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## THE SITUATION OF THE AGRICULTURAL MARKETS

### 1978 REPORT

#### PART I

(submitted to the Council by the Commission)

### Prefatory Note

The present document sets out in detail the situation on the different agricultural markets in 1978 and their outlook for 1979 and 1980.

The 1978 report on the Agricultural Situation, which is published by the Publications Office of the European Communities in relation to the "Twelfth General Report on the Activities of the European Communities" contains, besides other data, a shortened version of the present document.

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1978 REPORT

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A. GENERAL SURVEY

## I. SITUATION IN 1978 ON THE PRINCIPAL AGRICULTURAL MARKETS OF THE COMMUNITY

MILK : The dairy herd remained virtually unchanged; the premiums for the non-marketing of milk and for the conversion of dairy herds did not have the results initially expected, but did prevent a new increase in headage. The good weather in 1978 and the relatively low prices for cattle feed led to a substantial increase in milk production. Consumption of butter remained unchanged while production increased, cheese production rose more than consumption and sales of skimmed milk powder expanded. Butter stocks increased while cheese stocks remained large but stable and skimmed milk powder stocks declined slightly.

BEEF AND VEAL : The cattle herd and meat production both stabilized; consumption increased very slightly. Intervention buying-in was down on previous years. Net imports totalled about 200 000 tonnes.

SHEEPMEAT : Production picked up, consumption remained stable and prices increased, particularly in the United Kingdom and Ireland.

PIGMEAT : The breeding herd continued to increase, as did the total herd and the production of pigmeat; production will reach the 9.2 million tonne mark in 1978. Per capita consumption of pigmeat - unlike that of beef and veal and poultrymeat - is increasing steadily in nearly all regions of the Community. The fall in prices from January 1978 meant that intervention measures in the form of private storage aid were required from June onwards.

POULTRYMEAT : Placings increased in 1977 and 1978 and the parent stock was enlarged in 1977; exports fell sharply in 1977, but were more satisfactory in 1978. Improved profitability led to increased production; prices have been falling since September 1978.

EGGS : In 1978 production increased and prices fell; the latter trend was accentuated in mid-summer by seasonal price movements. Demand was very inelastic and more or less stable. Exports were low.

CEREALS : The harvest showed a big increase over the previous year. Human consumption continued to decline slightly, while animal consumption remained stable because of the increased imports of substitute products, notably manioc. Market prices for 1977 and the beginning of 1978 were under pressure; only a slight increase is forecast for the 1978 harvest.

DRIED FODDER : Production was better than usual in 1977 and 1978; prices were relatively low.

OILSEEDS : Exports of colza oil were particularly high in 1977/78, which helped sales from the 1977 harvest. The sunflower seed crop was disposed of as usual without difficulty. Community production of soya beans, although rising slightly, still accounts for only a small part of Community requirements. Supplies were obtained at low prices following the very abundant harvest in the United States.

OLIVE OIL : Production in 1977/78 was double that of the previous year (alternate bearing). Market prices were lower than the intervention price in the case of olive residue oil, equal to it in the case of lampante grade olive oil and above it in the case of edible oils.

SUGAR : Both Community and world production were high; consumption increased very slightly. Preferential imports and increased production of isoglucose meant that a very large quantity (3.7 million tonnes) had to be exported.

WINE : Production was very low in 1977 and still fairly low in 1978 (25 and 18% respectively down on 1973 and 1974). Consumption was stable and prices increased.

AGRICULTURAL ALCOHOL : Production and consumption were stable; there were no marked variations in prices, which tended downwards.

FRUIT AND VEGETABLES : In 1977 fruit production declined and vegetable production was normal; consequently, relatively high prices were recorded for fruit and lower prices for vegetables.

TOBACCO : There were structural difficulties for certain varieties (particularly oriental tobacco and Beneventano).

## II. THE MARKET OUTLOOK

### Summary of Community outlook :

Crop production : high (in some cases very high) levels of production; prices slightly higher than in the past year.

Cost of animal feed : comparable with that in the past year; some uncertainty regarding the oilcake situation from March/April 1979 onwards.

Livestock production : increase in the production of pigmeat, poultrymeat and milk and milk products, no change for eggs and beef and veal; some pressure on profitability in the livestock sector as a whole.

Specialized crops : no major changes are expected at this stage as regards wine, fruit and vegetables, hops, seeds and other specialized crops.

The Commission agrees on the whole with the conclusions reached by the OECD Committee for Agriculture at its meeting on 16 to 18 October 1978 as regards the world outlook for the markets in cereals, animal feed and livestock products for 1978/79. An abundant supply of cereals, particularly coarse grain, is forecast in almost all the major producing regions, together with another large soya harvest in the United States.

World wheat production is expected to exceed 410 million tonnes, thus almost reaching the 1976 level. Having regard to the expected increase in world consumption, little change in world stocks is to be expected; there will probably be a decrease in the United States and a slight increase elsewhere. The world price will therefore be steadier than in the past year, but will probably not be more than half the Community price for wheat.

As regards feed grain, the expected increase in supply will not be completely offset by an increase in demand, although the latter will continue high, particularly in respect of pig and poultry feed. Stocks in the United States are therefore likely to expand and there will consequently be more pressure on world stocks of feed grain than on wheat stocks.

The situation as regards protein products for use in animal feed is more balanced than the situation in the cereals sector. Record production of soya in the United States, increased production of groundnut, sunflower and colza cake, and stable production of fishmeal and cotton seed cake should be seen in the light of the relatively low stocks at the beginning of the marketing year, sustained or increasing demand, and above all the uncertainty surrounding soya production in the southern hemisphere at the beginning of 1979. Equilibrium can be achieved in this sector only if the South American harvest totals about 17 million tonnes, i.e. some 30% more than in 1978. Relative stability is therefore expected, but the situation could be very sensitive to even minor fluctuations in supply and demand.

Against the backdrop of a more or less balanced world market in cereals, certain difficulties are to be expected at Community level. Total cereal production will this year probably amount to 115 million tonnes, thus exceeding Community consumption by about 5 million tonnes, which, together with imports, will mean that the Community has a surplus of around 20 million tonnes. Large-scale buying-in of wheat and barley and considerable expenditure on exports will probably be unavoidable. In view of demand, the price of cereals for use in animal feed will therefore be only slightly higher than in the past year.

As regards the supply and import of cereal substitutes, attention should be drawn to the greatly increased use of manioc in feed for pigs and also for poultry and even cattle. The marked increase in the use of manioc in the past year, potential future demand for this product and the situation in the cereals sector will probably lead the Community to adopt measures to regulate manioc imports. Certain other ingredients, such as citrus and beet pulps, are used in feeds, particularly for cattle, because of their nutritional value, and do not really replace cereals to any great extent. The supply and price situation for these products is comparable with that in the cereals sector.

To sum up, future supply in the livestock sector will probably follow the same pattern as in the past year.

The relatively low prices of animal feed during the second half of 1977 and the increase in pig prices led farmers to expand pigmeat production considerably, which made prices fall substantially from the beginning of 1978. For the end of this year and the major part of 1979, account must be taken of increased production and hence low prices on this market. The still relatively low price of feed will probably prevent a serious crisis in this sector in the coming months, but producers in some regions must expect difficulties at the beginning of 1979.

Some problems can also be expected then in the poultrymeat sector. Reductions in parent stock at the beginning of 1978, satisfactory exports to the Middle East and the price of poultry feed rapidly increased this sector's profitability during the year. This led to a rapid expansion of production and by September prices were again falling; at the same time exports became more difficult because of the situation of the American dollar, and production - because of the small increase in consumption - will have to adapt in 1979 to more difficult sales conditions.

Egg prices are currently lower than feed prices, which makes producers rather reluctant to purchase day-old chicks; the crisis in this sector may therefore be overcome during the first half of 1979, and more satisfactory producer prices can be expected in the second half of the year and the beginning of 1980.

Beef and veal production will increase only very slightly in 1979; the cyclical upturn in beef and veal production in the Community will not become visible until 1980. In view of the situation described above for the other main categories of meat, the economic and employment situation and the very low rate of population growth, consumption will increase very little. Given the outlook for production and consumption on the one hand and the intervention stocks to be disposed of on the other, the net import balance can be put at about 200 000 tonnes for both 1978 and 1979. There is, moreover, no reason to suppose that prices will fall in this sector: some increase cannot be ruled out. From 1980 onwards, the decline in production of other meat beginning in late 1979 or early 1980 may assist in the disposal of the extra beef and veal produced.



As regards the milk and milk products sector, the dairy herd is expected to remain stable in 1979 and 1980. The milk yield per cow, however, continues to increase and the expected level of feed prices will do nothing to curb the increase in the use of food in this sector. Consequently, allowances must be made for increasing production of milk and hence of butter and skimmed milk powder in particular. On the other hand, consumption of butter is likely to continue to decline and cheese consumption will increase only slowly. In the next few years, therefore, an increase in butter stocks can be expected and at best there will be no change in the large stocks of skimmed milk powder. Although some degree of control over milk production has been achieved in several non-member countries, no real expansion of Community exports is forecast.

Even if world sugar prices steady slightly as a result of some reduction of the large stocks and perhaps improved effectiveness of the International Sugar Agreement, expenditure in this sector will continue to be very high. Although less than last year, the Community production surplus will total about 2.75 million tonnes in 1978/79 and the current world price is only about 40% of the Community price. There is at present no prospect of medium-term equilibrium - either quantitative or financial - in this sector.

World demand for oils and fats continues to hold steady; there is, however, some possibility that prices will fall given the forecasts of availabilities in this sector, which could increase consumption. As regards olive oil and butter, the consumption forecasts are less encouraging: the probable price level for substitute products will presumably affect consumption of these two Community products.

From 1979 onwards, production of dehydrated fodder may increase on the basis of the new rules recently introduced in that sector.

The increase in areas under colza and rape in the northern Member States and the very favourable weather conditions in France have led to an increase of about 25% in Community production. A further increase in area is expected in the next few years.

The information so far available regarding the 1978/79 harvest indicates that wine production will exceed last year's figure by about 10 million hectolitres. As this is slightly less than normal foreseeable consumption, the high level of existing stocks could drop slightly, without any great effect on prices. In the medium term, Community production may be expected to exceed requirements, which remain more or less stable.

For fruit and vegetables the situation is not expected to change much in the more or less long-term.

In the fruit sector, however, marked fluctuations from one season to another may occur as a result of weather conditions.

As regards fibre flax, market equilibrium is expected for short fibres and a good supply situation is forecast for long fibres. Supply of hemp is expected to remain stable.

Forecasts point to a continuing surplus of hops over the next few years, some difficulties with regard to tobacco, a fairly balanced situation as regards seeds, and a potato surplus in 1978/79 and subsequent years unless planting is further reduced after the 7.5% cut in 1978.

B. ANALYSIS BY SECTOR

I. PRODUCTS SUBJECT TO COMMON MARKET ORGANIZATION

## 1. CEREALS (1)

### 1. Introduction

#### (a) The economic situation :

During the past year the Community cereals market has remained remarkably well balanced. The 1977 wheat area was reduced by poor sowing conditions and the surplus was only just sufficient to cover our normal minimum exports. The barley crop, whilst very large, met a good export demand. However the relatively poor demand for barley on the internal market presages considerable difficulties in more normal export market conditions. The weather in 1978 has again favoured the growth of cereals and new records are expected in the production of both wheat and barley. World markets remain depressed by high stocks and continuing high levels of production, particularly as regards feed grains.

#### (b) Cereals in Community agriculture :

The total area of cereals in 1977 was 25.8 million ha. or 27.8% of the utilized agricultural area (UAA). Their importance in the land-use of individual Member States varies considerably, being least important in Ireland and the Netherlands (8% and 11% of UAA respectively) where fodder crops and permanent grasslands are more important. They are of greatest significance in Germany and Denmark (40% and 62% of UAA respectively) where cereals account for about 70% of the arable land, they also account for a high proportion of the arable land in Luxembourg (68%). In the remaining Member States cereals occupy 45 to 60% of the arable land and 20 to 30% of the UAA.

The cereals share in the final production of agriculture is a less useful measure of their economic importance since in many cases a large proportion of the production is used for livestock feeding on the farm where it is produced. This means that the final production of such cereals is in the form of livestock products. Thus in Germany, where cereals account for 40% of the UAA, they only represented 6.6% of the value of final production in 1976 because over 55% of the total quantity produced was used for animal feeding on the farm where it was grown. In France, by way of contrast, cereals accounted for 30% of the UAA and 14.0% of the value of final agricultural production because only 26% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about one third of the crop was fed to livestock on the farm where grown, the direct contribution of cereals to the final production of agriculture was 10.0% in 1976.

#### (c) The Community in world cereals production :

World production of cereals (excluding rice) in 1977 amounted to 1 093 million tonnes (according to FAO statistics) of which the quantity produced in the Community was 9.5% (8.1% in 1976). The proportions produced by the other major exporters of cereals were : United States 24%; Canada 4%; Australia 2%; Argentina 2%.

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(1) See tables M.I.1 to M.I.19 in Part II

2. Production

The overall production of cereals in the Community recovered in 1977 after two successive years of unfavourable weather. However the area sown to cereals was smaller than usual because of poor autumn sowing conditions in Italy. For 1978 the preliminary results indicate a 4% increase in the area sown and over 5% increase in the average yield. Thus production will exceed the previous record (made in 1974) by more than 5 million tonnes. The trend in production is not easy to estimate precisely because of the variability of production in recent years though it seems fairly clear that yields are continuing to increase whilst the total area of cereals remains little changed.

(a) Common wheat :

Sowings of common wheat returned to normal for the 1978 crop (+ 7.6 %) after particularly difficult sowing conditions for the previous crop in Italy and the United Kingdom. The generally cool wet summer has led to yields slightly exceeding those of the record 1974 crop and over 8% higher than in 1977. Total production is expected to be between 42 and 43 million tonnes (+ 16 to 19%) of which around 20 million tonnes in France (+ 15 to 17% as compared with 1977). The quality of the crop is expected to be about average.

(b) Durum wheat :

The durum wheat crop in Italy has also returned to a more normal level in 1978 with increases of 32% in area and 62% in production. In France the area remains about the same as in 1977. Total Community production is forecast at 3.5 million tonnes (+ 54%).

(c) Rye :

The area of rye decreased by about 6% in 1978, due mainly to reductions of 7% in Germany and 8% in Denmark. Yields should reach a new record and as a result production will only decline by 3% to about 3.4 million tonnes.

(d) Barley :

The total area sown to barley for the 1978 crop increased slightly (+ 1%) to 9.5 million hectares. Within this total, the switch to winter barley continued, particularly in France and Germany :

Area of winter barley in % of total barley area

	1975	1976	1977	1978 (P)
Germany	39 %	46 %	49 %	52 %
France	20 %	31 %	42 %	48 %

This change has had the effect of improving average yields because of the higher yields of winter barley but it has also had an adverse effect on quality since most of the winter varieties are of 6 - row barley which has a lower specific weight and generally lower value for animal feeding as well as for malting.

Yields in 1978 are expected to have increased by 3 - 4 %, partly because of the higher proportion of winter barley and partly because of the favourable weather. Despite the swing to winter barley it seems that there is still sufficient supply of barley suitable for malting. Total Community production of barley is forecast at more than 39 million tonnes, exceeding the record 1977 crop by over 4%.

(e) Oats :

The area of oats continues to decline (- 7% in 1978 and - 4.6% per year on average between "1974" and "1977"). A very good yield in 1978, particularly in Germany, means that production is expected to increase by 3% to about 8.2 million tonnes.

(f) Maize :

Maize production in 1977 was 38% higher than in the previous year following increases in the area sown in France and in Italy whilst yields also recovered from the very low levels of 1976. Preliminary estimates for 1978 suggest greater sowings in France but some reduction in the area in Italy. With moderately good yields, production may be expected to rise by around 5% to some 16.5 million tonnes.

3. Consumption

In 1976/77 the total volume of cereals used in the Community amounted to 109.7 million tonnes, i.e., 0.4% less than in 1975/76. About 34% consisted of wheat and 66% of coarse grains, of which 29% was accounted for by barley and 26% by maize. The utilization of all cereals was made up as follows in 1976/77 :

Human consumption and industrial use, 34.7% (34.1% in 1975/76); animal feed 61.1% (61.4% in 1975/76); seed and losses, 4.2% (4.5% in 1975/76). 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 cereals for 1976/77 :

Cereal consumption in 1976/77 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Wheat (Durum and common)	68.1	26.0	0.5	5.4	100.0
Rye and meslin	42.1	50.3	1.6	6.0	100.0
Barley	0.4	77.1	16.9	5.6	100.0
Oats and summer mixed corn	3.7	91.5	0.0	4.8	100.0
Maize	3.2	80.8	15.0	1.0	100.0

(a) Human consumption :

Net human consumption declined by 0.8% between 1975/76 and 1976/77. The decrease in per capita consumption (- 0.9%) is somewhat greater than in recent years (- 0.6% on average in the period "1973/74" to 1975/76"). This is entirely due to the erratic figures for maize and is probably not meaningful.

Net human consumption of cereals in 1976/77 - breakdown by cereal

	Net overall human consumption (thousand tonnes)	Net per capita consumption	
		Kg per capital	% change 1975/76 to 1976/77
Wheat - common	16 353	63.1	0.5
- durum	2 795	10.8	- 1.3
Rye	1 050	4.1	2.0
Barley	68	0.3	- 4.3
Oats	157	0.6	- 4.4
Maize	623	2.4	- 29.1

Amongst the figures for each cereal, it is interesting to note that the per capita consumption of common wheat and rye increased slightly in 1976/77 when potato prices were exceptionally high throughout the Community. Consumption of durum wheat was slightly reduced but this was entirely due to the reduction which occurred in Italy whilst in the remainder of the Community there was an increase of 17.5% on the net human consumption of this product.

(b) Animal feed use :

The importance of cereals in animal feeding reached a peak in 1972/73 and 1973/74 when they accounted for more than 26% of total energy requirements (expressed in Fodder Units). This represented over 62% of the energy supplied by concentrate feeds (i.e., excluding bulky fodder, root crops and grazing, etc.). This proportion had fallen to 58.8% by 1975/76 whilst the part taken by manioc had increased from 1.7% to 2.3% and that for oilcakes from 12.5% to 15%. The total quantity of cereals fed to livestock has fallen from a peak of 72.2 million tonnes in 1973/74 to 67.0 million tonnes in 1976/77. This is principally due to the substitution of cereals by products such as manioc, oil-cakes and a variety of food industry by-products which may be imported into the Community with little or no import charge. The most important direct substitute for cereals is manioc, the imports of which have risen from 2.1 million tonnes in 1974 to 3.8 million tonnes in 1977 and are expected to be still higher in 1978 (perhaps as much as 5 million tonnes).

The following table compares the consumption of different cereals on the farms where they are grown with the animal feed use of cereals which pass through the market (usually purchased as compound feeding-stuffs).

Animal feed use of cereals in 1976/77, on the farm where grown and through the market - breakdown by cereal

Cereal	Used on farms	Marketed	Total	
	1 000 t	1 000 t	1 000 t	%
Wheat	5 100	4 712	9 812	14.6
Rye	1 217	279	1 496	2.2
Barley	12 988	11 549	24 537	36.6
Oats, etc.	5 570	1 440	7 010	10.5
Maize	4 975	17 674	22 649	33.8
Other	28	1 504	1 532	2.3
Total	29 878	37 158	67 036	100.0
	44.6%	55.4%	100.0%	

1976/77 was notable for the fact that less cereals than usual were used on the farm where they were grown. This was due to the poor crops, particularly of the principal feed grains (barley, maize and oats), which meant that many farmers were obliged to supplement their own supplies with bought-in cereals or compound feeds containing cereals. Normally, about 50% of the animal feed use of cereals is on the farm where grown. The only other significant change in the pattern of animal feeding was the decline in use of sorghum following the increase in the threshold price for imported sorghum. This cereal had previously had a relatively favourable threshold price when compared to maize.

(c) Industrial use :

The statistics on processing and industrial use of cereals remain incomplete as regards the United Kingdom. It appears however that the quantity of cereals used for these purposes in the Community has increased by about 8% in 1976/77 as compared with 1975/76; this is a resumption of the upward trend in such uses which had been observed in the past. The increase affected both maize and barley (which account for 97 - 98% of processing and industrial use of cereals). The use of barley in brewing, which accounts for 90% of the industrial use of barley, went up by 5.5%, this increase being mainly in France and the United Kingdom. The only other industrial outlet for barley, distilling (mainly in Ireland and the United Kingdom), reduced its offtake by 15.9%. The processing and industrial use of maize appears to have increased by about 15%, largely because of the increase in the use of maize for starch which took place in most of the Member States but which was particularly notable in the Netherlands.

(d) Self-supply :

Total internal use declined in both 1975/76 and 1976/77 but the very poor crops gave levels of self-supply much lower than would normally have been expected. In 1975/76 the self-supply was only 87.4% and in 1976/77 it declined still further to 82% (-6.2%).



Summary of the cereal balance sheet in 1976/77

(million tonnes)

	Wheat (durum and common)	Rye	Barley	Oats, etc.	Maize	Other cere- als	Total
Stock change <sup>(1)</sup>	- 0.2	-	+ 0.2	- 0.1	- 0.1	-	- 0.2
Net external balance <sup>(2)</sup>	- 0.9	+ 0.2	+ 1.9	+ 0.8	+16.8	+ 1.2	+ 19.9
Domestic use, less produc- tion	- 1.1	+ 0.2	+ 2.1	+ 0.7	+16.7	+ 1.2	+ 19.7
Self supply %	103.0	94.8	93.5	90.8	40.4	19.9	82.0

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

The low opening stocks and poor crops in 1976 resulted in very heavy net imports to meet the Community's net deficit which amounted to nearly 20 million tonnes. Preliminary estimates for 1977/78 indicate that the net deficit has fallen to less than 10 million tonnes, equivalent to a self-supply of over 90 %. It is probable however that total imports will only have fallen by around 7 million tonnes whilst exports have increased by over 3 million tonnes, this increase consisting entirely of barley. For a complete picture it would also be necessary to take into account

(a) Stocks : the trade in non-cereal feedstuffs.

The estimation of stocks in the different Member States is undoubtedly of very variable accuracy as between both Member States and stock positions. According to the best available estimates, the total stocks of cereals in the Community at the beginning of the 1977/78 marketing year amounted to 13.7 million tonnes of which 1.3 million tonnes were held on farms. Of the 12.4 million tonnes of stocks in other positions (including intervention stocks and government reserves in some cases), common wheat accounted for 6.8 million tonnes, durum wheat for 1.2 million tonnes, barley for 0.9 million tonnes and maize for 2.5 million tonnes.

By 1 August 1978 the off-farm stocks are expected to have risen slightly, to about 12.5 million tonnes, including 6.5 - 7 million tonnes of common wheat (15-18 % of normal production), 0.8 million tonnes of durum wheat (30 % of normal production), 1.2 million tonnes of barley (3 % of normal production) and about 2.9 million tonnes of maize (18 % of normal production but only 10 % of consumption).

