplus situation accompanied by an appreciable rise in prices does not seem likely.

The outlook for world protein supplies in 1976/77 suggests that the market may become firmer. On the offer side, the substantial decline in the volume of the 1976 soya harvest in the United States will be no more than partially counterbalanced by the expected increase in production in Brazil in the spring of 1977, the increase in cottonseed cake supplies and the possible expansion of fishmeal production in Peru. In the Community the improving economic situation in several Member States may bring about a recovery in demand in 1976/77. In view of the size of existing stocks and the level of world availabilities, no supply difficulties are to be expected in the near future; however, it is possible that some drawing on stocks may occur later on.

The structural imbalance in the Community milk sector will worsen rapidly during the coming four or five years if the Council does not take measures to halt the present trends. Although the drought had only a very limited effect on the size of dairy herds, its influence on stockbreeders' incomes and on fodder supplies will continue to affect production in the winter of 1976/77. On the other hand, an appreciable rise in both yields and production is probable in the second half of 1977 as compared with the same period in 1976. In addition, dairy herds will tend to expand during the coming three years; the average annual rise in milk production during this period may be estimated at about 2%, the rise in deliveries to dairies being still more marked. In the United

Kingdom butter consumption will decline steadily as a result of the price rise during the remainder of the transition period; in addition, consumption will be further reduced if the price subsidies are abolished or reduced. Total consumption of liquid milk and fresh products was stimulated by the high temperatures in 1975 and 1976; a return to normal weather conditions and a slowdown in population growth would probably stabilize or reduce this consumption. The increase in cheese consumption, which depends mainly on general economic trends, will be more marked than in 1975 and 1976 - although it would not be realistic to expect the same growth rate as in the early seventies. The use of skimmed milk for animal feed, whether in powder or liquid form, will tend to decline unless special measures are taken to replace the special arrangements in force in 1976.

As a result of the high rate of slaughterings in June, July and August 1976 it may be expected that the decline in cattle numbers recorded in December 1976 will exceed that normally resulting from cyclical trends in capital consumption. It is estimated that net beef and veal production in 1976 will be about 2-3% lower than the high 1975 level. In the second half of 1976 the slaughter rate is expected to remain relatively high; however, owing to the shortage of fodder, average weight at slaughter will be lower. Internal beef and veal production is expected to fall again in 1977, by 5 to 6 %. A relatively low production level, of about 6 million t per year, is expected for 1978.

In 1976, 1977 and 1978 beef and veal consumption is expected to stagnate, firstly because of economic difficulties in the Community - especially in Italy and the UK, both large importers and consumers - and secondly because of the probable increase in pigmeat supplies in the months to come. The degree of self-supply, which was nearly 100 % in 1974, 1975 and even in 1976, will probably be lower in 1977 and 1978.

Following the appreciable rise in beef and veal supplies in the principal non-member producer and consumer countries in 1974 and 1975, it appears that the run-down of cattle herds resulting from the sustained high level of slaughterings will gradually bring about a decline in beef and veal supplies on world markets in the coming years. Import requirements are therefore likely to be higher in 1977 to 1979, especially in the United States; beef and veal prices on world markets may consequently be expected to recover from the current relatively low levels,

notwithstanding the improvement to be seen from the middle of 1975 onwards and despite the appreciable rise in the production of grain-fed meats (pigmeat and poultrymeat).

The thrice-yearly surveys on pig herds have shown that breeding stocks are expanding throughout the Community; this development is likely to result in increased supplies of pigs for slaughter from the first half of 1977 (+2 to 3% in relation to the first half of 1976). This increase will be still more substantial in the second half of 1977 and will probably result in a cyclical decline in pig carcass prices, which will be accentuated from the end of spring 1977. In 1978 no real recovery in pig carcass prices is likely before the second half of the year. The overall outlook for pigmeat will be affected by the probable situation on the beef and veal market which, in the event of shortages, may prevent the cyclical downswing in pig carcass prices from gathering strength. A production increase is also expected on the world market; however, in eastern Europe, at least in 1977, this situation may be partly offset by higher demand from the USSR.

Community requirements in eggs and poultrymeat are amply covered by production. Consequently, quantities must be exported to restore market equilibrium when internal demand is inadequate to absorb excess supplies. It is forecast that egg and poultrymeat production will rise towards the middle of 1977, affecting prices, especially of poultrymeat. After 1977 the trend is difficult to forecast. Egg consumption is fairly stable and consequently the market situation depends on the production level and the export trade. For poultry, forecasts are still more difficult to make; consumption is still rising, but fluctuations occur due to the influence of various factors such as the prices of other kinds of meat. Poultrymeat production responds rapidly to changes in the level of demand, but the volume of exports is nevertheless an important element in market equilibrium. The potential for export sales cannot at present be determined with any accuracy, since some established importing countries are at present developing their domestic poultry production, with the result that exports to these countries may decline in future. In the absence of other outlets, Community production will exceed the needs of the internal market.