4. Trade

(a) Between Member States :

Trade between Member States of the Community falls into two distinct categories, trade in cereals of Community origin and trade in or transshipment of cereals of third country origin. Briefly, the latter consists of import into one Member State via another Member State, often

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for sound economic reasons such as vessel size and port charges, but sometimes in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular, its monetary compensatory system. The majority of this trade consists of imports of grain ultimately destined for Germany and the United Kingdom via the large Benelux ports. The cereal most commonly involved is maize, the exports of which from the Benelux countries to other Member States have almost doubled between 1975/76 and 1976/77 to reach a total of 4 million tonnes. There has also been a significant trade of this kind in common wheat in 1975/76 (1.6 million tonnes) and in barley in 1976/77 (0.9 million tonnes).

The major Community supplier of cereals to other Member States is France. French deliveries in 1976/77 totalled 7.5 million tonnes (- 19 % compared to 1975/76) of which 4.3 million tonnes were common wheat (+ 3%) and 2 million tonnes were barley (+ 13 %). Maize deliveries were greatly reduced (- 73 %) because of the poor crop and France became a net importer of maize, taking 1.4 million tonnes of maize from third country suppliers. In 1977/78, maize deliveries are likely to have recovered to over 2 million tonnes, and wheat deliveries are also expected to have risen, to over 5 million tonnes. Barley trade from France was somewhat impeded by retention, which led to high prices, and the quantity moved in 1977/78 was probably only a little higher than in the previous year. The United Kingdom however became a significant supplier of barley to other Member States, sending well over 1 million tonnes, though some of this was subsequently re-exported to third countries. The principal users of French maize and wheat are the United Kingdom, Germany and the Benelux countries. Germany and Belgium are the main recipients of French barley. In 1977/78, Italy had a very poor wheat crop and took an exceptionally large quantity of common wheat from France as well as a large amount of barley from France and from the United Kingdom where prices were relatively favourable.

(b) With third countries :

Imports of cereals from third countries (reduced by the estimated level of transshipments) amounted to 26.5 million tonnes in 1976/77 (22.8 % more than in 1975/76) of which 17.2 million tonnes were maize (43 % more than in 1975/76). These exceptional figures were entirely due to the very poor 1976 crops. In 1977/78 the preliminary estimates indicate imports of about 20 million tonnes of cereals, including about 13 million tonnes of maize. In 1976/77 over 90 % of the maize imports came from the United States with the remainder coming mainly from Argentina. Imports of sorghum fell back in 1976/77 to 1.3 million tonnes and in 1977/78 are believed to have fallen still further to around 0.4 million tonnes. Heavy imports of barley have been a feature of both 1975/76 and 1976/77 when they amounted to 2.1 and 3.4 million tonnes respectively. It is estimated that imports of barley in 1977/78 amounted to less than 1 million tonnes. The imports in 1976/77 came from an unusually wide range of origins, including other European countries, the United States and the Middle East as well as such more traditional origins as Canada and Australia. The smaller 1977/78 imports have come mainly from Canada and Australia.

Imports of common wheat fell between 1975/76 and 1976/77 to 3.1 million tonnes but are expected to have risen to over 4 million tonnes in 1977/78. Of this total it is believed that some 0.3 million tonnes were temporary imports under inward processing arrangements for subsequent re-export in the form of flour. Durum wheat imports have declined from 0.9 million tonnes in 1975/76 to 0.6 million tonnes in 1976/77 but increased to just under 2 million tonnes in 1977/78 because of the Italian crop shortfall. Around 85% of the 1976/77 imports came from North America and almost all of the remainder from Argentina and Australia.

Total exports of cereals and cereal products in 1976/77 fell by almost half to 6.6 million tonnes. Within this total, common wheat and flour accounted for the greatest part with 4.3 million tonnes. The exports of wheat and wheat flour in 1977/78 are estimated at about 4.7 million tonnes which were broken down as follows: 3.4 million tonnes of commercial sales, of which 3.0 million tonnes in the form of flour, and 1.3 million tonnes as food aid, of which 0.4 million tonnes in the form of flour. The estimated total 3.0 million tonnes of commercial flour exports includes 0.3 million tonnes exported under inward processing arrangements, a practice of considerable significance among millers who are favourably located (i.e. in ports) because of the substantial economies resulting either from the purchase of cheap third country wheat or from the saving of import levy on imported wheat when the operation is done on an equivalence basis (i.e. export of flour of Community origin set against import of wheat of third country origin). Commercial exports of wheat in 1977/78 were again small and were limited to the Community's most traditional markets in West Africa. Flour exports continued to go to a wide variety of destinations with Egypt and Sri Lanka among the most important. Exports of barley and barley products (mainly malt) fell in 1976/77 to only 1.5 million tonnes of which over 1 million tonnes was in the form of products. It is estimated, however, that exports in 1977/78 amounted to around 5 million tonnes, of which some 1.5 million tonnes in the form of products. The exports of barley in the form of grain mainly went to other European countries, the Soviet Union and the Mediterranean area. In contrast with past experience, a large proportion of these exports came from the United Kingdom and Denmark.

## 5. Prices

### (a) Common prices :

The common prices fixed for the 1978/79 crop year were only slightly higher than those for the previous year. The reference price for common wheat of breadmaking quality and the intervention price for rye were increased by 1% whilst the common intervention price for common wheat and barley was increased by 1.3%. At the same time an increase of 3% in the maize intervention price brought this into line with barley and common wheat at 121.57 UA/tonne, so completing the new simplified pattern of cereals support prices. The threshold price for common wheat was increased by 2.7%. Durum wheat prices and the threshold price for rye were unchanged.

(b) Internal market prices :

In the 1976/77 marketing year, cereal prices had been relatively high, but with the arrival of the 1977 crops prices fell in all Member States except France and Italy where political and economic uncertainties were the main reason for higher prices. In Italy, prices were also affected by the very poor 1977 wheat crop.

Average difference between market price and intervention price or reference price in 1977/78

(%)

	Common wheat		Durum wheat	Barley	Maize
	Breadmaking quality (1)	Other			
Germany	1.4	9.8	x	1.0	x
France	6.9	17.5	x	4.9	x
Italy	x	x	13.8	x	25.2
Netherlands	2.4	x	x	6.8	x
Belgium	1.8	7.6	x	0.2	x
United Kingdom	11.3	12.9	x	3.1	x
Denmark	x	x	x	0.4	x

(1) Difference between market price and reference price

The barley market was particularly oversupplied in the Northern part of the Community and prices remained below the intervention level for prolonged periods in Germany, Denmark, Belgium and the United Kingdom. Consideration of the common wheat market is complicated by the existence of two support price levels, the intervention price and the reference price (which only applies to wheat of "breadmaking quality"). The criteria used to define "breadmaking quality" and which are applied to the reference price are such that the price of most kinds of wheat in the Community, even those which are not of "breadmaking quality", tend towards the reference price. This is because the difference between the intervention price and the reference price is greater than is justified by the normal price "spread" found on the market. This means that, whilst support buying tends to take place for the average or better quality wheats at the reference prices, the lower quality wheats may not be sufficiently competitive on the animal feed market.

(c) World prices :

The 1877/78 crop year opened with world stocks of wheat and of coarse grains at a very high level and prices at their lowest for several years. During 1977/78 a slightly lower level of production and strong import demand lifted prices (in UA/tonne) somewhat, particularly as regards wheat the average price of which was at a similar level to the previous year and which remains fairly firm in the first months of 1978/79 because of lower production in North America and sustained import demand.

The average cif import price of maize and barley in 1977/78 were respectively 19% and 24% lower than in the previous crop year and, with the very heavy 1978 crops, have fallen during the first months of 1978/79 to around the lowest levels reached in 1977/78.

Highest and lowest monthly average prices in 1977/78 -  
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	UA/tonne	month	UA/tonne	month
<u>Common wheat :</u>				
Hard Winter II Ord.	95.09	June 1978	75.77	August 1977
Dark Northern Spring II/14 %	99.89	February 78	80.62	August 1977
<u>Barley :</u>				
Canada Feed I	81.56	November 77	66.49	September 77
<u>Maize :</u>				
Yellow Corn III	85.65	May 1978	63.57	August 1977
<u>Durum wheat :</u>				
US Hard Amber Durum III	114.65	January 78	86.81	August 1977

(d) Consumer prices :

Bread prices increased by an average of about 13% between 1976 and 1977, as compared with about 10% in the previous year. The greatest increases (17 - 26%) occurred in Italy, the United Kingdom and Ireland. The degree to which those increases were due to wheat prices is probably very small though it remains difficult to determine since bread prices are principally determined by distribution and manufacturing costs and by government price controls and/or consumer subsidies. Moreover these increases are very much smaller or even negative when expressed in relation to the general index of consumer prices. For example, the bread and pastry products index expressed in these terms actually decreased in Italy between 1976 and 1977 despite a 17% increase in the price of the most representative type of bread.

6. Short term outlook

The 1978 cereals crop in the Community is a record and, combined with a stagnant internal demand for cereals, puts the Community into a position of overall surplus for the first time. The crop forecast in late September 1978 amounted to 113.5 million tonnes and there were already strong indications that the final result could be as high as 115 million tonnes, of which perhaps 40 million tonnes of barley and 43 million tonnes of common wheat. This is to cover an internal demand which, with the dramatic increase in the use of cereal substitutes, has fallen from 115.5 million tonnes in 1973/74 to around

to around 110 million tonnes in 1975/76 and 1976/77. It is therefore possible that the net surplus as high as 5 million tonnes combined with a likely minimum of 15 million tonnes for exports and stock increases. In the context of an over-supplied and depressed world market this is likely to cause extremely high expenditure on export refunds as well as difficulties in the Community's relations with third country exporters. Moreover it is unlikely that large intervention buying of wheat and barley can be avoided.

7. Economic aspects of the measures taken

(a) Levies and refunds

(1) Import levies :

Import levies have moved within quite a narrow range during 1977/78. For all three major cereals (common wheat, barley and maize) they have remained between 70 and 50 UA/tonne for most of the period. The period of validity for import licences for cereals has remained unchanged at 45 days.

(2) Export levies :

Export levies have not been needed since the end of 1975.

(3) Export refunds :

No export refunds were fixed for commercial shipments of common wheat during 1977/78, though licences for about 400 000 tonnes with a validity period of one year had been issued in July 1977 with advance fixing of an export refund covering certain West-African countries. In effect, these were the only commercial deliveries of wheat as grain in that year though refunds were available for flour exports throughout the year.

Refunds for barley were fixed in the normal way for exports to nearby countries and by tender for exports to countries of Zones I to VI (i.e. most of the world except the Far East and the nearby West European countries). The tender with its subsequent amendments was for the export of a total 2 800 000 tonnes of which a total of 2 625 280 tonnes was accepted. The period of validity for the normal export licences for cereals remained at the month of issue plus the two following months except when licences were issued under the export refund tender where it was increased to four months after the month of issue.

Refunds were also fixed throughout the year for malt though some difficulties were again experienced as a result of brusque movements in the refund level. It is hoped to avoid this kind of problem in 1978/79 by means of a more or less automatic system for calculating the refund each week, with the average barley import levy as the variable element in the calculation. Simultaneously the malt export licences, which have a validity of 11 months after the month of issue, have had a limit imposed on their validity in order to stop them being used in the following malt marketing year (October/September). These measures were all introduced in early July 1978.

(b) International agreements and food aid

The International Wheat Agreement of 1971 remains applicable pending the negotiation of a new agreement to apply from July 1979. The only operational provisions of the 1971 Agreement were in the accompanying Food Aid Convention under which the Community is committed to the supply of 1 287 000 tonnes of cereals. In 1977/78, 720 500 tonnes of this total quantity (or 56%) was to be given as direct Community aid. The proportion of this direct Community aid commitment which had been effected by 31 July 1978 was 70.5% in respect of the 1977/78 programme and 99.7% in respect of previous programmes. As regards aid by Member States the corresponding proportions were 49.9% for the 1977/78 programme and 90.9% for previous programmes. By way of comparison, mobilisation under the 1976/77 programme by 31 July 1977 was only 27% complete for Community aid and 31% for national aid.

(c) Intervention

Stocks of common wheat fell during 1977/78 despite some intervention purchases of wheat of breadmaking quality at the reference price. This occurred at the beginning of the marketing year, mainly in Germany and was more than compensated by sales on the internal markets (mainly in Italy and Germany) or for export as food aid. Most of the remaining stocks are located in Germany and Italy. Durum wheat stocks fell to a negligible level following sales on the internal markets in Italy and France. Intervention stocks of barley remain quite small even though they have doubled since August 1977. Quantities taken into intervention were extremely small but only because the large export programme managed to lift prices sufficiently in the second half of the crop year. Rye remains the problem cereal, at least when considered in relation to the economic importance of the crop, for almost 400 000 tonnes were taken in (11% of production) whilst the export sales out of intervention were only effected at the cost of heavy losses. Most of the stocks are located in Germany.

Details of changes in intervention stocks during 1977/78 were as follows :

Intervention stock changes in 1977/78 (provisional estimates)  
(1 000 tonnes)

	Common wheat	Durum wheat	Rye	Barley
Stocks on 1.8.1977	846	228	186	53
Purchases	190	2	396	87
Sales	520	211	254	14
Net change	- 330	- 209	+ 142	+ 73
Stocks on 1.8.1978	516	19	328	126

(d) Uniformity of prices - Accession compensatory amounts

The final transitional price step for the United Kingdom, Ireland and Denmark took place on 1 January 1978 without any serious difficulties. There are no longer, therefore, any accession compensatory amounts.

(e) Uniformity of prices - Monetary compensatory amounts

In common with other sectors, cereals suffer from considerable disunity caused by monetary differences. The application of monetary compensatory amounts was extended to durum wheat and its products, with effect from 2 January 1978, thus ending the distortions which had existed in trade in these products.

(f) Production refunds

Production refunds are paid to cereal and potato starch manufacturers in order to enable them to compete with starch manufactured from other raw materials. The refunds fixed for the 1978/79 marketing year were unchanged as compared with the previous year, being 17 UA/tonne for maize starch, 24.29 UA/tonne for wheat, 20.89 UA/tonne for broken rice and 27.37 UA/tonne for potato starch. At the same time production refunds were re-introduced on maize groats and broken rice for brewing and on quellmehl.

(g) Durum wheat aid

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where yields are low yet where producers are dependent on this cereal for a significant part of their income. The aid fixed for 1978/79 is 63 UA/hectare (60 UA/hectare in 1977/78) and covers the same administrative regions (including the less favoured areas indicated in Council Directive 75/268/EEC) as it did in the previous year.

8. Budgetary expenditure

The expenditure of the EAGGF Section on cereals was 609.9 million UA in 1976, 586.7 million UA in 1977. It is estimated at 1 428 million AUA in 1978. The 1 428 million AUA estimated for 1978 breaks down into 1 079 million AUA for export refunds and 349 million AUA for intervention measures, of which 124 million AUA for durum wheat aid.



2. RICE (1) (2)

1. Introduction

Only two regions in the Community are suitable for rice cultivation: the Rhone delta in France and the Po plain in Italy. In 1977 the area under rice represented 0.2% of UAA in the Community and 0.14% of the world under rice.

The Community accounted for 0.25% of world rice production (349 million t of paddy rice) in 1977. Some 96% of Community production comes from Italy.

2. Production

In 1977 the area sown with rice in the Community was 3.1% greater than in the previous year.

In 1978 a further increase (2.9%) brought the total to 202 000 ha. In France the area increased to 12 000 ha in 1978 after a decrease from the 29 000 ha annual average for the period from 1956 to 1960 to 9 000 ha in 1976. In Italy the area under rice in 1978 totalled 190 000 ha, as compared with an annual average of 133 000 ha between 1956 and 1960.

Despite the increase in area, the 1977 harvest was 17.9% down on that of 1976. The reason for this was the particularly low yields per hectare in 1977 caused by adverse weather conditions during the growing period (30.5 q/ha as compared with 38.8 q/ha in 1976).

For 1978, yields per hectare are estimated at 43.6 q/ha, which points to a record harvest of 0.880 million t.

3. Internal consumption

In 1976/77 1.061 million t of rice were used within the Community, 7.5% less than the previous year. A decrease was recorded for industrial uses (-11.8%), animal feed (-81.46%) and human consumption (-2.9%). The drop in human consumption in 1976/77 was, however, to be expected following the sharp increase in 1975/76 during the potato shortage.

As a result of the decrease in production and the increase in internal consumption in 1976/77 the Community's degree of self-supply dropped to 65%, as compared with 89% in 1975/76 and 104% in 1974/75. Self-supply is expected to increase considerably with the record harvest forecast for 1978/79.

4. Trade

Imports from non-member countries amounted in 1976/77 to 0.593 million t compared with 0.612 million t in 1975/76, a decrease of 3.1%. From "1973/74" to "1975/76", however, imports increased by 8.3% per year.

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(1) See Tables M.2.1. to M.2.5. in Part II.

(2) In this document the word "rice" means husked rice unless otherwise specified.

From "1973/74" to 1975/76", exports rose by 4% per year. In 1976/77, however, exports were 19.1% down on the previous year.

The external balance therefore showed a deficit of 0.351 million t in 1976/77. This deficit is growing (0.124 million t in 1974/75; 0.313 million t in 1975/76).

The Community's share of world trade in rice in 1976/77 was 6.2% of imports and 2.5% of exports. The principal sources of imports remain the United States, South America and Surinam for whole rice and South America, Burma and Thailand for broken rice.

Most exports of rice go to the Mediterranean countries and Italy's immediate neighbours. In 1976/77 60 900 t of rice was exported as food aid, i.e. 25% of total exports.

Intra-Community trade increased by 6.6% in 1976/77 over the previous year, totalling 0.435 million t - only 48.7% of it produced in the Community - supplied by Italy to other Member States (0.212 million t in 1976/77; 0.223 million t in 1975/76; 0.153 million t in 1974/75).

## 5. Prices

### (a) Common prices

For the 1978/79 marketing year the intervention prices for paddy rice was increased by 2% and the target price for husked rice by 1.9%, making them 174.98 UA/t and 301.26 UA/t respectively at the start of the marketing year for standard quality rice.

### (b) Market prices

During the 1977/78 marketing year prices for paddy rice in the main rice-producing region averaged :

- for round-grain rice 285 UA/t (57% above the intervention price);
- for long-grain rice 319.8 UA/t (62% above the intervention price).

These prices are 22% (round-grain) and 13% (long-grain) higher than in the previous marketing year. In the space of two marketing years, from September 1976 to August 1978, prices in lire thus increased by 62 and 38% respectively. The main reason for the high price level in Italy is the absence of monetary compensatory amounts, which means that rice can only be imported into Italy at well above the threshold price.

### (c) World prices

In 1977/78 world prices increased on average for the first time since 1973/74. There was a change in the price relationship between round-grain and long-grain rice in 1977/78 as the supply of round-grain rice diminished. In 1975/76 the price of long-grain rice as a percentage of that of round-grain rice was 100%, in 1976/77 99% and in 1977/78 92%.

Because such a small proportion of world production is expected (in 1978 : 8.5 million t out of the 367 million t produced) the slightest variation in harvest, supply or demand can provoke sudden and considerable price changes.

(d) Consumer prices

Consumer prices are not available for all Member States. The following were recorded in 1977 :

- Italy : LIT 866/kg, 39% higher than in 1976;
- Germany : DM 3.20/kg, 1% higher than in 1976;
- France : FF 5.48/kg, 16% higher than in 1976;
- Netherlands : HFL 2.60/kg, 1% higher than in 1976;
- Belgium : BFR 51.75/kg (price not available for 1976).

From 1975 to 1977 consumer prices fell by 4% in Germany and rose by 8.5% in France and by 33.5% in Italy. In the latter Member State, the largest consumer of rice, consumer prices have doubled since 1973.

6. Outlook

(a) Short-term

For the 1978/79 marketing year the area sown with rice was 1 000 ha greater in France and almost 4 000 ha greater in Italy, and a record Community harvest of 0.880 million t is expected. The area under round-grain rice (which had already decreased by 15.5% in 1977/78) was further reduced by 18.8% in Italy, although the soil and climate are well suited to this crop. This trend is regrettable because Italian round-grain rice is easiest to sell in the other Member States. Some industries in the north of the Community rely on Italian round-grain rice, world supply being too irregular. It is possible that, as in 1976/77, the main producer country, Italy, will have to import round-grain paddy rice to supply the other Member States.

The reduction in areas under round-grain rice means that Italy will produce even more long-grain rice in 1978/79. Since, for reasons of quality, the Italian surplus of long-grain rice will be absorbed only partially by domestic consumption and supplies to other Member States, somewhere in the region of 300 000 t will have to be disposed of on the world market, either as food aid or commercially.

The first estimates of consumption for 1977/78 point to a further drop in human consumption. This is notably the case in Italy and in the United Kingdom, where the consumer prefers cheaper alternatives (pasta and potatoes).

Given the large structural surpluses forecast for 1978/79, market prices should, in principle, be lower than in 1977/78.

(b) Medium-term

There is scope for doubling the area under rice in France (12 000 ha at present), but it is unlikely that the area under rice in Italy in 1978/79 will increase much more, because of the special requirements of this crop. However, the high prices obtained by producers in recent years deter them from reducing their area under rice.

Depending on the weather conditions prevailing during the growing season and harvest, rice production in future years is expected to amount to between 0.550 million t and 0.900 million t.

Because of the high prices within the Community, there is uncertainty as to how rice consumption in the Community and supplies of Italian rice to other Member States will develop.

Despite this uncertainty, Community rice imports and exports are not expected to vary much in the next few years, fluctuating only according to the abundance of the Community harvest.

7. Economic aspects of the measures taken

(a) Levies and refunds

Because of the world price rises levies decreased in 1977/78. For the last three marketing years average levies were as follows :

	<u>in UA/t</u>		
	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
Round-grain husked rice	71.64	116.78	65.82
Long-grain husked rice	92.44	138.25	104.98
Round-grain milled rice	109.59	169.50	139.95
Long-grain milled rice	195.62	255.30	221.66
Broken rice	23.45	60.53	49.63

During the 1977/78 marketing year, export refunds were fixed for exports to Austria, Liechtenstein and Switzerland. Refunds on round-grain rice were fixed at the beginning of the marketing year at 60 UA/t for husked rice and 90 UA/t for milled rice. In November 1977 they were reduced to 30 UA/t and 37 UA/t respectively and were then abolished in March 1978. Refunds on long-grain rice were 80 UA/t (husked) and 100 UA/t (milled) at the start of the marketing year and 60 UA/t and 75 UA/t respectively until the end.

For exports to non-member countries other than those bordering on Italy, a refund of 100 UA/t was fixed for the period from 8 July to 23 August 1978. Small quantities of rice were exported in this way, but the bulk of the rice exported was in the form of food aid.

(b) Food aid

In 1977/78 130 672 t of rice was supplied as food aid, 114% more than in 1976/77. Much of this aid was supplied through the International Committee of the Red Cross and the Office of the United Nations High Commissioner for Refugees.

(c) Quantity submitted for intervention

Since 1972/73 no intervention measures have taken place in respect of rice.

(d) Monetary compensatory amounts

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

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of the rice sector amounted to 13.9 million AUA in 1977 and was estimated at 36.6 million AUA for 1978, or 0.2% and 0.5% of the expenditure of the Guarantee Section. The total of 36.6 million AUA breaks down into 35.6 million AUA for restitutions and 1 million AUA for intervention. In that year 13.7 million UA was spent on export refunds and 0.2 million UA on production refunds for broken rice.

### 3. SUGAR<sup>1</sup>

#### 1. Introduction

##### (a) Economic situation

In the summer of 1977 the main factors affecting the situation in the sugar sector in the Community were the extremely low consumption during the 1976/77 marketing year just ended and the good prospects for the 1977 harvest. It was therefore expected that a particularly large quantity of sugar would be available for export in 1978/79.

At the same time world sugar production seemed likely to be in considerable surplus again in 1977/78, with an appreciable increase in world stocks. It became clear that the pressure on world prices would continue as a result of this trend. World-wide efforts to conclude a new international sugar agreement to improve this situation were stepped up. The negotiations had been suspended in May 1977, but were subsequently completed in October of that year. The Community did not take part in the final phase of the negotiation.

##### (b) Sugar and Community agriculture

In the Community as a whole the area under sugar beet represents a mere 2% of the utilized agricultural area, but in a number of traditional sugar beet growing regions the proportion is 25 to 40%. At present there are about 380 000 farms producing sugar beet in the Community. The average area per farm given over to sugar beet is 4.6 hectares. There are, however, great differences from one region to another. A typical farm in northern France, for instance, has about 10 to 25 hectares under sugar beet, whereas in some of the German production regions the area under sugar beet is only 1 to 3 hectares per farm.

In 1977/78 sugar beet was produced by 221 refineries owned by 109 undertakings with a basic quota. The number of refineries is continuing to decline slowly, without, however, giving rise to any major changes in the pattern of sugar beet growing in the Community.

##### (c) The Community and the world sugar economy

As the world's largest sugar producer and exporter of white sugar the Community occupies a special place in the world sugar economy. This is further emphasized by the preferential imports to which the Community has committed itself. During the 1977/78 marketing year the main aim was to manage sugar exports in such a way as to prevent major fluctuations in supply from further disturbing the market.

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<sup>1</sup>See Tables M.3.1 to M.3.9 in Part II.

## 2. Production

For the 1977/78 marketing year the price for sugar beet was increased by 3.5% (see "Prices"). The Council did not adopt the Commission's proposal that the coefficient for determining the maximum quota be lowered. In doing so it did not reject out of hand the view that Community production should be curbed because the world market situation had deteriorated and the trend in Community consumption was disappointing. The reason for its decision was rather that by that time (the end of March 1977) it was too late to influence sowing. In a statement, the Council undertook to reduce the maximum quotas for 1978/79 if the world situation did not improve.

The relatively small price increase for beet and sugar subject to quotas and the foreseeable proceeds from the part of production to be sold outside the Community as C sugar led to a 5.9% reduction in the area under sugar beet in 1977/78 compared with the previous year. The area diminished in most Member States, the largest cuts being in Italy and France. In Denmark, Ireland and the United Kingdom, on the other hand, the area under sugar beet again expanded slightly.

After the 1976 drought, which had led in some Member States to extremely low yields per hectare, 1977 saw a return to normal weather conditions and in the the autumn the weather was exceptionally favourable, particularly for the development of the beet's sugar content. Particularly good yields were achieved in France. Total Community sugar production reached a record 11.53 million tonnes.

In 1977/78 8.87 million tonnes were produced under the basic quota. This was 266 000 tonnes short of the sum of the basic quotas, i.e. 9.136 million tonnes. It was again mainly in the French Antilles and the United Kingdom that the basic quotas were not used up, but this was also the case to some extent in Italy and Ireland.

With the improvement in production conditions, production in the range between the basic and maximum quotas increased considerably in 1977/78, totalling 1.86 million tonnes. In the previous year this section of production which is subject to the production levy amounted to barely 1.2 million tonnes.

## 3. Consumption

### (a) Food

Sales by the sugar industry within the Community picked up again in 1977/78, and human consumption for the marketing year as a whole totalled 9 350 000 tonnes of white sugar equivalent. Consumption was thus 4.4% up on the previous year. Per capita consumption rose to 36 kg. This quite marked increase in consumption is, however, of only limited significance in assessing consumer trends because the comparison is made only with the 1976/77 marketing year, during which consumption had fallen unusually low. In 1976/77 human consumption totalled less than 9 million tonnes. The reasons given in last year's report for the drop in consumption can be confirmed in retrospect. There were a number of factors, but the main ones were the drop in sales to manufacturers of soft drinks and ice cream because of the weather and the reduced demand following a poor soft fruit harvest.

Consumption may be expected to continue at the current level, which is the same as in the early seventies, in the coming years.

(b) Animal feed and the non-food sector

In 1977/78 about 12 000 tonnes of white sugar was sold under the denaturing premium system for feeding bees. A further 80 000 tonnes of sugar was sold as a raw material for the chemical industry. During the 1977/78 marketing year the discussion reopened as to whether the production refund on sugar used in the manufacture of certain chemical products should be reintroduced. The Council finally adopted the relevant measures with effect from 1 August 1978. The amount of the refund is equal to that for starch : 3.4 AUA per 100 kg of white sugar for 1978/79.

(c) Self-supply

Increasing production and low consumption of sugar raised the Community's degree of self-supply from about 90% during the shortage in 1974/75 to 123% in 1977/78. It should be borne in mind when assessing this trend that the surpluses consist partly of so-called C sugar which has to be sold by producers on the world market without Community financial responsibility (0.8 million tonnes in 1977/78). The quantity of sugar available for export is further increased by about 1.3 million tonnes of white sugar equivalent under the preferential agreements concluded mainly with the ACP countries.

4. Trade

(a) Between Member States

Intra-Community trade patterns followed the traditional lines in 1977/78. The United Kingdom and Italy regularly purchases large quantities from the other Member States to cover shortfalls. By reason of the large stocks remaining from the previous marketing year, Italy imported less sugar from Member States in 1977/78. Nonetheless, at times it had surpluses of sugar from the other parts of the Community. The total volume of intra-Community trade again decreased slightly.

(b) With non-member countries

Preferential sugar imports from the ACP countries and from the assimilated countries and territories fell slightly to about 1.33 million tonnes in 1977/78. Most of the preferential sugar - about 1.27 million tonnes - went to the United Kingdom, smaller quantities being absorbed by France, Germany and Ireland.

Sugar exports to non-member countries reached record levels in 1977/78. The 2.9 million tonnes of sugar exported with Community financial responsibility included about 275 000 tonnes of raw sugar. Sugar exports (in white sugar equivalent) can be broken down as follows (round figures) :



Invitations to tender for white sugar and raw sugar from the open market	2 662 000 t
Invitations to tender for intervention stocks	3 000 t
Periodically fixed refunds	2 000 t
Food aid for UNRWA	6 000 t
In the form of processed products	257 000 t
C sugar without refund	783 000 t
	<hr/>
	3 713 000 t

5. Prices

(a) Community prices

Compared with previous price rises for sugar beet (8% in 1976/77), the 3.5% increase in 1977/78 was very low. The sugar industry's processing margin taken into account in calculating the intervention price for white sugar was raised by 2.1%. In addition to the actual processing margin, an amount was included in the new price for white sugar for 1977/78 to compensate for the abolition of the quality premium for first-category white sugar. The definition of the intervention price had been amended in 1977/78. The amount included until 1976/77 to cover the storage levy was deducted, i.e. the intervention price is now a net price. Since the storage levy still has to be paid by the sugar industry, however, it has to be invoiced over and above the net selling price.

The guaranteed price for preferential raw sugar was fixed for 1977/78 at the level of the intervention price for Community raw beet sugar. It was 2.1% higher than in the previous year.

Since, despite the reductions in the area under sugar beet in recent years, the total area in the Community is still relatively large, and having regard to the record harvest of 1977/78 and the adverse world market situation, the Council fixed the price increases for 1978/79 at 2% for sugar beet and sugar, thus continuing the cautious price policy in the sugar section also.

(b) Prices on the internal market

In 1977/78 ex refinery market prices, net of tax, were very close to the intervention price in areas with a surplus. In the United Kingdom market prices were higher. Consumer prices increases varied from one Member State to another as a result of the various adjustments to agricultural parities.

(c) Prices on the world market

The 1977/78 marketing year again saw a world-wide surplus situation, with production exceeding world consumption by 6 million tonnes. At 1 September world stocks reached a level equivalent to 36% of annual consumption. In general, balance is considered to have been achieved in world supply when the final stocks at 1 September are equivalent to about 25% of world consumption. The present surpluses are estimated on that basis at roughly 10 million tonnes.

Although the average price for white sugar for immediate delivery was 19.85 AUA/100 kg on the Paris stock exchange in 1976/77, this price fell to 13.55 AUA (-27%) in 1977/78. Action taken under the World Sugar Agreement failed to halt the downward price trend.

#### 6. Short-term outlook

For the new marketing year 1978/79, average to good yields per hectare can be expected in the Community as a whole. With an area of 1.76 million ha under sugar beet, production is put at 10.9 to 11.1 million tonnes of white sugar equivalent. Community sugar consumption has recently picked up somewhat and it is estimated at about 9.45 million tonnes for 1978/79. It should be borne in mind that Community production of isoglucose should rise to between 110 000 and 125 000 tonnes, replacing an equivalent quantity of sugar within the Community.

Having regard in particular to preferential sugar imports and the traditional trade flows for sugar in the form of processed products, the quantity of unprocessed sugar available for export is likely to be about 2.8 to 2.9 million tonnes. This would be considerably less than the quantity exported in the previous marketing year (about 3.5 million tonnes), but, given the depressed world market situation, would again be a considerable financial burden for the Community.

The new International Sugar Agreement entered into force on 1 January 1978. Although the Community is not a member, it has links with the Agreement; in particular, it attends the most important meetings as an observer. The United States acceded provisionally to the Agreement, but has not yet ratified it. The world's largest sugar importer has therefore not yet fully participated in the Agreement, and application of certain measures such as the constitution of reserve stocks has been deferred. The export quotas for the parties to the Agreement were set at the lowest possible level in line with low world prices: 81.5 or 85% of the basic export quotas. Although a certain easing of the market was expected as a result of these measures, there was no visible price improvement on the world market in the first six months during which the Agreement was in force.

First estimates of world production and consumption of sugar for 1978/79 indicate that for the first time in four years production will not far outstrip consumption. It is thus expected that world stocks (currently standing at around 36% of annual consumption) will not expand further. The United States can be expected to ratify the Agreement in the first half of 1979 and the mechanisms of the Agreement should then be more effective. In the light of these two factors, i.e. an improvement in the balance between supply and demand on the world market and increased effectiveness of the Agreement, prices can be expected to stabilize and not drop further in 1978/79.

7. Economic aspects of the measures taken

Levies and refunds, intervention and food aid

The system of import levies and export refunds continued to operate satisfactorily in 1977/78 and to regulate the supply situation. The considerable sugar surpluses were exported with the aid of refunds, almost all of which were fixed by tendering procedure. Preferential sugar imported free of levies was purchased mainly by United Kingdom refineries, in the form of raw sugar.

In 1977/78 only the Belgian intervention agency bought-in any white sugar (3 000 tonnes). This sugar was exported to non-member countries in the middle of the marketing year under tendering procedures. Under food aid arrangements for Palestinian refugees, 6 142 tonnes of white sugar were delivered to the Middle East through the good offices of the United Nations.

Community rules for isoglucose entered into force on 1 July 1977; they provided in particular for a levy of 5 AUA per 100 kg of dry matter in 1977/78. At that time isoglucose production amounted to about 80 000 tonnes of dry matter per year. As mentioned above, production is expected to total 110 000 to 125 000 tonnes of dry matter in 1978/79.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of the sugar sector amounted to 226.5 million UA in 1976 and 536.7 million AUA in 1977 and is estimated at 812.5 million AUA for 1978. These amounts represent 4.1%, 8.7% and 10.2% respectively of the Guarantee Section's total expenditure. It should be pointed out, however, that a large proportion of this expenditure is covered by the special levies from the sugar industry provided for by the common organization of the market in sugar. The above totals and percentages are not therefore comparable with those for other agricultural products.

In order to arrive at the net expenditure incurred on the common organization of the market in sugar, the revenue from levies (i.e. the production levy for sugar and isoglucose and the storage levy for Community and preferential sugar) must be deducted from the all-in figures.

A production levy was not paid in 1976. In 1977 49 million UAU was due by way of advance payment for the 1976/77 marketing year. For 1978, however, a levy totalling 147 million AUA is expected, consisting of an advance payment for 1977/78 and the final payment for 1976/77.

In the case of storage levy, it is simplest to refer to the amount refunded by the EAGGF to beneficiaries for storage costs, given the principle of balance between repayments and levies. This amount was 145 million UA in 1976 and 162 million AUA in 1977 and is estimated at 194 million AUA for 1978.

Allowing for the special levies in the sugar and isoglucose sectors, net expenditure by the EAGGF Guarantee Section totals 323.7 million AUA for 1977 and 465.5 million AUA for 1978. These net figures include costs resulting from the arrangement whereby for the preferential imports of about 1.3 million tonnes from the ACP countries an equivalent quantity of Community sugar has to be exported; these costs amounted to about 260 million AUA in 1977 and 300 million AUA in 1978.

#### 4. OLIVE OIL<sup>1</sup>

##### 1. Introduction

Of the Community's olive oil production, 0.5% comes from France and 99.5% from Italy, where this product in 1977 accounted for 5% by value of national agricultural production and 1% by value of Community agricultural production.

Up to 1975 production covered 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 (185 million in Italy and 5 million in France). However, the percentage of Community requirements covered by internal production of oil has been rising steadily for three years.

Since the establishment of the common organization of the market in oils and fats, the scale of olive cultivation in the original Community has changed little. Olive groves still cover around 2.3 million ha (2 280 000 ha in Italy and 38 000 in France), representing 2.3% of the Community's total UAA, and are in the hands of 1 200 000 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 oil cultivation amounts to 10 million ha; the Community area is thus 23% of the world total.

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

The difficulties encountered in 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 1972.

As these difficulties persist, the Council has decided to establish a register of olive cultivation in the Community.

##### 2. Production

On the basis of applications for subsidies, production in 1976/77 amounted to 325 000 (including olive residue oil) in Italy and 2 200 t in France. These are among the lowest production figures recorded for Italy since the common organization of the market in this product came into force in 1966.

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<sup>1</sup> See Tables M. 4.1 to M. 4.4 in Part II.

On the same basis, production in France in 1977/78 amounted to 1 400 t. The number of 1977/78 applications for subsidies in Italy is not yet known, but it can already be said that the figure will be much higher than for the previous year. The Italian Statistical Office put it at almost 700 000 t.

### 3. Consumption and marketing

The main factor influencing consumption, sometimes with a certain time lag, is the relationship between the consumer prices of olive oil and seed oil.

It should be noted here that during the 1976/77 and 1977/78 marketing years the price ratio of olive oil to seed oil was about 2.5:1, with the inevitable repercussions on olive oil consumption in the Community, which dropped considerably during those marketing years. This decline in consumption led to a substantial fall in imports and the sending of large quantities into intervention during the marketing years in question.

### 4. Trade

The Community is the world's largest net olive oil importer. From 1974/75, on account of the difficulties described in paragraph 3, imports which had reached a peak of 251 000 t in 1972/73 dropped very substantially; they totalled only 121 758 t in 1974/75 and 93 357 t in 1975/76. In 1976/77 imports recovered at about 147 000 t, but this figure should be seen in the light of the very low production recorded in 1976/77. Imports in 1977/78, on the basis of import licences issued up to 15 September 1978, are about 79 000 t.

Intra-Community trade is very limited and basically concerns the two olive oil producer/consumer countries, France and Italy; other Member States' trade is negligible.

Trade between France and Italy in 1974/75 was some 5 000 t. However, in 1975/76 France imported some 10 000 t of olive oil from Italy. The cause of this increase is complex: the high production of olive oil during that year, both within and outside the Community, brought about a substantial fall in the world price and a high levy was set accordingly. In these circumstances France chose to obtain supplies from the Italian market. The situation returned to normal in 1976/77 and in that year France imported some 3 800 t of olive oil from Italy.

Exports to non-member countries, which usually form part of an established trading pattern, amounted to some 17 000 t in 1975/76, substantially more than the yearly average which has for some years been about 14 000 t.

This situation is due to operators' large-scale use of the EXIM procedure (the possibility of importing, free of levy, a quantity of oil equivalent to that exported). In 1976/77 some 9 600 t were exported. This very low figure, which does not correspond to the traditional pattern of exports, is explained by the difficulties which operators have in using the EXIM procedure, the only way of exporting in the absence of refunds.

In 1977/78, on the basis of export licences issued up to 15 September 1978, exports were some 7 400 t, mainly in small containers, the only form of presentation for which export refunds are fixed. To this quantity must be added some 5 500 t of exports in bulk of olive oil purchased from the Italian intervention agency. The volume of exports for 1977/78, totalling 12 900 t on 15 September 1978 may thus be considered as marking a return to normal.

## 5. Prices

### (a) Common prices

For the 1976/77 and 1977/78 marketing years, olive oil prices were fixed at the following levels :

	<u>UA/100 kg</u>	
	<u>1976/77</u>	<u>1977/78</u>
Production target price	185	187.78 (+ 1.5%)
Market target price	144.89	141.91 (- 2.4%)
Intervention price	137.64	134.62 (- 2.2%)

However, on account of the devaluation of the "green" Lira (6.9%), in 1977/78 the following changes were recorded in the above price in Italy, the main olive oil producing and consuming Member State :

Production target price	:	+ 8.56 %
Market target price	:	+ 4.75 %
Intervention price	:	+ 4.61 %

Under the new organization of the market in olive oil entering into force for the 1978/79 marketing year, the following prices and amounts are fixed by the Council :

	<u>UA/100 kg</u>	<u>% increase over 1977/78</u>
Production target price	191.54	+ 2 %
Intervention price	141.14	+ 4.84 %
Production and subsidy	43.11	- 6.02 %

On account of the devaluation of the "green" Lira (12%), the following changes will be made in Italy to the above mentioned prices and amounts :

Production target price	:	+ 14.28 %
Intervention price	:	+ 17.47 %
Production subsidy	:	+ 5.30 %

Because of the change in the system of organization of the market in olive oil as from the 1978/79 marketing year, the market target price is being replaced by a market representative price to be fixed in October, the level of which will determine the level of the aid for consumption. This set of provisions should allow a better adaptation of the market prices of olive oil to the prices of competing oils and, as a result, bring about a recovery in consumption of that product.

(b) Market price

During 1976/77 the market prices of lampante olive oil and residue oil fluctuated around the intervention price all the time, in spite of the very low production which should logically have caused prices to rise. At the same time the market prices of edible virgin oils were substantially above the corresponding intervention prices.

This situation even caused some 10 300 t of olive oil of all qualities to be delivered to the Italian intervention agency.

Market prices in 1977/78 for lampante oil fluctuated around the intervention price, causing 5 700 t of this oil to be delivered to intervention.

Market prices of olive residue oil remained below the intervention price throughout the marketing year and 21 500 t of this oil were delivered to intervention.

Finally, market prices of edible virgin oil were above the corresponding intervention prices during the 1977/78 marketing year, in spite of the delivery of relatively large quantities to intervention (48 000 t).

6. Outlook

At the end of the 1977/78 marketing year, market prices are well above the intervention price for all qualities, but these are only nominal prices since the Community's 1976/77 production of olive oil is practically all sold and the prices recorded presage the substantial rise expected at the beginning of the 1978/79 marketing year.

7. Economic aspects of the measures taken

(a) Import levies

The Council adopted special measures for imports from June 1976, during the second half of the 1975/76 marketing year, consisting in allowing the levy, as an exception from the normal criteria, to be set by tender in the light of both the world and the Community markets. This method was also applied during the 1976/77 and 1977/78 marketing years.



Since the reason for adopting such a system - namely the lack of transparency of the world market in olive oil - still exists, the possibility of using such a system to set the levy has been included in the new system of organization of the market in olive oil which will apply from the 1978/79 marketing year.

The system in practice

During the first nine months of the 1977/78 marketing year, the levies fixed for imports from non-member countries fluctuated between 48 and 56 UA/100 kg for lampante olive oil, the quality most imported, and between 50 and 56 UA/100 kg for edible virgin oils.

However, as regards imports from Greece, the levies set for lampante oil fluctuated between 26 and 32 UA/100 kg and for edible virgin oil between 28 and 32 UA/100 kg.

(b) Refunds

During the 1976/77 and 1977/78 marketing years cash refunds were at such low levels as to be scarcely operational. Nonetheless, traditional exports continued, since operators used the EXIM procedure or were able to get olive oil supplies from the intervention agency.

(c) Sales of olive oil from Italian intervention stocks

On 1 November 1977, when the 1977/78 marketing year started, the Italian intervention agency had some 38 000 t of olive oil of all qualities in stock as a result of intervention during the 1975/76 and 1976/77 marketing years. A further 79 000 t were taken into intervention in Italy in 1977/78.

Of this total of 117 500 t, 18 000 t have been sold. At the end of the 1977/78 marketing year there are therefore still 99 500 t of olive oil of all qualities in stock.

8. Budgetary expenditure

Expenditure in the olive oil sector consists of intervention buying, subsidies paid to olive oil producers and export refunds.

Expenditure on subsidies depends on the scale of production and on the delay in payment.

Total expenditure by the Guarantee Section of the EAGGF is estimated at 236 million EUA, made up as follows :

Production subsidies	:	214 million EUA
Intervention	:	16 million EUA
Refunds	:	1 million EUA
Other	:	5 million EUA

The draft budget for 1979 provides for total expenditure of 322 million EUA.

## 5. OILSEEDS

### 5.a. Colza, rape and sunflower seeds (1)

#### 1. Introduction

In 1977, the share of oilseeds in the value of finished agricultural production was 0.3% and these crops again accounted for slightly less than 0.7% of the Community's UAA. World production of colza rose from 7 million t in the previous year to 7.4 million t in 1977; Community production fell from 1 023 million t in 1976 to 0 954 million t in 1977 reducing the Community share of world production from 14.5% to 12.89%.

World production of sunflower seed rose from 10 million t in 1976 to 12.7 million t in 1977, mainly because of the significant expansion in the area devoted to cultivation of this production in the United States; Community production of sunflower seed is 0.150 million t, only 1.18% of world production.

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

#### 2. Production

In 1977 the Community area under colza was the same as in the previous year, i.e. nearly 500 000 ha. However, trends in the four main producing countries differed, since there was an increase of 15.6% in area in the United Kingdom (from 48 000 to 55 500 ha) and a 10.7% increase in area in Germany (from 94 800 ha to 104 900 ha), whereas there was a reduction of 4.2% in France and of 3.4% in Denmark. The increase in area in Germany and in the United Kingdom is due to the fact that these two countries had encouraging yields whereas the reverse was true in France and Denmark. Total production is about 950 000 t.