In the short-to-medium term no significant change is forecast in the production and consumption of fruits and vegetables, although some decline may be expected in the production of "Golden delicious" apples and "Passe Crassane" pears following grubbing measures taken by the Community. As regards cultivation under glass, there is reason to think that current trends are moving either towards a decline in areas, or towards the replacement of certain traditional crops by other - in some cases non-leguminous - crops to improve the profitability of installations and reduce production costs.

The 1975 price trends for some of the principal processed fruit and vegetable products were reversed in 1976 as a result of weather conditions. Higher prices and reduced availabilities suggest that next year production will recover in areas at present experiencing supply problems.

In the live plants sector a period of technical restructuring and adjustments to product ranges may be expected in the immediate future in view of the sharp rise in production costs in recent years.

In the wine sector the slight increase in areas occurring during the years preceding the ban on further plantings, which will come into effect on 1 December 1976, together with probable further increases in yields in the Community, suggests that production will tend to rise, whereas it is unlikely that consumption will follow suit. Furthermore, the expected increase in world production will create a situation unfavourable to any increase in exports of table wines. This being so, the regulatory measures in the wine sector adopted by the Council, which will need to be supplemented in 1978 for the longer term, take on paramount importance. Measures along the same lines have been taken by other producer countries - Spain, for example - suggesting that in the future a better market equilibrium in this sector may be achieved. In the nearer term, forecasts for the 1976/77 harvest and the Community's option to bring the new intervention instruments adopted by the Council in 1976 into play suggest that the market will be fairly stable and that intervention measures will be on a limited scale and less costly than hitherto.

As a result of the sharp reduction in supply due to the drought, the 1976/77 potato marketing year has opened with appreciably higher prices than in 1975. However, available supplies, both from Community production and world markets, should be adequate at present to meet consumer demand and exercise some stabilizing effect on prices. Difficult conditions, on the other hand, may prevail during 1977, in particular because of storage problems in connection with the 1976 harvest (poor quality) and prices are liable to rise once more. Sowings should increase only slightly in view of high investment costs and the uncertainty of the potato market. Consequently, weather conditions will once more be the determining factor in market trends and price levels in the 1977/78 marketing year. Consumption trends are difficult to estimate since during the two years of shortages, consumers have been turning to substitute products.

The decline (about 2% on the previous year's level) in world tobacco production in 1976 should be interpreted as the result of two factors: lower prices owing to surplus production in 1975, and unfavourable weather conditions. In view of the expected 2 - 2,5% increase in annual consumption, stocks will be drawn on and world market prices may be expected to recover. It should, however, be stressed that, in the longer term, demand - especially in the industrialized western countries which are major consumers - will be influenced by tobacco utilization technology, anti-tobacco campaigns and higher taxes. As a result, it appears unlikely that the rate of consumption referred to can be maintained. Therefore, the years 1976 to 1980 may see a rough balance between supply and demand following the surpluses of 1965-69 and the shortages of 1970-74.

For the 1976 and 1977 harvests, in view of the market structure, there is likely to be a slight reduction in the world area under hops. The yields for the 1976 harvest will be lower than in 1975 because of the drought in Europe, and may bring about a reduction in world stocks. In view, however, of the high level of stocks in 1975, no major increase in prices should be expected, although the prices of hops not sold under contract will improve.

In 1977, despite the expected reduction in the world area under hops, the imbalance recorded in 1975 and 1976 could continue, and it is even to be feared that the level of stocks may rise again to what it was before the 1976 harvest.

For 1978, the likelihood of a more stable market depends mainly on an accelerated reduction of the area under hops at both world and Community levels.

Following the reduction in areas under seeds and the sharply lower yields caused by the drought, prices at the opening of the 1976/77 marketing year were in general very high in relation to the previous year's levels. This tension of prices is also partly due to appreciably higher demand resulting from the need to re-sow pastures damaged by the drought. Nevertheless, availabilities for 1977 (110.000 t from the 1976 harvest and 90.000 t in stock) should be sufficient to meet a demand which is up by about 20% (estimated consumption: 180.000 t). For certain species, however (*Trifolium pratense* and *Multiflorum medicago sativa*), consumption requirements may have to be met by larger imports from world markets; but areas under this crop are expected to rise in 1977 and it should be possible to rebuild stocks.

Although world demand for fishery products is rising, it is almost certain that buyers will not pay prices high enough to cover the operating costs of fishing fleets. As with the fishing industry throughout the world, Community fleets are in a serious situation. With a programme of conservation measures stringent enough to prevent exhaustion of stocks, the Community catch will inevitably be reduced.