The area under sunflower, produced only in France and Italy, remained stable in 1977 compared with 1976, at some 84 000 ha. However, high yields in France meant an increase in production from 127 000 t to 149 500 t. In 1976 yields in that country had been very disappointing, i.e. 1.28 t/ha, whereas in 1977 the yield was about 1.91 t/ha. In Italy, however the yield was down from 2.05 t/ha in 1976 to 1.59 t/ha in 1977.

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(1) See Tables M.5.a.1 to M.5.b.4 in Part II

### 3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oils and oilcakes; the latter demand is in turn determined by the overall demand for oils and oilcake and by the relationship between the prices of colza and sunflower oils and oilcake and the prices of alternative types. This being the case, two sets of consumption data will be given, one for oils and the other for colza and sunflower cake, while seeds will be dealt with separately.

#### Oil

Consumption of colza oil, which reached its lowest level in 1975/76 (276 000 t), has recovered. The figures available put consumption of this oil at about 411 000 t for 1976/77. Community colza oil production fell in 1977/78 (from 537 000 t to 432 000 t) and since exports for the first half of the marketing year have already reached the level recorded during the whole of the preceding year it is obvious that Community consumption has again declined.

It should be noted that during the second half of 1976 colza oil prices were very low compared with the prices of competing oils, and in particular soya oil, this being the main incentive to increased consumption during the 1976/77 marketing year; since then, however, owing mainly to the strong world market demand for this oil, prices have often been higher than the prices of competing oils and this may explain the apparent drop in Community consumption.

Consumption of sunflower oil was 307 000 t in 1976/77. Imports of sunflower seeds amounted to 289 000 t in the first half of the 1977/78 marketing year, (compared with 282 000 t during the whole of 1976/77) and imports during the second half of the year were probably of the same order. It is therefore likely that total sunflower oil consumption in the Community in 1977/78 will be substantially higher than in the past.

#### Oilcakes

Consumption of colza cakes has not continued the upward trend recorded in the past two years. Consumption of this cake was 979 000 t in 1976/77 compared with 700 000 t in the previous marketing year, but the figures available for 1977/78 indicate that a drop in consumption is likely. The rise in 1976/78 seems to have been the result of increased imports of colza cake, which rose from 121 000 t in 1975/76 to 216 000 t in 1976/77.

Availability of sunflower cake in 1976/77 were also up on previous years, when consumption had remained stable at around 390 000 t per year. Consumption rose to 490 000 t in 1976/77 and this trend appears likely to continue in 1977/78.

### Seeds

As mentioned above, colza oil exports in 1977/78 were particularly high and this facilitated the sale of the 1977 colza seed crop.

In view of the Community's low degree of self-supply in sunflower seeds, its crop is sold each year without difficulty.

### 4. Trade

Imports of colza seed to the Community increased from 150 000 t in 1975/76 to 399 000 t in 1976/77. Imports for the first half of the 1977/78 marketing year are put at 154 000 t.

Imports of sunflower seed also show a marked increase; they rose from 213 000 t in 1975/76 to 282 000 t in 1976/77 and are already 289 000 t for the first half of the 1977/78 marketing year.

On the other hand, exports of colza seed fell from 60 000 t in 1975/76 to 46 000 t in 1976/77 and were only 1 000 t for the first half of the 1977/78 marketing year. Since the Community has a big deficit in sunflower seed this product is not exported. Intra-Community trade in colza has remained stable for two years, at 180 000 t in 1975/76 and 193 000 t in 1976/77.

Trade in sunflower seed is mainly from France and Italy to Germany, Germany purchased 22 000 t of Community sunflower in 1975/76 and 19 000 t in 1976/77.

### 5. Prices

#### (a) Common prices

For the 1978/79 marketing year, the target price for colza seed was fixed at 29.67 UA/100 kg and that for sunflower seed at 32.32 UA/100 kg, up on 1977/78 prices by 4% and 5% respectively.

#### (b) Market prices

##### (1) World market

At the beginning of the 1976/77 marketing year prices of vegetable oils took an upward turn following an increase in world demand. This rise in prices continued throughout 1976/77 and the following marketing year, owing in particular to the abnormally high demand from India already mentioned.

(2) Community market

The 1977/78 Community colza crop was sold in fits and starts, depending mainly on oil purchases on the world market. Generally producer prices were between the intervention price and the target price and in some cases exceeded the latter.

The sunflower crop is sold each year without difficulty at prices well in excess of the intervention price.

6. Outlook

The Community colza and rape crop for the present marketing year is estimated at 1.2 million t, up by over 25% on the previous year mainly because of favourable weather conditions and the resulting higher yields in France and because of an expansion in the areas devoted to this crop in Germany, the United Kingdom and Denmark.

There are as yet no estimates available for sunflower but it is to be feared in the light of experience that, in spite of the strong Community demand for this product, production will remain at around the level of previous years and will not exceed 120 000 t.

Consumption of colza oil will depend on the selling prices of this oil compared to the prices of competing oils and on the results of measures undertaken to promote the consumption of colza oil. Sunflower oil consumption may continue to increase, particularly if the expansion in world production is sustained.

Traditional exports of colza seed to non-member countries could pick up again on account of the good crop expected in France, the principal supplier of these exports. Intra-Community exports may also increase because Italy has been importing colza again since the beginning of the marketing year.

7. Economic aspects of the measures taken

(a) Aid and refunds

Aid for colza seed in the 1977/78 marketing year fluctuated between 3.606 and 11.808 UA/100 kg with an average of 9.330 UA/100 kg. The export refund during the same period varied between nil and 9.500 UA/100 kg.

The sunflower seed crop was sold without difficulty. Aid varied between 10.448 and 14.315 UA/100 kg, averaging around 12.000 UA/100 kg. No export refund was fixed for this product.

(b) Intervention

During the 1977/78 marketing year 1 092 t of colza seed were offered for intervention in Germany and 963 t in Denmark. This seed was sold at the beginning of the 1978/79 marketing year.

(c) Change in the standard quality

For 1975/76 the standard quality of colza seed was changed to take account of the lower oil content of new varieties low in erucic acid. 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%. With effect from 1 July 1977, this maximum was further reduced to 10%.

From 1 July 1979 aid will no longer be granted for colza seed with an erucic acid content exceeding 10%, with the exception of seeds of high erucic acid content the oil of which is intended for industrial uses.

(d) Unity of prices

(1) Accession compensatory amounts

In the 1976/77 marketing year, accession compensatory amounts for colza seed produced in the United Kingdom and Denmark were fixed at 2.65 and 0.61 UA/100 kg respectively. In the 1977/78 marketing year, this compensatory amount remained in force in the United Kingdom only and was fixed at 1.37 UA/100 kg. It was abolished from 1 January 1978.

(2) Differential amounts

In view of the present monetary situation, the system of differential amounts introduced on 20 July 1972 is still in force for colza seed.

8. Budgetary expenditure

Expenditure in respect of colza and sunflower seed by the EAGGF Guarantee Section in 1977 amounted to around 80 million EUA, or 1.2% of the Guarantee Section's total expenditure. Corresponding expenditure in 1978 is estimated at 111.5 million EUA, or 1.4% of total expenditure, of which 105.5 million EUA for intervention, i.e., subsidies, 5 million EUA for export refunds and 1 million EUA for storage costs.

5.b. Soya beans (1)

After a difficult start soya cultivation has increased from 1 200 ha in 1977 to 3 900 ha in 1978, almost all of it in France. Production will increase from around 2 000 to around 6 000 t. In spite of this initial progress, production of this crop still accounts for only a very small proportion of Community UAA, of world production and of Community soya cake requirements, which in 1977 totalled around 14 million t (soya bean equivalent). A further slight increase in Community areas is expected in 1978.

The guide price for the 1978/79 marketing year has been fixed at 32.17 UA/100 kg compared with 30.64 UA/100 kg for 1977/78 (+5%). Since average world market price was 16.502 UA/100 kg for 1977/78, aid for that marketing year amounted to 14.138 UA/100 kg. This aid was granted in respect of 2 000 kg/ha, i.e. the minimum yield to qualify for aid.

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(1) See Table M 5.c.1 in Part II.



5.c. Flax seed<sup>(1)</sup>

Although Community flax production<sup>(2)</sup> amounts for only an infinitesimal proportion of the UAA in the Community and of world area under flax (6.0 million ha and 2.9 million t in 1977 according to the FAO), it does help to cover the Community's substantial protein requirements (about 550 000 t of flax cake were imported in 1977).

In 1977 the area under seed flax in the Community totalled 19 600 ha compared with 28 000 ha in 1976 (-30%). The area sown in France was down from 19 500 ha to 7 800 ha while that in Italy decreased from 5 300 ha to 9 300 ha. The reduction in area in France is due to the fact that many producers in the south dropped this crop owing to the uncertainty as regards income, caused on the one hand by the late fixing of the guide price and on the other by poor yields from the 1976 crop. The decline in areas sown in France continued in 1978 since 1977 yields in the south did not afford farmers a fair income. The guide price for 1978/79 was fixed at 32.43 UA/100 kg compared with 31.18 UA/100 kg for 1977/78 (+4%). Since a world market price of 15.77 UA/100 kg was decided on for 1977/78, aid for that marketing year was 15.41 UA/100 kg. This amount was granted in respect of a quantity of seed fixed on the basis of the yields recorded in the various production areas.

Expenditure by the EAGGF Guarantee Section in respect of seed flax is included in that incurred in respect of fibre flax (2).

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(1) See Table M 7.4 in Part II.

(2) See also under 7 : Fibre flax and hemp.

5.d. Cotton seed

Cotton represents an infinitesimal percentage of the value of final agricultural production and of the UAA in the Community and of world production (26.6 million t in 1977 according to the FAO).

Thanks to the Community aid system this crop continues to be worthwhile in some of the less-favoured regions of Italy. In these regions the crop area even increased from 4 000 ha in 1976 to 5 600 ha in 1977, producing about 1 000 t of seed. However, it is unlikely that Community production will expand substantially in the near future.

Aid for 1978/79 was fixed at 108.70 UA/ha compared with 104.52 in 1977/78 (+4%).

5.e. Castor seed

From the 1978/79 marketing year castor seed qualifies for aid equal to the difference between a guide price, fixed at 42 u.a./100 kg, and the world market price. It is granted to the crushers on condition that a contract providing for a minimum price (40 u.a.) has been concluded with the producer.

The purpose of this aid system is to increase Community production of castor seed so as to improve supply to the crushing industry.

## 6.a. DRIED FODDER<sup>1</sup>

### 1. Introduction

The common organization of the market in dried fodder covers the following products : dehydrated fodder, the main sun-dried legumes and protein concentrates obtained from lucerne and grass juice. The new common organization of the market (see below under 7) has been in force since 1 April 1978. It replaces and strengthens the common organization of the market applicable to dehydrated fodder since 1 May 1974. Lastly, the Council decided that dehydrated potatoes would be covered by the new arrangements only until the end of the 1978/79 marketing year.

### 2. Production

Community production of dehydrated fodder (other than dehydrated potatoes) in 1977 was 1 615 606 tonnes, representing a rise of 31.8% over 1976 when there was a sharp drop owing to the drought affecting Europe that year. Hence, in 1977 production exceeded even the level recorded before the drought, which had been about 1.5 million tonnes in a normal year. The largest increase in production was in France, the Community's main producer, where the figure rose from 585 000 t in 1976 to 855 000 t in 1977.

The Community produces dehydrated potatoes on a much smaller scale than conventional dehydrated fodder (particularly lucerne and grass); its production of dehydrated potatoes in 1977/78 was 68 270 t, a rise of 16.9% on that of the previous year (58 424). Germany with about 60 500 t, is the Community's largest producer.

### 3. Quantities available

Supplies of dehydrated fodder rose considerably in 1977/78 (1 935 000 t against 1 600 000 t in 1976/77) on account of the upturn in Community production mentioned above and substantial imports from non-member countries.

### 4. Trade

Imports of lucerne meal from non-member countries were 334 000 t in 1977, against 389 000 t in 1976. In spite of this drop, imports were still appreciably higher than in 1974 (112 000 t) and in 1975 (135 000 t).

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<sup>1</sup> See Tables M 6.1 to M 6.5 in Part II.

In 1977 the United States and Hungary remained the largest exporters of dehydrated fodder to the Community, with 187 000 t and 96 000 t respectively. For the first time two other countries also exported considerable quantities to the Community in 1977 : Canada and Spain with 24 000 t and 16 000 t respectively. Imports from non-member countries went mainly to the Federal Republic of Germany and the Benelux countries. These Member States were also the largest importers of dehydrated fodder of Community origin (288 000 t, mainly from France and Denmark).

Community exports of dehydrated fodder to non-member countries in 1977 were, as in previous years, insignificant (9 000 t).

#### 5. Prices

During the first few months of 1977 prices were high (February 1977 : 146.90 AUA/t) in view of the world protein situation and fears that demand for these products might not be satisfied.

These fears in the end proved groundless, and an abundant Community harvest of roughage and low-priced imports of dehydrated fodder from non-member countries caused prices to drop from June 1977 onwards (114.70 AUA/t). After that supplies on the world market of proteins in general and dehydrated fodder in particular were guaranteed and the prices of the latter continued to drop, reaching 88 AUA/t in December 1977 and 70 AUA/t in June 1978.

#### 6. Outlook

According to the information available, production of dehydrated fodder in 1978 should be slightly higher than in the previous year, mainly as a result of the increase in the area under cultivation. The balance between supply and demand will depend on the level of imports. The entry into force on 1 April 1978 of new arrangements governing dried fodder should have a beneficial effect on both production and disposal in the Community. One of the main changes brought about by the new arrangements concerns the fixing of a guide price for dehydrated fodder which enables dehydration concerns to pay a worthwhile price to farmers for their green fodder, irrespective of the level of prices for imports of dehydrated fodder.

Since the detailed rules for applying the new arrangements only became effective on 1 July 1978 and since lucerne is a pluriannual crop, their full effect on production is unlikely to be felt until the beginning of 1979.

7. Economic aspects of the measures taken

In order to improve the Community's protein supplies, the Council adopted new arrangements for dried fodder which have been in force since 1 April 1978. These new arrangements provide mainly for the yearly fixing of a guide price at a fair level for producers (in 1978/79 : 103 AUA/t) and the granting of aid at a standard rate (5 AUA/t) to processing concerns and of additional aid when the world market price falls below the guide price. Where production of dehydrated fodder was formerly affected by price fluctuations on the world market, the new arrangements guarantee an income to producers of green fodder comparable to that obtainable for other products already covered by a common organization of the market.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF in respect of dehydrated fodder was 3.6 million UA in 1974, 11.1 million UA in 1975, 15.2 million UA in 1976 and 12.9 million AUA in 1977. It is estimated at 16.2 million AUA in 1978. Dehydrated fodder has accounted since 1975 for 0.2% of the Guarantee Section's total expenditure.

6.b. PEAS, BROAD BEANS AND FIELD BEANS FOR USE IN ANIMAL FEED

In view, in particular, of the Community's low degree of self-supply in proteins for use in animal feed, special measures were adopted by the Council on 22 May 1978 in order to promote the production of peas, broad beans and field beans for this purpose. These measures have been applicable since 1 July 1978.

The products in question are in direct competition with oilcakes imported from non-member countries at zero duty. A system has therefore been set up whereby manufacturers of feedingstuffs using peas, broad beans and field beans produced in the Community are granted aid when the price of soya cakes is lower than the activating price for aid, which has been fixed at 28.50 AUA/100 kg for the 1978/79 marketing year. The amount of such aid varies with the fluctuations of soya cake prices. It is granted only if the manufacturer of feedingstuffs has paid a price to the producer at least equal to the minimum price fixed by the Council. For the present marketing year the minimum price has been fixed at 17.50 AUA/100 kg. In this way, producers are guaranteed a fair price.

Statistics are rare for this sector but it has been estimated that for the 1978/79 marketing year about 100 000 t of peas, broad beans and field beans may qualify for special aid.

## 7. FIBRE FLAX AND HEMP<sup>1</sup>

### 1. Introduction

Although the area under flax and hemp is less than 1% of UAA, these crops are of considerable importance for the regions in which they are concentrated.

Fibre flax is grown on about 15 000 farms in the Netherlands, Belgium and north-west France. Flax straw is processed there into fibres in about 250 retting and scutching concerns. Their number has decreased sharply in recent years but they produce a high and relatively stable quantity of raw materials which the Community lacks : textile fibres, oilseeds and pulpwood particles. The Community accounts for 4% of the total world area under fibre flax (1.5 million ha) but 14% of world production of flax fibre (695 000 t) as a result of above-average yields. The USSR accounts for 80% of world production, the East European countries, Egypt and China being the other producers.

Paper hemp, although steadily progressing, continues to be grown only in a very small area in France. The raw material supplied by 1 500 producers is used in manufacturing special types of paper. Italy produces a very small quantity of textile hemp.

### 2. Production

In 1977, 61 500 ha were under fibre flax in the Community, an increase of about 7% on the three previous years. The increase is due to a rise in demand after the disastrous harvest of 1976. The order of the three producing Member States has not changed : 75% is produced in France, 15% in Belgium and 10% in the Netherlands. Straw and fibre yields were normal and production was 500 000 t and 96 400 t respectively.

The areas under paper hemp increased considerably in 1977, demand having risen sharply after the small 1976 harvest. Cultivated areas totalled 10 000 ha compared with 7 800 ha (+ 36%) and the production of stalks was 70 000 t.

### 3. Consumption and stocks of fibres

Community consumption of flax fibres in the 1977/78 marketing year was 76 000 t (- 8% compared with 1976/77). Exports to traditional customers amounted to 23 900 t during the same period. Consequently, requirements amounted to 99 900 t, met almost entirely by Community production (96 400 t). Imports (17 000 t) covered the balance of

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<sup>1</sup> See Tables M 7.1 to M 7.7 in Part II.



requirements (3 500 t), the remainder (13 500 t) serving to build up stocks, which rose from the unsatisfactory level of 32 300 t at the beginning of the marketing year to the almost adequate level of 45 800 t at the end.

#### 4. Trade

Since its unit value is too small to justify long-distance transport to scutching concerns, there is no trade in flax straw with non-member countries. Retting and scutching concerns in Belgium purchased 54 600 t of flax straw in France and the Netherlands to swell the Belgian crop. This quantity is higher than in the previous year (51 700 t).

After the abnormally high imports of flax fibres in 1976 (39 000 t), to make up the shortfall in the Community harvest, the supplies available for export in non-member countries shrunk considerably and imports in 1977 fell to 19 900 t. It is not surprising, therefore, that exports decreased : 19 900 t in 1977 compared with 25 200 t in 1976.

Imports of hemp fibres continued to decline in 1977 while exports were, as usual, on a small scale.

#### 5. Prices

In spite of an expected fall compared with 1976, producer prices of flax straw reached a fairly satisfactory level per kg in 1977. The prices of flax fibre have dropped sharply since April/May 1977 without, however, falling below the level recorded prior to the 1976 shortage.

The contract price for paper hemp straw agreed upon by users and producers rose from 64.8 AUA/t for the 1975 and 1976 harvests to 73.8 AUA/t for 1977, the aim being to encourage producers to sow 10 000 ha. This target was exceeded.

#### 6. Outlook

As a result of the less favourable situation on the market in flax fibre at the end of 1977 and the beginning of 1978, the areas under fibre flax fell in 1978 to 60 000 ha (- 2.5%). Straw and fibre yields were normal in France and Belgium and very high in the Netherlands. The harvest will easily meet the requirement for long fibres and will suffice to rebuild stocks to an even higher than normal working level (57 900 t). Market balance will accordingly remain very fragile. As regards short fibres, however, production and existing stocks will be totally absorbed at the end of the 1978/79 marketing year.

The increase in the contract price for hemp straw (FF 420/t against FF 410/t in 1977) was too small to enable areas under hemp to grow to more than the existing 10 500 ha.

7. Projections for the 1979/80 marketing year and beyond

Unless there is a sharp drop in imports the outlook for fibre flax is not very encouraging. Since consumption of long fibres has become insufficient to absorb production, it was only as a result of stocks needing to be rebuilt that fibres were not sold at a loss during the last two marketing years. Since stocks should be more than adequate by the end of the 1978/79 marketing year, it is difficult to see how it will be possible to prevent long fibres from being sold at a loss in future unless outlets are widened.

8. Budgetary expenditure

The amount of aid for fibre flax rose from 194.76 UA/t for 1977/78 to 202.55 UA/t for 1978/79, an increase of 4%. Fibre-flax seed receives aid under the agreement for seed-flax seed.

For hemp, aid rose from 176.88 UA/t for 1977/78 to 183.96 UA/t for 1978/79 (+ 4%).

Expenditure by the EAGGF Guarantee Section in respect of flax and hemp amounted to 13.8 million AUA in 1977.

## 8. SEEDS<sup>1</sup>

### 1. Introduction

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

- |  |             |
|--|-------------|
| - dried leguminous vegetables for sowing             | CCT 07.05 A |
| - hybrid maize for sowing                            | CCT 10.05 A |
| - oilseeds and oleaginous fruit for sowing           | CCT 12.01   |
| - seeds, fruit and spores, of a kind used for sowing | CCT 12.03   |

The production of these seeds must be considered not from the standpoint of the harvest obtained, but also in respect of the function of these species in crop rotation and in respect of the end uses they serve, since the different varieties of a single species can have their own particular use. Leguminous plants are particularly important because they increase the nitrogen content of the soil in which they grow.

World fodder seed production in 1977 totalled 3.6 million quintals (United States, Canada, New Zealand and EEC); the Community produced 0.95 million quintals, or 25% of this total. The Community is a net importer of some species but a net exporter of hybrid maize for sowing.

Following an amendment<sup>(2)</sup> to Council Regulation (EEC) No 2358/71 on the common organization of the market in seeds, production aid is fixed before 1 August for the marketing year beginning the following year and for the consecutive marketing year and seed-growing contracts concluded with non-member countries must be registered in the Community with effect from 1 February 1979.

### 2. Production

Denmark, which produces nearly 28% of the total (and 40% of all grasses), is the main Community producer. France and Italy are the main producers of legumes.

Community production in 1977 was about 1 485 000 quintals, an increase of about 260 000 quintals (32%) over 1976. This increase in production was due to an extension of the area planted and to better yields. Grasses and legumes were differently affected (+ 213 000 quintals and + 134 000 quintals respectively), as were the various species e.g., *Lolium multiflorum* L. (+ 158 000 q), *Lolium perenne* L. (+ 51 000 q),

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<sup>1</sup> See Tables M 8.1 to M 8.3 in Part II

<sup>2</sup> OJ No. L 165 of 22.6.1978

Lolium hybridum L. (+ 15 000 q), Pisum arvense L. (+ 49 500 q),  
Medicago sativa L. (- 44 500 q) and Trifolium pratense L. (+ 11 000 q).

Total production for 1978 is provisionally estimated at 1 520 000 quintals.

By comparison with 1977, in which aid was granted for 190 000 hectares, the declared area for the 1978 harvest has increased considerably (to 241 000 hectares).

The main cause of this increased production is the satisfactory level of prices in 1976/77, which led to an increase in area.

Hybrid maize production totalled about 1.3 million quintals.

Community production in 1978 was normal on the whole; some Community regions were affected by drought in the spring and later by rain. In September 1978, all the grasses were harvested with slightly lower than normal yields. As regards legumes, about 20% of the areas planted have still to be harvested and, given the current weather conditions in Europe, it is difficult to make yield estimates for the time being.

Oilseed yields are above average and it is estimated that there will be a small surplus.

Variations in production mainly affected the following specimens :

	1977		1978	
	ha	q*	ha*	q*
Festuca pratensis L.	5 233	34 001	7 571	47 800
Festuca rubra L.	9 055	74 054	12 373	95 100
Lolium perenne L.	31 348	315 429	38 574	347 500
Lolium hybridum L.	1 843	25 548	4 409	39 300
Medicago sativa L.	48 937	59 405	60 153	100 000
Trifolium pratense L.	10 655	23 798	19 841	47 000

\* provisional Commission estimates.

### 3. SUPPLY SITUATION

Community supplies have been satisfactory in recent years and our dependence on imports from non-member countries has been reduced. With seed supplies amounting to 2.2 million quintals for 1977/78, the Community was able to meet its own requirements. For the coming

marketing year it will also be self-sufficient, as about 2 million quintals will be available in 1978/79 and demand is estimated at 1 540 000 quintals. Trade with non-member countries will, however, continue, particularly in the case of species of which there is still a shortfall in the Community (*Arrhenaterum elatias*, *Vicia sativa*, *Phleum pratense*, *Festuca arundinacea*).

Stocks at 1 July 1977 totalled 720 000 quintals, and the estimate for 1978 is about 785 000 quintals (*Lolium perenne* L. 239 000 q and *Lolium multiflorum* L. 204 000 q). The persistence of relatively large stocks is due to imports exceeding requirements.

Following the 1978 harvest and the carry-over of stocks, the amount of seed available for the 1978/79 marketing year is estimated at about 2.3 million quintals.

The world supply situation is generally good, but difficulties may arise outside the EEC in respect of *Medicago sativa* L.

#### 4. PRICES

Community market prices on the whole fell slightly in 1978. For certain species such as *Lolium multiflorum* L., *Festuca pratensis* L. and *Trifolium repens* L., price fluctuations are highly indicative of the market situation. International prices, particularly for *Trifolium repens* L., are markedly lower than Community prices. Community producer prices can generally be regarded as satisfactory.

Prices on the Danish market, the main Community market, were (UA/100 kg) :

	<u>September 1977</u>	<u>September 1978</u>
<i>Lolium perenne</i> L.	55	49
<i>Lolium multiflorum</i> L.	61	37
<i>Festuca pratensis</i> L.	98	126
<i>Festuca rubra</i> L.	90	85
<i>Poa pratensis</i> L.	133	116
<i>Trifolium repens</i> L.	175	149

The different types of hybrid maize were reclassified when the reference prices were fixed for the 1978/79 marketing year; these prices have risen on average by 1 to 2% depending on the type of hybrid.

5. OUTLOOK

The area which will be harvested in 1979 may be estimated at about 220 000 ha, which is not a major change from the previous year in which a measure of price stability was attained as there was a balance between supply and demand.

Prices may drop during the 1978/79 marketing year for some species because of large stocks (*Lolium perenne* L. about 239 000 q, *Lolium multiflorum* about 204 000 q) and because of an anticipated increase in production. It should be noted that in the case of these two species in particular the Community normally imports large quantities under seed-growing contracts with non-member countries.

Moreover, an estimate of the areas under *Trifolium repens* L. indicates a significant fall in production, giving rise to a special problem, as Denmark and New Zealand are the only countries in the world producing this species.

Medium-term Community production estimates are on the whole satisfactory. The subsequent development of the seeds sector will, however, also depend on the profitability of seed production compared with cereals in particular.

Account should also be taken of competing imports from non-member countries (particularly East European countries) which benefit from the system of equivalence with Community seed as regards production and control.

World production of fodder seed is expected to remain stable over the coming years.

6. BUDGETARY EXPENDITURE

Expenditure by the EAGGF Guarantee Section in respect of seed amounted to 22.7 million UA in 1976 and 16.1 million UA in 1977 and is estimated at 26.2 million EUA in 1978, i.e., about 0.3% of the Section's total expenditure in the years in question.

## 9. WINE <sup>(1)</sup>

### 1. Introduction

In 1977 wine represented about 4.6% by value of the Community's final agricultural production. The area under vines totalled 2 699 000 ha or about 3% of the Community UAA.

The FAO puts world wine production for 1977/78 at 275 million hl. This is easily the lowest figure in recent years, as the average for 1975/76 and 1976/77 was 316 million hl and the average for 1973/74 and 1974/75 was about 340 million hl. Community production in 1977/78 was 127 million hl compared with 148 million hl in 1976/77 and 145 million hl in 1975/76, representing 46.1%, 47.3% and 45.5% respectively of world production. Since the area under vines in the Community represents only about 23.4% of the world area under vines, the average Community yield is considerably higher than the world average.

### 2. Production

The harvest was small in 1977 (127 million hl). This follows average harvests in 1976 and 1975 (148 and 145 million hl) and the very abundant harvests in 1974 and 1973 (160 and 171 million hl). The very low level of production in 1977 was in no way the result of a reduction in wine-growing potential but was caused by the bad weather conditions during the year.

### 3. Consumption

In 1976/77, total internal utilization accounted for 146 million hl compared with 149 million hl in 1975/76. Part of this fall was caused by a drop in the quantities distilled.

#### (a) Human consumption

In 1976/77, direct human consumption was 127 million hl, against 130 million hl in 1975/76, 133 million hl in 1974/75 and 127 million hl in 1973/74. It is thus practically back at the level of 5 years ago. The substantial increase expected on the enlargement of the Community does not seem to have come about.

#### (b) Processing

In 1976/77 the quantities processed were practically the same as in 1975/76, at 18 million hl. The level is much lower than that of 1974/75 (35 million hl) as a result of a sharp reduction in the quantities distilled with Community aid.

#### (c) Self-supply

The Community self-supply rate in 1976/77 was 102% (97.5% in 1975/76) in terms of all internal utilizations. If the quantities distilled under the various intervention measures taken for normal market management (slightly more than 5 million hl) are deducted from the supply figure, the rate of self-supply for 1976/77 is 105.9%.

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(1) See Tables M.9.1 to M.9.4 in Part II.

This figure was 99% in 1975/76 and 108% in 1974/75. The volume of end-of-year stocks, after the substantial drop in 1974/75 (4 million hl) brought about by excess production and a further fall (3 million hl) in 1975/76, has risen again (by 3 million hl) to the 1974/75 level.

Although this level is fairly high, it is not a cause for great concern in view of the volume of the harvest.

#### 4. Trade

In 1976/77 Community imports amounted to 5.5 million hl against 5 million in 1975/76, a rise of 10%. This rise follows a drop of 6% in the previous year and reflects less abundant internal supplies.

Exports in 1976/77 were practically unchanged from the previous year's figure (5.1 million hl).

In 1976/77 imports were 7.7% higher than exports, whereas in 1975/76 trade was in balance.

#### 5. Prices

##### (a) Common prices

The average increase in guide prices for all types of table wine was 2% for 1978/79, compared with an increase of 3.5% in the previous year.

##### (b) Market prices

All the average prices quoted for the various marketing centres in 1977/78 for table wine of types R I and R III were higher than those recorded the previous year. The increase varied between 5.5% and 17.9% for wine of type R I and was 21.8% for wine of type R III.

Average prices for wines of type R II also increased, except in one centre where there was a fall of 6.5%. The increases were between 4.4% and 9.8%.

Prices for wines of type A I also rose (by between 4.6% and 50.6%), except in one centre where there was a fall of 0.4%.

Prices for wines of types A II and A III, on the other hand, fell sharply. Those for wines of type A II fell by between 13.0% and 53.3% and those for wines of types A III by 20.6%.

In France prices for wines of type R I were above the guide price for the whole year except the first two months, whereas in Italy there were wider fluctuations, but prices remained above the activating price except at the beginning of the season (September-October). The annual weighted average of prices in France



was 4.9% higher than the average in Italy.

Prices for table wines of R II were above the guide price for the whole year in France and for six months in Italy. In Italy, the prices at the beginning and end of the year were between the guide price and the activating price. There was a sharp difference between the two producer countries in the prices for table wines of type A I; prices in France were consistently above the guide price whereas in Italy they were barely higher than the activating price from December to April and were below this price for the rest of the year, except in Treviso where prices were above the guide price. The difference between the weighted average prices in France and in Italy was 37%.

Prices for wines of type R III were very erratic, with month-by-month differences of more than 100%. The annual weighted average was 23% above the guide price. Prices for wines of types A II and A III were, on the other hand, substantially lower than the activating price, except at the beginning of the year. The annual weighted average was 81% of the activating price for A II and 86% for A III.

In general the situation was fairly satisfactory where red wines were concerned, but the prices for white wine show that there is a rather serious crises, except in France.

(c) World prices

According to the FAO's information, wine prices on the world market were higher than in the previous year. The difference between world prices and Community prices is, however, still substantial and in some cases, particularly on the South American markets, above 40%.

On the Spanish market, which is one of those which concerns us most directly, prices had already risen noticeably in 1976/77, and rose again by some 30% in 1977/78 to reach a level some 15% below the Community guide prices. With some few exceptions, consignments offered to the Community were at prices above the relevant free-at-frontier offer price, thus complying with the corresponding reference prices.

6. Outlook

(a) Short-term

Preliminary information suggests that the 1978/79 harvest will yield some 10 million hl less wine than the previous year. According to preliminary estimates by the Member States, production should amount to 136 million hl (against 127 in 1977/78). This quantity is slightly below normal foreseeable utilization and, although stocks are quite large, market prices for red wines should remain at least at their present level and those for white wines may increase slightly. There should be no appreciable change in imports and exports.

(b) Medium-term

There have been two average harvests and one small harvest and, although the next one is likely to be slightly smaller than market requirements, increases in average yield mean that Community wine-growing potential tends to be in excess of market requirements which, for various reasons, are almost unchanging. To establish a better balance in the medium-term, the Commission, at the beginning of August, placed an "action programme 1979-1985" before the Council so that the market for wine may be progressively brought back into equilibrium, with a series of proposals for regulations to achieve this end.

7. Economic aspects of the measures taken

(a) Levies and refunds

1. Import levies

The import levies in the wine sector are known as "counter-vailing charges" and play only a very minor part since they do not apply to the 18 non-Community countries which have undertaken to observe the reference price and which are the Community's principal suppliers. The level of the counter-vailing charges remained the same throughout the 1977/78 marketing year, except for liqueur wines because of changes in the reference prices for these products.

2. Refunds

The level of the refunds was unchanged. The quantities qualifying for refunds were already fairly low and have dropped further (by some 30%); they now stand at 170 000 hl.

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

No exceptional distillation measures were taken in 1976/77 or 1977/78. All the "normal" intervention measures provided for in the Community rules were applied. The quantities of wine distilled with Community aid under the various measures amounted to about 1 million hl (compared with 5.3 million hl in 1976/77). The "guarantee of performance" measures applied to holders of long-term storage contracts (distillation of part of the wine and prolongation of the contracts for the remainder) extend potentially to 1.3 million hl but in view of harvest estimates the quantities involved will probably be lower in practice.

The monthly average quantities covered by storage contracts amounted to 8.9 million hl (against 12.5 million hl in 1976/77), the maximum reaching 13.5 million hl (21.8 million hl in 1976/77).

(c) Stock situation

At the beginning of 1977/78 stocks held by producers and the trade amounted to 82.3 million hl. At the end of the marketing year, stocks of 68.7 million hl are expected. This quantity may be considered normal and certainly gives no cause for concern from a market management point of view.

(d) Unity of prices

The compensatory amounts which were reintroduced in 1976 for Italy and France still apply. The representative rate for the French franc was changed twice during the year (on 1 February and 8 March) and that for the Italian lire once (on 22 May). The new representative rates which will apply from 16 December 1978 were anticipated on 1 September, in respect of certain intervention measures.

8. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF in the wine sector amounted to 172.9 million U.A. in 1976, 90.0 million U.A. in 1977 and is estimated at 230.7 million U.A. in 1978, or 3%, 1.4% and 2.5% respectively of the Guarantee Section's total expenditure.

The amount of 224.3 million AUA for 1978 may be broken down as follows: 2 million AUA for export refunds, 61.5 million AUA for private storage aid, 2 million AUA for restorage aid, 128 million AUA for distillation and 20 million AUA for distillation of the by-products of wine making.

The size of the 1977/78 harvest and the state of the market are such that intervention has not been as extensive as expected when the budget was being drawn up. It now seems likely that actual expenditure should not exceed 100 million U.A.

## 10. RAW TOBACCO<sup>(1)</sup>

### 1. Introduction

In 1977 world tobacco production fell by 1.7% compared with the previous year and amounted to 5.5 million tonnes. This situation results mainly from substantial drops in Turkey and Greece. Virginia flue-cured makes up about 30% of total production and 50% of all trade. Community production in 1977 (164 000 tonnes) also fell, by 4.3% compared with the previous year. Baled tobacco accounted for slightly less than 1% of the value of the Community's final agricultural production in 1977.

### 2. Production and structure

Over the last decade there has been at world level a steady tendency for tobacco production to shift to the developing countries (+ 30%) and the countries with planned economies (+ 40%); production has risen by only 4% in the industrialized countries, where rapid inflation and rising production costs (labour in particular) will continue to give impetus to this trend.

Over the same period, Community production has increased by about 30% as a result in particular of a marked increase in yield per hectare, especially in Italy and, to a lesser extent, in France and the Federal Republic of Germany. In Belgium, on the other hand, the downward trend in crop area and production continues. Furthermore, the tobacco sector has undergone a far-reaching change in its production structure (the development of cooperatives) and marketing structure (rationalization and concentration of undertakings) since the entry into force of the common organization of the market (1970) in the direction of better adjustment to actual market requirements.

As regards the major types of tobacco, world production of dark air-cured increased by about 4% in 1977 as compared with the previous year and that of Burley by 0.4%, whereas flue-cured and sun-cured decreased by 3% and 15.6% respectively.

At Community level, with due allowance for fairly favourable weather in 1977, the following changes took place compared with 1976:

- dark air-cured varieties: a drop of 21.1% due, in particular, to a drop in the Paraguay variety (28%);
- light air-cured varieties: an increase of about 6.6%;
- flue-cured varieties: an increase of 36.4%;
- sun-cured varieties: a fall of 33%;
- fire-cured varieties: an increase of 60.6%.

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(1) See Tables M.10.1 to M.10.8 in part II.

### 3. Degree of self-supply

#### Consumption

The Community's self-supply rate is about 26%. Compared with 1976, world tobacco consumption rose by about 1% in 1977. Consumption in the Community of Nine has more or less stabilized, mainly as a result of the economic recession, the increase in taxes and the anti-smoking campaigns. Nevertheless, certain downward trends are evident in countries such as France, Germany and the United Kingdom. It should be pointed out, moreover, that, although at world level the rise is 1%, this rise exceeds 5% on average and shows peaks of 10 to 15% in the developing countries. The steep rise in consumption of "light cigarettes" (low nicotine and tar content) continued in 1977 and trade may be expected to move to those countries exporting neutral-reaction tobacco for filling. Furthermore, the introduction of cigarettes containing tobacco substitutes has met with no success on the United Kingdom market.

### 4. Trade

World exports in 1977 amounted to 1.27 million tonnes, which is 4.7% less than in 1976. Thus, there has been a drop in international trade, as compared with 1975 and 1974, by about 2% and 10% respectively.

New manufacturing techniques, which reduce the tobacco per unit of consumption, should combine with increased prices (tax measures) and health considerations to bring about a drop in consumption and, consequently, in import demand, especially in the industrialized countries. It should also be emphasized that the developing countries and the countries with planned economies are taking an increasing share of world trade.

In 1977 Community exports were about 34% less than in 1976 (around 33 000 tonnes) and imports were 3.8% down. Virginia flue-cured tobacco accounts for about 61% of total imports and Burley for only 7%. Furthermore, about one third of imports enters the Community at a zero or preferential duty under the terms of the EEC policy towards the developing countries (generalized preferences, ACP).

This policy on tobaccos directly in competition with those produced in the Community means that stronger support measures are needed under the common organization of the market (premiums and export refunds).

5. Prices

Prices on the world market have been more or less stable compared with the previous year: in the United States, the most representative market on a world level, the Virginia flue-cured and Burley reached fob export prices of between \$4 and \$5 per kg, prices for Kentucky were very firm (about \$3 per kg), about the same level as last year, and the demand for this variety is still very lively.

The prices of oriental tobaccos are still showing the effects of over-production in Turkey, Greece, Bulgaria and Yugoslavia and are still tending to fall: minimum export prices have been lowered, export subsidies and credit facilities have been granted. In Turkey large quantities of inferior-quality tobacco have even been destroyed. This situation shows no signs of changing during the next marketing year.

As far as the situation within the Community is concerned, planters generally received the norm price for the 1977 crop but it should be pointed out that, in Italy, the prices for oriental varieties, after falling considerably in 1976 largely on account of the mediocre quality of the harvest and in 1977 because of the situation on the world market, have increased slightly but not in proportion to the better quality of the harvest. While the average increase in the level of the norm price was 3.5% between 1976 and 1977, the rise between 1977 and 1978 was 1.2% (expressed in units of account).

6. Outlook

First indications for 1978 are that world production of raw tobacco will drop, although yields in the main producer countries remain more or less normal.

Nevertheless, with particular reference to the Community position, it should be stressed that the structural difficulties affecting some varieties (particularly oriental tobaccos and Beneventano) will continue and that, in spite of the drop in production, the Burley variety seems to have reached its ceiling. Intervention buying of oriental tobaccos from the 1976 harvest have reached 13 000 tonnes, which makes it possible to invoke the procedure in Article 13 of the basic Regulation. The Commission has placed a report before the Council proposing action in the field of agricultural research in order to improve quality and thus facilitate marketing.

7. Economic aspects of the measures taken

To deal with the well-known difficulties of marketing the Beneventano variety, a conversion plan extending over 3 years was approved by the Council and applied for the first time to the 1977 crop, with some 1 200 ha (about 27% of the total area) being converted, mainly to the

Kentucky and Paraguay varieties. The tobacco grown on the converted areas was marketed normally.

Applications for conversion for 1978 relate to some 1 500 ha.

During 1978, one invitation to tender was issued for the export of tobacco held by the German and Italian intervention agencies (3 080 tonnes). The intervention agencies accordingly still hold in storage 21 905 tonnes from the 1973, 1974, 1975 and 1976 crops.

The granting of export refunds was certainly a factor in enabling the Community to increase its share of world trade. The Community varieties, hitherto little known, have now established their place in world trade. Indeed, although exports in 1970 only reached about 4 000 tonnes, as from 1973 (the year when the system of export refunds was introduced) exports have reached fairly high levels on the international market. However, recent tendencies in international trade have greatly restricted the scope for exports to the world market. Whereas the quantity from the 1975 crop for which export refunds were granted reached 21 455 tonnes, the quantity from the 1976 crop barely exceeded 9 000 tonnes.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of raw tobacco was 229.8 m U.A. in 1976 and 205.3 m U.A. in 1977, or 4.1% and 2.8% respectively of total expenditure. This development may be explained by seasonal changes in production, particularly fluctuations in unit yields. Expenditure for 1978 is estimated at 237 million AUA.

## 11(a). FRESH FRUIT AND VEGETABLES<sup>1</sup>

### 1. Introduction

Fruit and vegetable production in 1977, including crops for processing, represented % by value of final agricultural production, which is not very different from previous years (11% in 1976 and 11.9% in 1975).

Italy, with 60% of Community fruit production and nearly 45% of Community vegetable production, is by far the largest producer among the Member States. Second place goes to France with 16% of fruit and 18% of the vegetables while the third most important producer is Germany in the case of fruit (14%) and the United Kingdom in the case of vegetables (14%).

### 2. Production

Commercial fruit production<sup>2</sup> in the Community in 1977 amounted to 15.1 million tonnes, the lowest figure since 1971 and 17% down on the figure for 1976. With the exception of Ireland and Denmark, where the harvest increased, a fall in production was experienced to varying degrees in the other Member States and is at least partly due to the secondary effects of the drought of 1976.

It is therefore not surprising that the annual rate of change (- 2.5% between "1974" and "1976") should be unfavourably affected by this low production and should not reflect the relative stability of Community fruit production in the long term.

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

- in apple production, which accounted for 34% of Community fruit production, the 1977 harvest was 20.8% down on 1976. The drop was considerable in all Member States (between 9.1 and 47.7%), with the exception of Denmark where the harvest increased by nearly 30%.

As is the case for fruit overall, the 1977 apple crop is the poorest since 1971.

- The situation is similar in the case of pears (12.7% of all fruit production), i.e. in all Member States except Ireland and Denmark the harvest fell by between 20.7% and 41.2%, leading to a 28% drop in overall Community production.

This is the worst pear crop since 1965.

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<sup>1</sup>See Tables M.11.1 to M.11.16 of Part II

<sup>2</sup>This is "biological production"



- The peach harvest was 24.2% down on 1976. Since 1963, only 1969 and 1975 produced lower harvests than 1977.
- Citrus fruit production, which accounts for some 19% of total fruit production, was 6% down on 1976, as the drop in the orange crop (12%) was not offset by a slight increase in the production of lemons and small citrus fruit.

Commercial vegetable production in the whole Community reached 22.7 million t, a rise of 10.2% on 1976; production increased in all Member States to varying degrees. It will, however, be remembered that 1976 was a year of severe drought in many Community regions, with greatly reduced yields of many products.

The 1977 increase merely restores vegetable production to a more normal figure.

### 3. Consumption

In 1976/77 internal consumption of fruit<sup>1</sup> in the Community rose to 24.7 million t, an increase of 5% on the previous year.

Internal consumption of vegetables, at 27.1 million t, shows a drop of 6.4% on 1976/77.

#### (a) Human consumption

Human consumption was the principal use made of fresh or processed fruit and accounted for 89.6% of all internal consumption.

Per capita annual consumption in the Community amounted to 85.6 kg (24 kg of citrus fruit and 61.6 kg of other fruit), but there are substantial differences between Member States: 11 kg of citrus fruit in Ireland and 58.6 kg in the Netherlands; 27.3 kg of other fruit in Ireland and 88.3 kg in Germany.

Human consumption of vegetables was 89.3% of all consumption. Per capita annual consumption was 93.5 kg. Again there are large differences between Member States: 49.2 kg in Denmark and 148.7 kg in Italy.

The annual rate of change, calculated for the period "1973/74" to "1975/76", is - 1.0% for fruit other than citrus fruit, 1.5% for citrus fruit and - 0.3% for vegetables. These are scarcely perceptible variations which, although they differ in magnitude, move in the same direction as the variations observed over the same period in the corresponding usable production.

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<sup>1</sup>Including preserves and fruit juices, but excluding tropical fruits and dry or dried fruits

(b) Animal consumption and industrial uses

These two outlets, which include industrial uses for non-food purposes, tend to be adventitious and the quantities of fruit and vegetables which they absorb are generally very small, even less significant than losses during marketing.

(c) Rate of self-supply

The Community's self-supply rate is particularly high for vegetables, reaching 92% in 1976/77; the figure for non-citrus fruit is 78% and for citrus fruit 44%.

4. Trade

In 1977 the Community's total imports of fresh fruit amounted to 4.3 million t, a drop of 3.3% on 1976.

Citrus fruits, 3.1 million t, were the predominant import, since apples, which occupied second place, accounted for only 0.4 million t.

Export exports did not greatly exceed 0.7 million t, of which 0.2 million t were apples, 0.14 million t lemons and 0.12 million t oranges.

Imports of fresh vegetables totalled 1.2 million t, an increase of 13.1% on 1976, while exports, which fell by 8.8%, accounted for only 0.35 million t.

Intra-Community trade in fresh fruit and vegetables is also important.

Although the quantity of fruit traded did not equal imports from non-member countries, it nevertheless totalled 2.7 million t, making an annual increase of 6.7% since 1973. Apples (1.14 million t) were the main product, followed by citrus fruits (0.39 million t and stone fruit (0.35 million t).

Intra-Community trade in vegetables, on the other hand, totalled 2.1 million t, approximately 1.8 times the quantity imported from non-member countries. Although these figures are slightly down on 1976 (-1.1%) they nevertheless represent an annual increase of 3.5% since 1973.

5. Prices

(a) Common prices

The basic prices and buying-in prices for the 1977/78 marketing year have been increased so that the resulting average withdrawal prices, at which producer groups buy back their members' unsold produce, are 2.5% higher than in the 1976/77 marketing year for table grapes, 3.5% higher for apples, pears, oranges and mandarins and 4.5% higher for lemons, peaches, cauliflowers and tomatoes.

The average overall increase for 1978/79 was 2%.

The reference prices, which determine the minimum level of entry prices for certain products imported from non-member countries, increased by 4% between 1976/77 and 1977/78 in the case of cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries and plums.

In the case of lemons, oranges and mandarins, however, reference prices have remained at the level of the previous year, because of the relationship which exists between the basic and buying-in prices, the penetration premiums and the reference prices of those products (see 7(e)).

Between 1977/78 and 1978/79 reference prices increased by an average of 2%, with the exception of citrus fruits, where the full increase in the basic and buying-in prices was reflected in the penetration premiums.

(b) Market prices

Fruit and vegetable prices fluctuate constantly and may vary considerably from one time of the year to the other, from one market to another and even from one consignment to another.

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

- Apples (Golden Delicious, quality class I, 70 mm or over).

Since the crop was particularly small, prices rose considerably by comparison with 1976/77: by 102.5% in Italy and 85% in France, the two main producing countries, by 6.2% in Denmark and by 115.8% in Luxembourg; increases in the other Member States varied between 33.4% and 74.4%.

Throughout the marketing year, average monthly prices were very high, and reached double the basic price on nearly all Community markets.

- Pears (various, quality class I, 60 mm or 70 mm or over, according to period).

As with apples, the drop in production brought about a rise in prices, amounting to 121.6% in France, 103% in Italy and between 17.2% and 58.4% in the other Member States. As in the case of apples, average monthly prices were up to double the basic price.

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

In 1976 prices had been abnormally low, but prices in the 1977 marketing year were extremely high on both the French and Italian markets, sometimes reaching more than three times the basic price.

The increase on the previous year was in the region of 83.1% in France and 91.4% in Italy.

- Table grapes (various, quality class I).

Prices for this product also showed a favourable development, rising by 55.2% in France and 81.7% in Italy. However, Italian prices were still considerably lower than those in France.

The peaks registered in relation to the basic price ranged from + 33 u.a. in August to + 17 u.a. in September in France, and from + 16 u.a. to + 11 u.a. for the same months in Italy.

- Oranges (various, quality class I, size 67/80 mm).

The slight drop in production had a major effect on prices, which at times were more than twice those recorded in the previous year and remained far above the basic price throughout the marketing year.

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

Although the average annual price was 65.1% up on 1976/77, average monthly prices were between 1 and 10 u.a. up on the basic price, depending on the market and the month.

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

The average annual price for lemons in 1977/78 was 25% up on the previous marketing year and prices remained above the basic price throughout the marketing year.

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

As compared with 1976, average annual prices varied from one Member State to another: there was a slight increase of 10% in Germany and 7% in the Netherlands but prices fell in Italy (40.3%), the United Kingdom (24%), Denmark (13.9%) and France (12.8%).

The average monthly prices for trimmed cauliflowers remained above the respective basic prices while on the French and Italian markets cauliflowers with leaves fetched prices close to or even lower than the basic price.

.../...

- Tomatoes ("round", quality class I, size 57/67 mm).

The annual average price for this product also varied from one Member State to another: increases of 29.3% for Italy, 19% for the United Kingdom, and 2.9% for France and falls of 30.4% for Germany, 30.1% for Ireland, 16.1% for Belgium, 14.4% for Denmark and 11.4% for Denmark and 11.4% for the Netherlands.

The monthly average prices were, generally speaking, higher than the basic price throughout the marketing year, except in August on the Syracuse market and in October on the Reichenau market, when prices were lower.

The often rapid changes in daily prices and the various coefficients applied to products which differ from the pilot products explain why quantities of some products fell short of the withdrawal price and were withdrawn from the market by the producer groups, even when the average prices of the pilot product were higher than the basic price.

(c) World prices

Given the perishable nature of the products, fruit and vegetable prices are fixed more or less independently on the principal markets. There is, strictly speaking, no world market for such products and consequently no world price.

(d) Consumer prices

In view of the wide diversity of products - types, varieties, qualities, sizes - and the wide variations of price for a given product at consumer level, it is not possible to determine consumer prices for the many types of fruit and vegetable.

If the retail price indices for fruit and vegetables are taken as a basis, the 1977 increase over 1976 was greatest in the United Kingdom (30.91%); the rates of increase in France and Italy were similar (22.14% and 23.03% respectively) and they are followed by Belgium (11.32%), Germany (9.43%), Ireland (3.42%) and the Netherlands (1.11%). The only reduction in the index was found in Denmark, where it fell by 1.71%.

6. Outlook

In the case of vegetables, the annual nature of most species, the rapid succession of crops and the availability of fixed or movable means of protection, are all factors making for flexibility and enabling production to adapt itself rapidly to demand.

In view of the trends in vegetable production over the last few years and the stability observed in this sector, no major changes are to be expected for some time to come.

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(b) International agreements

Since Community apple production was considerably below normal and the Southern Hemisphere countries did not plan to export quantities in excess of the absorption possibilities to the Community, no discussions were necessary with the principal supplier countries on possible voluntary restraint or a change in the timing of their shipments to the Community.

(c) Withdrawals from the market

Withdrawals of fruit and vegetables were generally small.

The quantity of apples withdrawn, for example, amounted to only 2 538 t, or 0.5% of production. Withdrawals had been lower only in the 1972/73 marketing year.

The quantity of pears withdrawn from the market, almost exclusively in Italy, was just over 41 000 t (2.07% of production), the lowest figure since 1967/68.

The quantity of peaches withdrawn - exclusively in Italy - was in the region of 60 000 t, or 3.91% of production. This is far below the figures for 1976 (347 000 t) but near the average for the other years.

The quantities of mandarins withdrawn from the market were lower than in 1975/76 and 1976/77 but nonetheless represented 7.46% of Community production.

Withdrawals of other products were very low or even insignificant. Withdrawals of cauliflowers, for example, amounted to 21 000 t (1.47% of production), about a quarter of the marketing losses. Withdrawals of oranges involved only 1.10% of production and those of tomatoes only 0.48% of production; the figures for table grapes and lemons were 27 and 2 tonnes respectively.

(d) Unity of prices

(i) Accession compensatory amounts

The accession compensatory amounts, which had been introduced for certain products and certain periods, were, as agreed, abolished as from 1 January 1978, the end of the transitional period.

(ii) Monetary compensatory amounts

No monetary compensatory amount was fixed for fresh fruit and vegetables.

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In the case of fruit too, analysis of production trends over a relatively long period shows a certain stability, albeit with considerable fluctuations from one season to another, as was observed for example in the 1977/78 harvest.

7. Economic aspects of the measures taken

(a) Import and export measures

(i) Countervailing charges on imports

During the 1977/78 marketing year, countervailing charges were imposed on imports of the following products:

- cucumbers from Spain, Bulgaria, Greece, Romania and Cyprus
- tomatoes from Spain, Romania and Bulgaria
- peaches from Greece
- Lemons from Argentina
- table grapes from Greece
- certain varieties of plums from Czechoslovakia
- certain varieties of oranges from Greece and Algeria
- mandarins from Morocco.

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 1977/78 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shells, shelled almonds, shelled hazelnuts, peaches, dessert apples and tomatoes.

These refunds, which vary according to the product and are generally low, were fixed only for destinations which afforded real export outlets and only if there were export difficulties to be overcome.

(iii) Protective measures

In July and August protective measures were adopted against peaches from Greece, suspending their release on to the Community market at first completely, and then in respect of certain sizes.

Protective measures were also adopted against onions from Poland, the release of which on to the Irish market was suspended from 28 December 1977 to 14 April 1978 inclusive.

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(c) Measures to promote the marketing of Community citrus fruits  
Measures to promote the processing of oranges  
Measures to assist the marketing of products processed from  
Lemons

The so-called penetration premiums (financial compensation to promote the marketing of Community citrus fruits) were fixed at the following levels for the 1977/78 marketing year:

- 8.71 u.a. per 100 kg net for oranges of the Moro, Tarocco, Ovale calabrese, Belladonna, Navel and Valencia late varieties,
- 7.48 u.a. per 100 kg net for oranges of the Sanguinello variety,
- 4.92 u.a. per 100 kg net for oranges of the Sanguigno and Biondo Comune varieties,
- 7.48 u.a. per 100 kg net for mandarins,
- 4.36 u.a. per 100 kg net for clementines,
- 5.33 u.a. per 100 kg net for lemons.

Compared with 1976/77, the financial compensation was increased by the total percentage fixed for the increase in basic and buying-in prices of the same products, i.e. 3.5% for oranges, mandarins and clementines and 4.5% 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 price 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 1976/77 marketing year:

Grade of product	Minimum price per 100 kg net	Financial compensation per 100 kg net
I	8.20 u.a.	5.50 u.a.
II	6.74 u.a.	4.04 u.a.
III or mixed	5.30 u.a.	2.60 u.a.

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Finally, the measures adopted to assist the marketing of products processed from lemons, which were applied for the first time in the 1977/78 marketing year, fixed the minimum price to be paid to growers by processors at 10.00 u.a./100 kg and the financial compensation payable to the processors at 6.00 u.a./100 kg.

(f) Measures to improve the efficiency of Community fruit production

The information obtained from the Member States indicates that grubbing operations, in respect of which a premium system was introduced in April/May 1976, had been carried out on 8844.5 ha of apple trees and 3 179.9 ha of pear trees.

(g) Budgetary expenditure

In 1978, expenditure by the EAGGF in the fruit and vegetables sector will amount to 139 million a.u.a.

116. PROCESSED FRUIT AND VEGETABLES

1. Introduction

From 1976 to 1977 production of processed fruit and vegetable products changed as follows:

		in '000 tonnes	
:	Products processed from	: 1976	: 1977
:		:	:
:	VEGETABLES	: 3 731	: 4 263
:	FRUIT	: 2 829	: 2 575
:		:	:

Production of processed vegetables rose by 14% from 1976 to 1977.

The production of jams, marmalades and jellies in 1977 was about the same as in 1976, namely 550 000 t as against 557 000 t (- 2%). Production of fruit preserves in 1977 was 18% below the 1976 level, which had, however, been 25% up on 1975. Production of fruit juices fell by 9% from 1976 to 1977.

Community production of some sensitive products was as follows:

- (a) Tomato concentrates: production was 172 000 t in 1977 compared with 142 000 t in 1975, a rise of 21%;
- (b) Peeled tomatoes: production rose by 30%, from 526 000 t in 1976 to 683 000 t in 1977;
- (c) Tomato juice: production increased by 37%, from 42 000 t in 1976 to 57 500 t in 1977. (It should be noted that the 1977 figure includes the estimated total for French production, which was not available for 1976);
- (d) Preserved mushrooms: production increased from 160 000 t in 1976 to 173 200 t in 1977, a rise of 8.3%;
- (e) Preserved peaches: production was 49 401 t in 1976 and fell by 2.4% to 48 200 t in 1977;
- (f) The production of orange juice in Italy was 75 000 t in 1976 and rose by 2.7% to 77 000 t in 1977. Lemon juice production, however, fell steeply from 38 000 t in 1976 to 28 000 t in 1977, a drop of 26.3%.

.../...

II. Consumption and trade

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

1976

	Import		Export	
	Tonnes	'000 EUA	Tonnes	'000 EUA
TOTAL	4 171 802	2 222 220	2 390 878	1 239 996
Intra-EEC	1 933 081	1 024 441	2 033 644	1 033 340
Non-member countries	2 226 699	1 194 184	357 204	206 494

1977

	Import		Export	
	Tonnes	'000 EUA	Tonnes	'000 EUA
TOTAL	3 992 395	2 508 855	2 276 330	1 386 029
Intra-EEC	1 858 686	1 163 358	1 814 695	1 082 710
Non-member countries	2 133 709	1 345 497	461 635	303 319

The available quantities of tomato concentrates and peeled tomatoes rose by 33% from 1976 to 1977. This was basically due to an increase in production.

The quantities of tomato concentrates available for consumption were 224 000 t in 1976 and 306 462 t in 1977.

Imports rose from 145 360 t in 1976 to 171 976 t in 1977. Exports, on the other hand, fell from 63 000 t in 1976 to 37 514 t in 1977.

Intra-Community trade fell slightly from 123 000 t in 1976 to 107 000 t in 1977.

Imports of peeled tomatoes rose from 44 452 t in 1976 to 48 699 t in 1977. Exports remained more or less stable: 64 320 t in 1976 and 64 635 t in 1977. The quantities available for consumption rose from 506 130 t in 1976 to 667 064 t in 1977. Intra-Community trade fell from 184 000 t in 1976 to 150 000 t in 1977.

Imports of tomato juice rose from 28 900 t in 1976 to 31 500 t in 1977. Exports remained practically unchanged: 8 000 t in 1976 and 8 200 t in 1977.

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Imports of preserved peaches fell from 132 953 t in 1976 to 102 822 t in 1977. Exports remained insignificant: 300 t in 1976 and 645 t in 1977.

This change in external trade is behind the steep fall in the quantities available for consumption: 181 860 t in 1976 and 150 377 t in 1977.

The available quantities of orange juice fell slightly from 304 406 t in 1976 to 299 371 t in 1977. Imports fell from 241 514 t in 1976 to 239 780 t in 1977, while exports rose from 12 108 t to 17 409 t. Intra-Community trade was 126 300 t in 1976 and 123 000 t in 1977.

The quantities of lemon juice available for consumption remained at about the same level, i.e. 37 900 t in 1976 and 37 957 t in 1977. As production fell by 10 000 t, imports rose in proportion, reaching 13 808 t in 1977 as compared with 65 t in 1976. Exports rose from 89 t in 1976 to 3 851 t in 1977. Intra-Community trade was in the region of 14 900 t.

The quantities of preserved mushrooms available for consumption increased from 180 900 t in 1976 to 196 500 t in 1977. Imports rose slightly from 28 900 t in 1976 to 31 500 t in 1977; exports remained at the same level: 8 000 t in 1976 and 8 200 t in 1977.

### III. Prices

After falling during 1976, world prices for products processed from tomatoes became slightly more stable in the early months of 1977.

Prices recovered in the first half of 1977 and prices in general were relatively stable.

Since prices for preserved mushrooms had recovered on the Community market at the end of 1976, the protective measures were abolished with effect from 1 January 1977.

Import prices remained satisfactory throughout 1977 and the quantities actually imported remained within acceptable limits.

Community prices for other products did not give rise to any difficulties, generally speaking.

.../...

#### IV. Outlook

Production of tomato-based products in 1978 will be up on 1977. In May, June and July 1978 world prices recovered a little because of a slight shortage of supply, but there was no real price boom.

The new system of production aid for tomato concentrates, peeled tomatoes, tomato juice, peaches in syrup and prunes, proposed by the Commission at the end of 1977 during the discussion of the problems of Mediterranean agriculture and adopted at the beginning of 1978, will stabilize the situation of these products without causing any notable rise in production.

Protective measures for preserved mushrooms had to be re-introduced at the end of May 1978. At that time import licences indicated that imports were already 30% greater than those for the whole of 1977 and the offer prices quoted by non-member countries had dropped far below the production costs incurred by the Community industry.

The granting of import licences was therefore suspended. Relaxation or repealing of the measure will depend on market trends, which still show prices falling in the presence of huge stocks.

#### V. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in respect of processed fruit and vegetables amounted to 15.4 million u.a. in 1976 and 24.6 million a.u.a. in 1977.

Now that a system of production aid has been introduced for certain sensitive products, expenditure for 1978 is estimated at 92.5 million a.u.a. These figures represent 0.28, 0.40 and 1.20% respectively of total expenditure by the Guarantee Section.

The sum of 92.5 million a.u.a. for 1978 comprises expenditure of 1.5 million u.a. on export refunds and 91 million a.u.a. on intervention, i.e. aid for preserved pineapple, tomato concentrates, peeled tomatoes, tomato juice, preserved peaches, and prunes.

11c. LIVE PLANTS<sup>1</sup>

Introduction

The live plants sector - divided in practice into bulbs, nursery products, pot plants and cut flowers - represents, with an overall production in the region of 3 000 million EUA.

Production

The value of production in this sector, based on estimates, is subject to considerable fluctuation. The most recent estimates indicate the following position:

Value of production in the live plant sector in EUA and rate of change

a) million EUA

Year	Bulbs	Nursery Products	Cut Flowers and Pot plants	Total
1974	160	363	1 897	2 420
1975	167	395	2 091	2 653
1976	199	480	2 603	3 282
1977	225	534	2 891	3 650

b) % change

1975	+ 4	+ 9	+ 10	+ 9
1976	+ 19	+ 21	+ 24	+ 24
1977	+ 13	+ 11	+ 11	+ 11

Trade

Both intra-Community trade and trade with non-member countries have continued to increase steadily; between 1976 and 1977 intra-Community trade rose by 15.2% (the annual average for the period 1973/77 is 11.5%).

Imports from non-member countries rose by 20.1% between 1976 and 1977 (the annual average for the period 1973/77 is 24%). It should be noted that imports of cut flowers, especially carnations, rose more steeply.

Exports to non-member countries rose more slowly, and were 9.5% up on 1976.

The average annual increase for the period 1973/77 is 13.9%. Exports to non-member countries, which were worth 236 million u.a. in 1977, were nevertheless much greater than imports from non-member countries, which represented only 118 million u.a. in 1977.

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<sup>1</sup> See Table M.11.17 of part II

Consumption

Total consumption is increasing and imports, particularly of cut flowers, are coming to play a considerable role. Regional trends vary widely on either side of the Community average, the position of bulbs and nursery products being greatly influenced by the weather, which affects not only the harvest but also demand.

Outlook

The sector has held its own against the problems stemming from the energy crisis of 1973 and the removal of import restrictions in 1976. Rising production costs and increased imports, particularly of cut flowers are, however, causing producers concern for the future.

## 12. HOPS<sup>1</sup>

### 1. Introduction

World production in 1977 was 116 000 tonnes, 9% up on 1976, and forecasts for 1978 predict a slight drop (about 112 000 tonnes). The world market is nevertheless still marked by an imbalance between supply and demand resulting from the expansion of the areas under hops in 1969/74, from the increasing use of hop extracts in the brewing industry and from the high demand for varieties rich in alpha acid. This has meant 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 remain high and exert constant pressure on international market prices.

Even after the 1976 drought in Europe, which reduced stocks to some extent, they were still about 22% above normal at the beginning of 1977. For this reason the Community adopted structural measures to encourage quality production and reduce the area planted. Hop production accounted for 0.1% of the value of final agricultural production in the Community.

### 2. Structure

In 1977 the Commission recorded that there were 7 794 growers in the Community, including 7 038 members of recognized producer groups, the setting up of which is encouraged under Regulation (EEC) No 1694/71, 487 members of non-recognized groups and 251 independent growers.

### 3. Production

EEC production was 47 800 tonnes in 1977 (about 41% of world production of hops), 20% up on 1976. The area under hops was 27 232 ha (down about 600 ha on 1976). In 1978 the area is about 25 346 ha and production is estimated at 42 600 tonnes.

The abovementioned increase in demand for varieties rich in alpha acid has led to large-scale replantings with those varieties in all Member States. The two main types of variety, aromatic and bitter, account for 50% and 49% of the EEC area respectively, as compared with 73% and 26% in 1971.

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<sup>1</sup>See Tables M.12.1 to M.12.66 in part II

<sup>2</sup>Regulation (EEC) No 1170/77 - OJ No L 137 of 3. 6.1977  
2253/77 - OJ No L 261 of 14.10.1977



4. Consumption

The brewing industry is the only user of hops. World demand for beer is rising by about 3% (the highest increase in beer production is in the Third World and Eastern European countries but demand is stationary in the EEC. Because of the new manufacturing techniques, the demand for hops is increasing less rapidly, by about 1% in the world-wide context, and is even falling slightly in the EEC.

5. Trade

In 1977 the EEC exported 48% of its production to non-member countries. It thus remained the chief world exporter, followed by the United States, Czechoslovakia and Yugoslavia. However, exports from the Community have been falling slightly but continuously since 1975 because of the world surplus and the international monetary situation (devaluation of the U.S. dollar against European currencies). The Community's imports of cones and extracts have also fallen slightly.

6. Prices

After the general rise in prices for the 1976 harvest, as a result of the drought in Europe, prices for the 1977 harvest fell by about 19% because of increased production and the prospect of a surplus on the world market. In addition, because of the world surplus and high inflation, contract sales are steadily falling. The quantity sold under contract in the Community fell from about 77% of the 1975 harvest to about 65% of the 1977 harvest.

7. Medium-term outlook

As stated in the Commission's report on the 1977 harvest, the 1978 harvest is likely to see a reduction of about 1 200 ha in the total world area under hops. The area in the EEC has fallen by about 1 900 ha while that in the rest of the world has increased slightly. In spite of this reduction, there should still be a considerable area under hops. On the other hand, forecasts for the 1978 harvest predict that yield will be lower and that demand will exceed supply. This will help reduce part of the world's surplus stocks. Nevertheless, in view of the high level of stocks at the beginning of the 1978 harvest, prices will not reach satisfactory level at the production stage even if they rise on the free market.

For the 1979 harvest, attention should be drawn to the effect of the growing use of hop powders and extracts and the reduced bitterness of beers, which means that fewer hops are used per unit of beer; despite an increase in beer production of about 3%, demand for hops will rise only slightly (by about 1%). It may thus be concluded that the restoration of a satisfactory world market balance in the 1980's will require the area under hops to be reduced by a further 1 000 to 2 000 hectares.

8. Budgetary expenditure

The expenditure of the EAGGF Guarantee Section was 14 million u.a. in 1976, 8 million u.a. in 1977 and is estimated at 8 million a.u.a. in 1978, or 0.3, 0, and 0.1% respectively of the Guarantee Section's total expenditure.

9. Economic aspects of the measures adopted

Production aid for the 1977 harvest was greatly increased (about 7%) in comparison with the previous harvest to offset the fall in producers' earnings. In view of the world and Community surpluses, however, the Commission applied Article 12(6) of the basic Regulation to make new plantings ineligible for Community aid.

The new provisions of the amended basic Regulation were applied for the first time in order to fix aid according to varietal group. This will help reorganize Community production in the light of trends on the European and world markets.

### 13. MILK AND MILK PRODUCTS

#### 1. The production and use of milk

- (a) Dairy cattle numbers continued to increase in 1977. There was an increase of 0.8% in the number of dairy cows in the Community. Since 1977 a premium has been available for the non-marketing of milk and the conversion of dairy herds with the aim of taking a significant number of cows out of milk production. So far the measure has not had as great an effect as anticipated. A further increase in the number of dairy cows has been prevented but no actual decrease has yet been recorded. In view of the general economic situation and because of the lack of alternatives for milk producers both within agriculture and outside, a significant decline in the number of dairy cows is unlikely in the foreseeable future, unless far-reaching economic intervention under the common milk policy were to take place.
- (b) The trend towards higher milk production continued in 1977 and is being maintained. In most regions of the Community this trend is helped along by an adequate supply of farm-grown fodder, supplemented by purchases of less expensive concentrate feed, mainly soya-based. The economic basis for Community milk production is very attractive and in 1978 the weather has also been favourable. As a result, a further increase in the average milk yield per cow is apparent, so that, even with a static dairy herd, milk production is rising. If dairy herds were to be reduced only slightly, a further rise in milk production could be avoided only with a more than proportionate decline in dairy cow yield. The most important fact to note is that milk production in 1977 was up 2.7% on that of 1976, while for 1978 a similar increase on 1977 is expected.
- (c) Milk deliveries to dairies in 1977 exceeded those of 1976 by 3.4%. This is the result of increased milk production and, also, the fact that the percentage of production delivered to dairies in the Community has risen to over 90%. There is no corresponding demand for milk and milk products within the Community or outside at current prices so that the additional quantities have increasingly to be stored and heavily subsidized.

#### 2. Production and consumption of the most important milk products

##### (a) Drinking milk

In 1977 the manufacture and sale of drinking milk did not reach the 1976 level. All the signs suggest that in 1978 a further slight fall in the manufacture and sale of drinking milk will occur. Variations in the supply of drinking milk products continue. A steady slight decline in the average fat content is apparent. Products with a lower fat content seem to be increasingly preferred by consumers. More UHT and sterilized and less pasteurized drinking milk products are being marketed in the Community. Because of the marketing advantages, both suppliers and the trade accept any disadvantages which arise, in terms of the quality of the products.

Yoghurt sales, which recorded high growth rates in the previous years, have not been making such rapid progress. Consumption of cream has remained steady at about the level of recent years.

(b) Butter

In 1977 butter production rose slightly, by 0.5%. On the other hand, consumption at market prices is falling while demand in quantity terms has been declining, particularly in the United Kingdom, as a result of the relatively sharp price rise consequent on price harmonization. The sizeable United Kingdom subsidy for private consumers has slowed, but not halted, the fall in the consumption of butter.

In 1978 butter production is expected to be about 80 000 tonnes higher than in 1977. Meanwhile, the imbalance on the butter market is increasing on account of the persistent decline in consumption. Although special marketing measures enable butter to be sold at greatly reduced prices within the Community and although commercial exports, and food aid provide other outlets, all this is not sufficient to bring about a general reduction in the stocks.

It should also be borne in mind that the butter situation is further aggravated by imports for trade policy reasons; the effects of these imports can be offset only by the expenditure of considerable public funds.

Commercial exports rose in 1977, particularly to State-trading countries, so that at the end of 1977 stocks amounted to barely 200 000 tonnes. However, this figure does not include the sizeable reserve stocks which were held by industry, traders and processors at the time of the expiry of the transition period in the United Kingdom. An increase in stocks to not more than 300 000 tonnes is expected for the end of 1978 (see Table M.13.12).

(c) Skimmed milk powder

The amount of skimmed milk powder manufactured is dependent on the use of milk for other milk products and, in particular, on the quantities of skimmed milk used as fodder in liquid form or processed into cheese.

In 1976 production again reached 2 million tonnes, but was almost 2% lower than in 1976. In 1978 a rise of more than 100 000 tonnes is expected, as the available milk is being used increasingly for drying.

The manufacture of skimmed milk powder far exceeds demand at market prices. Only about 12% of the powder manufactured can be sold in the Community at the fixed price. 60% is sold as feed with a 45% price reduction for fattening calves, while 6% is exported commercially with sizeable refunds to non-member countries.

Furthermore, skimmed milk powder is sold both within the Community for the feeding of pigs and outside of the Community as fodder or as food aid at prices which do not cover the costs of drying and packing of the powder.

(d) Cheese

Community production and consumption of cheese again increased slightly in 1977. This trend, which has been apparent now for some years, seems to be continuing in 1978. The cause of this is a steadily improving supply situation with regard to quality and preparation, combined with an active marketing policy on the part of cheese manufacturers; this applies to the entire Community.

(e) Whole milk powder

Production of whole milk powder has risen in recent years mainly on account of increased exports. Consumption within the Community, however, has remained unchanged. Fluctuations in this area will continue to be determined chiefly by demand on the world market.

(f) Condensed milk

Production of condensed milk has likewise been increased as a result of greater world market demand. On the other hand, consumption within the Community is stagnant; there has been no growth in demand for some years.

(g) Casein

In the Community casein and caseinate are manufactured thanks to the expenditure of considerable public funds; the import duties applicable to the most important tariff headings are bound under GATT at a very low level. Apart from the high level of production in 1974, Community manufacturers have been able to stabilize their share of the internal market and of the world market in recent years.

### 3. World Market Situation

#### International trade and production development

##### International trade

In 1977, the international market for dairy products expanded significantly, thus continuing the increase in 1976, following on the unusually low trade levels of 1975. Total world exports of butter (including butteroil and food aid) increased by 23% and world exports of skimmed milk powder (including food aid) increased by no less than 52%. These exports reflect a number of special factors of which should be mentioned notably the influence of increased food aid commitments (butteroil and skimmed milk powder) and the special GATT-price arrangement for skimmed milk powder for animal feed. Furthermore, an increased demand in East Block countries contributed, at least temporarily, to increasing world butter exports in 1977.

World exports of cheese, condensed milk and whole milk powder increased by 10%, 16% and 47% respectively, in 1977 compared with 1976. Above all, the increased demand for whole milk powder contributed noticeably to a diversification of dairy exports from several dairy producing countries with increasing or potential surpluses. Hence to a certain extent, increases in world whole milk powder production could be justified. In 1977 the average unit value of all milk powders in world trade decreased by 12% mainly because of the increased exports of skimmed milk for animal feed. The main outlets for the increased whole milk powder trade were found in South America and certain Asian countries. The increase in condensed milk quantities in 1977 was accompanied by a slight rise in export/import values of 2-3%. The main regions of increase were South America and Africa. The relatively moderate increase in cheese exports in 1977 was accompanied by average price increases of 8-9%. The most important market gains were registered in Japan and certain South American countries.

Cheese imports into Iran did not expand further, in contrast to the substantial increases over the previous 3 years. Neither did US cheese imports change in 1977 and were still much below the high levels of 1974 and 1975.

##### Milk production

EEC is the biggest milk producing group of countries in the world, accounting in 1977 for 96 million tons or almost 24% of total world milk output. Next in importance is USSR with 94 million tons or 23% of world production, followed by USA with 56 million tons or 14% of world total. Taken together these three groupings account for more than 60% of world production or 246 million tons in 1977, representing an increase of 4% compared with 1976, reflecting an increase in USSR of 6,4%, in EEC of 2,7% and in the US of 2,2%. Milk production also increased in most other European countries and notably in the Eastern, centrally planned economies. Higher milk output was also recorded in certain South and Central American countries (Brazil : + 7%, Columbia: 4,4%, Chile : + 2,7%, Mexico : +2,3%) whereas production decreased in other countries notably in Australia and Argentina.

As in the EEC, the debate on changes in the milk policy in order to cope with surplus problems in the dairy sector has continued in 1977 and 1978. Some countries have taken concrete steps to amend or improve their policies. Hence, the Canadian quota/penalty system has been continued with some adaptations. Australia has taken steps to pursue the "Stage II" intentions of letting market prices influence more directly the dairy industry revenue, at least for some dairy products. Switzerland has reinforced a temporary quota/penalty scheme with some success. Austria has very recently introduced a quota system based on a guaranteed price for 121% of the country's milk requirements, with a price penalty for further deliveries. Finland has adopted a system of co-responsibility levies and Norway has, while still considering a quota system, given higher (premium) prices to producers who reduce their milk deliveries.

As to recent developments in certain major producing/exporting countries outside of the EEC, the following comments are relevant:

In the United States milk production in 1977 increased by 2,2% compared with 1976. This development was due to a 2,9% increase in milk yield per cow and a 0,7% decrease in dairy cow numbers. However, since March 1978 the US milk production has been decreasing as a combined result of stagnating yield development and slightly accentuated decrease in cow numbers. Higher cull cow prices and improved off-farm employment were the main contributing elements in reducing dairy cow numbers. On the other hand, the milk-feed price ratio stayed quite favourable during the first half of 1978. Thus, the stagnating yield development is probably a temporary phenomenon, due mainly to slow pasture growth. But pressures for increased herd culling will most likely continue and the overall result could be stable or slightly reduced US milk production in the short and medium term. Further surpluses will probably be avoided in the short term, also because recent development in domestic demand for dairy products has been quite strong, notably for cheese. The major factors influencing the demand in this positive direction are improved consumer purchasing power and relatively slower rises in retail prices for dairy products than for other products.

The Food and Agriculture Act of 1977 requires the milk support price be adjusted semi-annually to reflect the estimated change in the parity index (index of prices paid by farmers for commodities and services, interest, taxes and wage rates). From April 1978, the milk support price, reflected in the intervention prices for butter, skimmed milk powder and cheese was increased by 4,8% to \$ 9,43 per 100 lbs. To avoid large surpluses in the next few years it is considered necessary to maintain support prices relatively close to the present levels.

By mid-year 1978 the uncommitted US intervention stocks amounted to 112.000 tons of butter, 25.000 tons of cheese and 271.000 tons of skimmed milk powder. Compared with same time last year butter stocks had increased by 39.000 tons and powder by 33.000 tons whereas cheese stocks remained stable.

In Canada the quota/penalty scheme introduced in 1976 reduced milk deliveries, in comparison to 1975, by 5.5% whereas milk production only decreased by 0.8%. In 1977 milk production increased again to its 1975 level and total deliveries increased by 2.2%. Thus, the substantial revision of the Canadian milk output which was expected last year has not taken place. Through the first half of 1978 the Canadian milk production continued to increase at a rate of 1 to 2 per cent above the corresponding 1977 level. Effectively the market sharing quota for 1978/79 (industrial milk) has been fixed 5% above estimated market requirements, or 3.2% above first quota set for 1976/77. Further, for 1978/79, the target price was increased (+ 4.7% compared with April 1977), direct subsidy remained unchanged, butter and skimmed milk powder support prices increased by 7.6% and 5.7% respectively, whereas inquota-levy was reduced from \$ 1.20/100 lbs to \$ 1.00/100 lbs and overquota levy increased slightly from \$ 7.00/100 lbs to \$ 7.50/100 lbs. Thus, producers' net returns increased. Finally, the cheese import quota was reduced from 50 million to 45 million lbs (20.412 metric tons). Because of the continuing downward trend in butter consumption, butter production is expected to decline in 1978 and more industrial milk will be diverted to cheese plants.

In Australia domestic consumption of dairy products is declining - notably for butter - despite relatively lower retail prices. Export returns remain depressed and there is a continuing upward trend in production costs. In the short term drought conditions have had a depressing effect on output in some dairying areas. The combination of these factors and uncertainty on future policies has accelerated the rate of decline in dairy cow numbers (down by more than 4% in 1978), a substantial fall in the number of dairy holdings and a contraction in the dairy processing sector. Thus, after a slight decrease in 1977 compared with 1976, Australian milk production is expected to decrease further by 2-3% in 1978. For this reason it seems less probable that Australia will introduce milk quotas, but rather pursue the aims of the so-called "Stage II" policy (letting market "signals" influence production) through more differentiation in the price guarantees for individual products. Hence, it is expected in the current 1978/79 milk year that butter production will decrease by 15%, being followed by a consequential sharp drop in skimmed milk powder production. However, a substantial increase is expected in the output of whole milk powder and to some degree also for cheese.

In New Zealand dairy cow numbers are fairly stable and are expected to stay at their present level throughout 1978 without reflecting noticeably the drought in the first half of 1978. Milk deliveries, however, being almost stable in 1977 compared with 1976 decreased by 23% during the first half of 1978. Thus, even if production conditions in the second half of 1978 improve considerably, total milk output for 1978 would probably still be 10% or more below the 1977 level. A return to more normal conditions is expected for 1979. In 1977 New Zealand production of butter decreased by 20,000 tons or 7%, whereas skimmed milk powder production only decreased by 1%. Cheese production decreased by 9% and casein production by 3%. On the other hand, production of whole milk powder increased by no less than 35% to a new record level of 72,000 tons. The lower milk deliveries in 1978 have affected all dairy products and are reflected in lower production levels. To this background, stocks have been significantly reduced, notably for skimmed milk powder.



### Community exports

Total Community butter exports in 1977 increased by 152,000 tons or 129%, reflecting an increase of 160% in commercial exports and 50% in food aid. The Community's share of total world trade in butter increased to 44% from 24% in 1976. As explained elsewhere in this report, the increase in 1977 in Community butter exports has been exceptional and will not be repeated in 1978. In quantity terms, cheese exports increased by 3,5%. However, total world trade increased more and reduced the EEC world market share from 37% in 1976 to 35% in 1977. A decrease is foreseen in EEC cheese exports in 1978. For skimmed milk powder total Community exports in 1977 increased by 250,000 tons or 152%, reflecting substantial increases in commercial exports, food aid deliveries and, notably, special sales measures for animal feed. It is not expected that this export can be maintained at the same level in 1978.

Following the expansion of the world market for whole milk powder Community exports increased in 1977 by 39%. However, supplies from other exporting countries increased faster and the Community share of world trade of whole milk powder decreased from 69% in 1976 to 65% in 1977. A further expansion in Community exports is foreseen for 1978.

Community exports of condensed milk increased by 19% in 1977 and is stagnating in 1978. EEC world trade share in 1977 was 80% (revised series) compared with 79% in 1976.

### Community imports

Community import statistics for butter show imports of 120,000 tons in 1977 compared with 132,000 tons in 1976. Under Protocol 18 of the Act of Accession 138,000 tons of New Zealand butter have technically been imported in 1977 into the United Kingdom (including releases from bonded stores). Cheese imports from New Zealand under the same Protocol amounted to 15,000 tons, whereas total Community cheese imports in 1977 amounted to 89,000 tons compared with 104,000 tons in 1976. Thus, in 1977 EEC cheese imports represented almost 15% of world cheese trade.

#### 4. Prices

##### (a) Producer milk prices

The target price for milk was fixed for the 1978/79 milk marketing year, with effect from 22 May 1978, at 17.70 ua/100 kg. This represents an increase of 2% on the previous year. Intervention prices for butter, skimmed milk powder and certain Italian cheeses have been adjusted accordingly, in order to follow the aims of the target price as defined in Article 3 of Regulation No 804/68.

In 1977 actual milk producer prices again showed differences which are attributable chiefly to the monetary measures and the attendant fixing of representative rates for the various national currencies in relation to the unit of account. Moreover, the dairies in the various regions of the Community differ in their use of milk, their specific cost situation and their particular market position.

##### (b) Wholesale and consumer prices

The general economic climate and the competition on the milk market have recently made it increasingly difficult for suppliers to pass on the higher prices to the consumers. The market situation has in many cases prevented such price alterations from being put into immediate effect, with the result that profits from milk have not risen as much as might have been expected.

As a result of economic and monetary differences among the Member States and certain national measures concerning consumer prices, the trends in these prices, expressed in national currency were again very varied in 1977 as compared with 1976.

The Community's cautious price policy for the 1978/79 milk marketing year should enable the situation to settle down somewhat in the long term.

## 5. Market outlook

The number of dairy cows registered for the Community as a whole at the end of 1976 and 1977, which are representative for 1977 and 1978 respectively, have shown a remarkable degree of stability. However, this stability reflects a series of different factors such as a) increased number of cows in bigger herds and a decreased number of smaller herds, b) expectations as to the beef market and c) the general impact of Community policy (prudent price policy, corresponsibility levy, non-delivery and conversion schemes). Hence the apparent stability might disguise the underlying potential instability. However, in the short run - 1979 and 1980 - it is probable that cow numbers will remain relatively stable.

On the other hand, the milk yield per cow is increasing in the short run by more than 2% a year. Therefore, it is estimated that total EEC milk production in 1978 will increase by 2.5 - 3% and milk deliveries by approximately 4%. This increase is occurring alongside with a certain stagnation in Community butter consumption and only slow increases expected in the consumption of cheese. Thus, it is likely that the production of butter and skimmed milk powder will show significant increases. Some increases will also occur in total home market utilization of butter and skimmed milk powder. Nonetheless, skimmed milk powder stocks while decreasing, will remain high throughout 1979 and butter stocks will again increase.+

As mentioned in a foregoing chapter world trade for most dairy products has shown signs of stagnation during the first half of 1978. Recent international forecasts point to a persistent disequilibrium between supply and demand for dairy products in the short and medium term. To cope with the growing international imbalance the world market for most dairy products should double in 6 - 7 years. This seems to be far too optimistic a goal to set for commercial consumption.

## 6. Economic effects of the measures taken

### (a) Imports

Under Article 14 of Regulation (EEC) No 804/68, the import levy corresponds basically to the difference between the threshold price and the Community's free-at-frontier price. Under the price arrangements for the 1978/79 milk marketing year, the threshold prices have been adjusted consistent to the change in the target price. The fixing of the levies did not lead to any disturbances of the market by imports of milk and milk products.

Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings and quantities concerned were altered so that it was possible to respect the import conditions agreed for butter, various cheeses and baby-food.

### (b) Exports

Exports of most milk products developed favourably as a result of increased demand on the world market in 1977. Refunds were again necessary to make these exports possible; in the case of most milk products these refunds remained unchanged for lengthy periods of time. This favourable development has not continued in 1978. With the exception of whole milk powder exports of all important milk products are decreasing, and notably for butter and cheese.

### (c) Aid for skimmed milk, skimmed milk powder and casein

In recent years the aids have been fixed as follows:

	ua/100 kg
Liquid skimmed milk for fodder purposes	
from 3. 3.1975	3.39
from 1. 5.1976	4.00
from 22. 5.1978	4.40
Skimmed milk powder for fodder purposes	
from 3. 3.1975	36.50
from 1. 4.1976	38.00
from 1. 5.1977	39.00
from 22. 5.1978	43.00
Skimmed milk, used for casein	
from 1.11.1975	4.80
from 1. 4.1976	5.30
from 1. 5.1977	5.55

Moreover, during the period 24.8.1976 to 31.5.1977 special aid for skimmed milk for fodder purposes was granted, amounting to 5.50 ua/100 kg in the areas affected by the drought. These arrangements were superseded by a general measure relating to special aid, under which aid amounting to 6.20 ua/100 kg is granted, with effect from 1.10.1977.

In the case of skimmed milk powder, special aid was also introduced with effect from September 1977 where the powder was being fed to animals other than young calves. The amount of the aid is fixed monthly under tendering procedure.

In 1977 the quantities in respect of which aid was granted increased further in all sectors. In particular, the quantity of skimmed milk powder used for fodder purposes was stabilized in the Community. This was attributable basically to a minimum content of 60% skimmed milk powder in mixed fodder being made a condition for the granting of aid in this area.

(d) Storage

Butter

In 1977, 191 000 tonnes of butter were bought in by the intervention agencies, 188 500 tonnes of butter were sold in the same period under special measures; a further 59 500 tonnes were made available from public storage for food aid. This resulted in public stocks of butter amounting to 117 000 tonnes at the end of 1977.

During 1977 private storage aid was granted in respect of 272 000 tonnes of butter. At the end of 1977, 79 000 tonnes of this was still in storage. In 1978 about 280 000 tonnes are expected to be taken into private storage.

Skimmed milk powder

In 1977, 464 000 tonnes of skimmed milk powder were bought in by the intervention agencies, while 636 000 tonnes were removed from storage, 489 000 tonnes being disposed of under special measures including the obligation to purchase within the Community, 97 000 tonnes being sold for export and a further 50 000 tonnes for food aid.

Italian cheeses, long keeping cheeses

Intervention measures for Grana and Parmigiano were again unnecessary in 1977. On the other hand, aid was fixed in 1977 and 1978 for the private storage of certain long keeping cheeses. This aid has been used regularly since 1974.

(e) Food aid

Since 1970 the Community has been giving food aid in large quantities in the form of butteroil and skimmed milk powder.

The quantities made available are as follows:

	Butteroil	Skimmed milk powder
1976	45 000 tonnes	150 000 tonnes
1977	45 000 tonnes	105 000 tonnes
1978	45 000 tonnes	150 000 tonnes

The deliveries are made under the prescribed administrative procedures as soon as the recipients have indicated that they are ready to receive them.

## 7. Uniformity of prices

### Accession compensatory amounts

With the end of the transition period on 31.12.1977, the accession compensatory amounts lapsed entirely. The application of the accession compensatory amounts and price alignment in the new Member States have not led to any major difficulties in the milk sector. Because of substantial price changes for butter in the UK, however, it proved necessary to lay down transitional provisions to prevent distortions in the pattern of trade; the last such measure expired on 30.6.1978.

### Monetary compensatory amounts

The monetary compensatory amounts are also fixed in the milk sector on the basis of general agri-monetary provisions. For some time, however, the Commission has noticed shifts in intra-Community trade in milk products and this led the Commission to adjust partially the calculation procedure with effect from 5.9.1977. In essence, the monetary compensatory amounts are calculated for all agricultural sectors on the basis of the basic agricultural (farm) products, but this is not the case in the milk sector. In this sector, butter and skimmed milk powder, and not milk, form the basis. The changes decided on should make for greater equilibrium here.

## 8. Budgetary expenditure

The expenditure of the Guarantee Section of the EAGGF in respect of milk products amounted in 1975 to 1 149.8 million ua, in 1976 to 2 051.5 million ua and in 1977 to 2 566.8 million ua. The total expenditure of 2 566.8 million u.a. breaks down into 1 237.0 million u.a. for refunds, 996.8 million u.a. for intervention in the case of skimmed milk, 311.9 million u.a. for intervention in the case of butter and 21.1 million u.a. in respect of other measures.

The coresponsibility levy, introduced in the milk sector from 16 September 1977, amounted to 21.8 million u.a. in 1977.

## 14. BEEF AND VEAL<sup>1</sup>

### 1. Introduction

Beef and veal production (adult cattle and calves) accounted for 15.5% of the value of final agricultural production in 1977.

The number of farms engaged in beef and veal production is about 2.7 million, or nearly two thirds of all farms in the Community. The area under fodder represents about 60% of the Community's UAA and, since cattle rearing is essentially dependent on the land, it is not surprising that most beef and veal is produced in countries with large areas of pasturage.

The Community, with about 14% of world production, is in second place, along with the USSR, among world producers of beef and veal, but far behind the USA.

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<sup>1</sup>See Tables M.14.1 to M.14.8 in Part II.

## 2. PRODUCTION

### (a) Cattle numbers

The number of cattle has fallen steadily since December 1974, when it stood at a record level of 79.5 million head. The reason for the fall is a certain loss of confidence among beef and veal producers.

The survey of cattle numbers in December 1977 revealed 77.2 million head of cattle and 30.9 million head of cows, i.e. 0.1% up and 0.4% down respectively on the previous year, which represents a certain stabilization in the cattle numbers but 2 to 3% below the 1973/1974 figure.

However, it should be noted that in December 1977 the number of calves (cattle less than one year old) was 0.4% down on December 1976 and, in particular, that the number of beef cows has fallen once again by more than 2% over the year.

The average increase in cattle numbers has been about 1% per year, while the number of cows has not changed.

This relative stability in cattle numbers seems to suggest that the period of running down the production potential has ended, despite the downward trend in the numbers of females of beef breeds.

### (b) Production of beef and veal

As in 1976, the cyclical fall in beef and veal production continued in 1977.

#### Slaughterings

In 1977 the total number of cattle slaughtered exceeded the 1976 figure only in the two Community countries least affected by the exceptional drought of the summer of 1976, namely Ireland and Italy.

In 1977 slaughterings of adult cattle amounted to about 20.4 million head, i.e. some 4.4% less than in 1976; in the first half of 1978 the number of adult cattle slaughtered was about 1.4% lower than the figure for the corresponding period in 1977.

On the basis of the trend in Community cattle numbers it is estimated that, despite slaughterings of cows under the re-organization programme in the milk sector, the number of adult cattle marketed in 1978 will be comparable to the 1977 figure.

It is expected that more young cattle (young bulls) and fewer adult cattle (beef animals) will be slaughtered, while slaughterings of heifers will be markedly up.

Slaughterings of adult cattle have shown a different trend from slaughterings of calves in recent years: there has been an increase of about 2% per year in the former and a fall of about 3% per year in the latter.



In 1977 slaughterings of calves amounting to 7 million head, showed an increase of 2.7% on the 1976 figure; during the first half of 1978 the number of calves slaughtered fell by around 3.1% compared with the very high level attained in the first half of 1977.

Slaughtering coefficient (i.e. the relationship between slaughterings and cattle numbers)

Although down on 1974, 1975 and 1976, the slaughtering coefficient in 1977 was still at a high level.

Average slaughter weight

In 1977 average slaughter weights, 277.5 kg for adult cattle and 103.1 kg for calves, were more than 1% heavier than those recorded in 1976.

After falling in 1974 and 1975, when market prices were low compared with production costs and prompted breeders to send stock to market early, the average slaughter weight of adult cattle continued to rise in 1977, when natural grazing conditions and fodder supply returned to normal.

The average weight of calves, which had fallen fairly markedly in 1975, continued to rise in 1977.

Production of beef and veal

Even more markedly than in 1976, the cyclical fall in beef and veal production continued in 1977. Net production of beef and veal, 6 382 million tonnes in 1977, was 2.5% down on the 1976 figure. In 1977 beef production fell by 3.3% in the Community. In the first half of 1978 a very slight fall in production was recorded.

Production of veal increased by 4.1% in 1977 on account of the high number of slaughterings and an increase in the average slaughter weight. In the first half of 1978, production of veal increased only very slightly on the figure for the first half of 1977.

However, the trend of beef and veal production over the last 15 years has been marked by an average increase of close on 2% per year.

In recent years stock-rearing structures have greatly changed:

- the number of stock farmers has been falling at the rate of 4.6% a year, mainly owing to the disappearance of small farms, and
- the number of animals per farm has been increasing.

Thus, in December 1977, the average size of cattle herd per farm was over 28 head for the Community, about 12 in Italy and 72 in the United Kingdom.

Beef and veal products fall into three main categories, corresponding to the three categories of animals reared, namely:

- culled cows and young calves (milk production),
- grass-reared adult cattle (beef animals),
- young male cattle fattened on cereal-based feedingstuffs (maize silage) in special production units.

As a result of the great expansion in the organized production of young bulls up to 1974, young male animals now account for about one third of all adult cattle slaughtered.

### 3. CONSUMPTION

#### (a) Consumption of beef and veal

As in 1974, 1975 and 1976, beef and veal consumption was curbed in 1977 by continuing economic difficulties such as the fall in the growth rate as a result of the energy crisis and the significant increase in unemployment.

However, in 1977, on account of plentiful supplies, consumption of beef and veal increased by about 1% to 6.6 million tonnes. The consumption trend for the coming years is expected to be less favourable than during the period 1960-73 when great economic expansion took place in the Community; another factor which makes the outlook unfavourable is that there seems to be little income/demand elasticity in the Community at the moment.

Bearing in mind the general economic problems and the unemployment situation in the Community and, more particularly, the economic difficulties in the main importing countries, namely Italy and the United Kingdom, there is unlikely to be a substantial increase in beef and veal consumption in 1978.

The trend of beef and veal consumption is affected by the following factors:

- population growth, which in recent years has slowed down considerably,
- expansion of the economy, and the pattern of private expenditure in particular,
- the availability of meat on the market and the short-term fluctuations in its price,
- lastly, the size of the trading margin between producer and consumer prices.

- (a) Annual per capita consumption of beef and veal increased steadily between 1964 and 1971; in 1972 and 1973, however, it stabilized in the Community at around 24.5 kg, about 1 kg less than the maximum attained in 1971. After marked growth again in 1974, per capita consumption levelled out in 1975 and 1976 at 25.2 kg in the Community, except in Italy (18% VAT on consumption) and the United Kingdom, where it has fallen considerably in recent years.

In 1977 per capita consumption rose again to 25.4 kg, i.e. 22.7 kg for beef and 2.7 kg for veal.

Although per capita consumption has increased by an average of about 1% per year over the past decade, which has been a time of considerable economic expansion, the annual increase now appears to be well below 1%, as a result of the present economic difficulties.

Over the medium term, per capita consumption of beef has increased by about 1 kg while per capita consumption of veal has dropped by about 0.5 kg.

- (b) Thanks to substantial population growth, overall consumption of beef and veal increased considerably between 1963 and 1971 (by more than 1.5%); but in 1972 and 1973 it fell from the 1971 level, no doubt on account of the cyclical fall in production.

Although consumption of beef and veal increased considerably in 1974, when production rose sharply, it remained static at around 6.5 million tonnes in 1975 and 1976, and in 1977 it rose only slightly to around 6.6 million tonnes.

The annual rise in total beef and veal consumption will probably be less in future than in the decade preceding 1973 because of the drop in the birth rate and in the level of economic activity.

(b) Self-supply rate

The Community's self-supply rate in beef and veal fell to around 96% in 1977 while in 1974, 1975 and 1976, the Community had achieved self-sufficiency.

Sizeable imports of beef and veal in 1973 and buying-in by the intervention agencies between 1974 and 1977 left a considerable quantity of meat in stock. The quantities of intervention beef and veal (including meat qualifying for private storage aid) still in storage in autumn 1978 amounted to some 0.33 million t, expressed in terms of bone-in meat. It is likely, therefore, that there will still be a considerable quantity in storage at the end of 1978.

4. TRADE

Intra-Community trade in beef and veal amounted in 1973 and 1974 to less than 1 million tonnes, but in 1975 it reached some 1.3 million tonnes, in 1976 more than 1.1 million tonnes and around 1.3 million tonnes again in 1977, which represents an average annual increase of around 10% since 1973.

Since 1974 imports of beef and veal from non-member countries have been as follows:

455 000 tonnes in 1974,  
289 000 tonnes in 1975,  
415 000 tonnes in 1976,  
379 000 tonnes in 1977.

This shows that total beef and veal imports are stabilizing at around 350 to 400 000 tonnes per year.

This confirms the exceptional nature of the massive imports which occurred in 1973, a major part of which was due to the activities of speculators encouraged by the price explosion on the world market in 1972-73.

The Community's external trade

('000 tonnes)

Trade	Period	1973	1974	1975	1976	1977
<u>Imports from non-member countries :</u>						
Beef and Veal		990	445	289	415	379
of which: live animals		168	102	35	54	46
('000 head)		(846)	(517)	(183)	(265)	(257)
Fresh or chilled meat		235	83	29	47	48
Frozen meat		548	171	77	154	141
Preserves		39 <sup>1</sup>	99	148	160	144
<u>Exports</u>		86	200	237	209	152
of which preserves		11 <sup>1</sup>	22	20	38	41
Net trade balance		904	255	52	206	227

Source: DG VI: Data converted into carcase weight terms by means of single coefficients.

<sup>1</sup>EUR 6 only

Whereas in 1974, 1975 and 1976 exports of beef and veal to non-member countries rose to around 200 000 tonnes, in 1977 they fell to 150 000 tonnes. The beef and veal deficit in the Community's external trade reached a maximum level of some 900 000 tonnes in 1973; this deficit was due principally to Italy (around 40% of total imports). Although relatively small in 1975, the beef and veal deficit was slightly in excess of 200 000 tonnes in both 1976 and 1977.

The main suppliers of beef and veal to the Community in 1977 were:

- Argentina and Uruguay, supplying around 45% of total imports and 60% of frozen meat imports,
- the Eastern European countries, supplying about one-fifth of total imports and two thirds of imports of live animals, in particular from Hungary and Poland (33%),
- Australia and New Zealand, supplying around 10% of total imports.

- Yugoslavia, supplying almost a quarter of imports of fresh and chilled meat,
- Austria, supplying around one fifth of live animal imports,
- Lastly, the ACP countries (Botswana, Swaziland, Kenya, Madagascar), supplying more than 10% of total imports, in particular in the form of frozen meat.

Our main customers in 1977 were:

- the Eastern European countries, taking more than one third of our total exports,
- the Mediterranean European countries (Spain, Portugal, Greece, Turkey), taking around one fifth of our total exports,
- the Arab and Middle East countries, particularly Egypt and Iran, taking more than one quarter of our total exports and more than 50% of our exports of preserves.

5. PRICES

(a) Common prices

The guide price for adult cattle for the 1978/79 marketing year has been fixed at 125.97 u.a./100 kg live weight for the whole Community.

The guide price, which is applicable to all categories of adult cattle sold on representative markets in the Community, is the price which it is sought to achieve in a normal marketing year by means of Community rules.

The Council has also fixed the intervention price at 113.37 u.a./ 100 kg live weight, or 90% of the guide price, thereby derogating from Regulation (EEC) No 805/68 for this marketing year.

(b) Market prices

In 1973 there was a reversal in the trend in beef and veal prices in the Community; this trend had been upward since the 1968/1969 marketing year, but a downward trend in market prices began in 1973/74.

In 1977 the average Community market price for adult cattle rose by only 4.8%, which was lower than the inflation rate (1).

The average prices for adult cattle settled at around 87% of the guide price, i.e. at a level well below the Community intervention price.

In mid-September 1978 Community market prices for all qualities of adult cattle still stood at around 87% of the guide price.

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(1) In national currencies, however, this rise averaged about 9.4%.

Trend in prices for adult cattle  
in u.a./100 kg live weight

Period	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	Change 78/79 77/78
Price								
Guide price	75.00 78.00	86.20	96.50/ 101.33	109.94	118.74	122.90	125.97	+ 2.5%
Intervention price	69.75 72.54	80.166	89.745/ 94.237	99.42	106.87	110.61	113.37	+ 2.5%
Market price - in money terms	92.11	89.24	86.36	96.81	102.91	107.40	109.48*	+ 1.9
- as percentage of guide price	118.1%	103.5%	85.2%	88.1%	86.7%	87.4%		
Import price	70.63	77.50	58.80	56.32	61.85	62.75	63.50*	+ 1.6%

\* April to September 1978



(c) Import prices

In 1973 and 1974 the import price recorded for live animals and fresh or chilled meat followed a downward trend similar to that of market prices in the Community, though much more marked.

In 1975 the import price remained relatively stable at a level some 25% below the 1973 figure. In 1976 and 1977 this price (expressed in units of account) rose again, although its level is still below the 1973 level.

Similarly, world market prices for frozen meat slumped in 1974 and 1975 and settled at a very low level in 1976. However, in 1977 there was a slight improvement in world prices for beef and veal.

(d) Consumer prices

Consumer prices for beef and veal have risen fairly sharply over the years; similarly, in 1977 they have risen again by some 10% on average.

(e) Cost of animal feed

Since spring 1977, the fall in the prices of feed grains on the world market and, since the beginning of 1978, the depreciation of the dollar, have entailed first of all a stabilization of the price of cattle feed and then a fall in the prices of the protein-rich products used in animal feed.

6. OUTLOOK

- (a) After the successive falls in cattle numbers recorded in recent years, there was little change in cattle numbers in the Community as a whole between December 1976 and December 1977, albeit 2 to 3% down on the 1973/74 figure. Although the numbers of breeding animals of beef breeds have dropped beef and veal production is expected to stabilize at a level some 4% down on that reached in 1974/75.

In 1978 Community production of beef and veal is expected to be around the 1977 figure, i.e. some 6.3 million tonnes.

It is estimated that 1979 will see a slight increase in Community production of beef and veal and that, as from 1980, an upturn in the Community production cycle will take place.

Consumption of beef and veal rose by about 1% in 1977.

Since consumption of beef and veal depends not only on the general economic and employment situations and on the rate of population growth but also on the supply of beef and veal as compared with other red meats, consumption of beef and veal is expected to increase only slightly between now and 1980.

Given the probable production and consumption trends and the stocks of intervention meat to be sold in the coming months, net imports may be assessed at about 200 000 tonnes for both 1978 and 1979.

The self-supply rate, which was around 100 in 1974, 1975 and 1976, will drop in 1978 and 1979. (1)

With supplies of beef and veal at a low level and with demand becoming more stable, an upward movement of market prices for adult cattle may be expected in 1979, as occurred in the case of calf prices in 1978.

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(1) However, the relationship between total quantities available (including stocks) and consumption should remain at around 100%.

- (b) From 1978 onwards, 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 countries using extensive methods where natural conditions have not been very conducive to stock-rearing (drought in Australia).

By the end of the decade, the traditional importing non-member countries such as the USA will have increased import requirements and, now that new markets have opened up (Middle East, including Egypt) world prices of beef and veal can be expected to rise substantially from their present fairly low level in 1979.

7. ECONOMIC ASPECTS OF THE MEASURES TAKEN UNDER THE COMMON ORGANIZATION OF THE MARKET IN BEEF AND VEAL

(a) Market support measures

In order to support the beef and veal market the Community has continued to apply a number of measures :

- market clearance measures:

- granting of export refunds with the possibility of advance fixing of these amounts,
- direct buying-in by public intervention agencies;
  - 23 000 tonnes in 1973 (from July 1973)
  - 465 000 tonnes in 1974
  - 414 000 tonnes in 1975
  - 362 000 tonnes in 1976
  - 260 000 tonnes in 1977
  - 116 000 tonnes up to 1 September 1978,
- granting of private storage aid for carcasses and fore-quarters of adult cattle (with provision for boning);
- measures to stimulate consumption (reduced-price sales to social welfare organizations); sale of 40 000 tonnes of intervention meat on the Italian market through the Italian intervention agency; implementation of the provisions of the basic Regulation whereby the importation of frozen meats for processing, within annual limits, can be made conditional on the purchase of frozen meat held by the intervention agencies.
- possibility of granting variable premiums for the slaughter of certain adult beef cattle (clean cattle); only the United Kingdom has availed itself of this possibility;
- lastly, the continued grant of a calving premium in Italy.

(b) International agreements

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

- 38 500 tonnes (in terms of boned meat) of frozen beef and veal, at the rate of 20%
- 20 000<sup>1</sup> heifers and cows of certain mountain breeds at the rate of 6% and 5 000 head of certain Alpine breeds at the rate of 4%, other than animals intended for slaughter.

Under the ACP/EEC Lomé Convention special arrangements were introduced for the import of 27 532 tonnes (in terms of boned meat) 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.

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<sup>1</sup>Quantity increased autonomously by 18 000 head.

Under an agreement reached with Austria, Sweden and Switzerland, specific levies may be fixed on imports of live cattle, fresh and chilled beef and veal from those countries.

Similarly, reduced levies have been applied to certain imports from Yugoslavia (baby beef).

Given 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, Uruguay and other distant non-member countries.

8. BUDGETARY EXPENDITURE

Expenditure by the Guarantee Section of the EAGGF on beef and veal was 320.8 million u.a. in 1974, 980.0 million u.a. in 1975, 643.2 million u.a. in 1976, 410.8 million a.u.a. in 1977 and is reckoned at 460.8 million a.u.a. in 1978, i.e. 10.5%, 20.7%, 11.5%, 6.7% and 5.8% respectively of the total expenditure of the Guarantee Section. The sum of 460.8 million a.u.a. may be broken down into 92.0 million a.u.a. for export refund expenditure and 368.8 million a.u.a. for intervention expenditure, including 251.3 million a.u.a. for private and public storage and 117.5 million a.u.a. for premiums.

## 15. PIGMEAT<sup>1</sup>

### 1. Introduction

In December 1977 there were in the Community altogether 72.1 million pigs for breeding and fattening on about 2.5 million farms.

Farms with more than 200 animals numbered in 1977 about 75 000, or 3% of the total (2.7% in 1975).

There are still considerable structural differences in pig production from country to country: 198 pigs per farm in the United Kingdom, 8 pigs per farm in Italy, while the Community average is about 29 per farm. The size of the farms continues to increase in the Community Member States but the difference between the extremes is growing wider (in 1975 171 pigs per farm in the United Kingdom and 7 in Italy, Community average 26).

Specialization in pig farming is continuing: between 1975 and 1977 the number of farms with over 200 pigs increased by 6% while farms with less than 50 pigs are becoming fewer in all Community countries (2.2 million in 1977 compared with 2.4 million in 1975) but still represent almost 90% of all farms.

The smallest farms (1-2 pigs) are disappearing less rapidly than average-sized farms with a slightly larger number of pigs (3 to 50 animals), especially in France and Italy. Given the uncertain economic situation in recent years, many families still fatten pigs to provide themselves with a considerable quantity of cheap meat.

The size of farms with 10 sows and over is still increasing. The number of farms with more than 9 sows decreased by 5.4% between 1975 and 1977 but the number of sows per farm increased.

The number of small pig farms (1 to 9 sows) decreased by 12.2% between 1975 and 1977 and the number of sows kept on them dropped by 12.5% over the same period.

The geographical distribution of pig production has not changed much: it remains concentrated in the areas bordering the North Sea and the English Channel and in Northern Italy.

In 1977, pigmeat accounted for almost 13.2% by value of the gross final agricultural production and almost 44% by value of the meat production in the Community.

The Community is the second largest pig producer in the world after China.

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<sup>1</sup>See Tables M.15.1 to M.15.8 of Part II.

2. Production

Of the 72.1 million pigs in the entire Community on 1 December 1977, 8.5 million were sows.

Compared with December 1976 the total number of pigs has risen by 2.9% and the number of sows by 3.5%.

Despite the rather low prices in 1977, the breeding stock is on the increase for the third consecutive year. A further increase in supply can thus be expected in 1978. The results of the surveys on pig numbers as of 1 April 1978 confirm the increase in potential supplies; compared with April 1977, the total number of pigs is 4.6% greater and that of sows 4.2% greater.

In 1977 the EEC produced 8.9 million tonnes of pigmeat, 4.4% up on 1976.

During the first four months of 1978, the pigmeat produced by slaughterhouses in the Community was about 1.7% up on the same period in 1977. In the second half of 1978 the increase over 1977 is more marked.

The sharp increase in production in 1978 caused a further reduction in producer prices for pig carcasses.

3. Consumption

In 1977, pigmeat consumption increased in the Community as a whole by about 3.2% compared with 1976 (8.54 million t in 1976 and 8.81 million t in 1977). Per capita consumption increased from 33 to 34 kg.

	Internal consumption 1000 t	kg/inhabitant	Degree of self-supply %
EUR 9	8 813	34	100.1
BLEU	376	36.9	175.3
Denmark	212	41.7	353.8
Germany	3 228	52.6	87.9
France	1 892	35.6	84.6
Ireland	89	27.9	150.4
Italy	1 133	20.1	75.6
Netherlands	489	35.3	221.5
United Kingdom	1 394	24.8	64.8

In 1977, Germany again increased its consumption of pigmeat and, with a per capita consumption of almost 53 kg, remains by far the largest consumer (internal consumption in Germany represents 36.6% of the Community total).

There was another large increase in pigmeat consumption in Italy: 20.1 kg per capita compared with 18.8 kg in 1976; nevertheless, Italy is still in the last place.

In 1977, for the first time since 1974, the balance between gross home production and consumption slightly exceeds the self-supply rate (100.1%).

Denmark still has the highest self-supply rate in the Community (353.8%) but this rate has been falling steadily since 1974 (427%). Germany (87.9%) and the United Kingdom (64.8%) are maintaining their self-supply rate. This rate has dropped slightly in France (84.6%) but has increased in the Netherlands (221.5%), Ireland (150.4%), Italy (75.6%) and in the BLEU (175.3%).

#### 4. Trade

The export-import balance in the various Member States is as follows: (all intra-Community and extra-Community trade)

	Net imports (t)	Net exports (t)	Percentage change 1977/76	
			Net imports	Net exports
BLEU		285 600	+ 7.9	
Denmark		523 000	+ 5.1	
Germany	307 300		- 5.4	
France	268 600		+ 9.1	
Ireland		46 200		- 26
Italy	227 300		- 16.1	
Netherlands		606 900		+ 12.3
United Kingdom	700 700		+ 7.9	

The positive trends in intra-Community trade, which has steadily increased over the years, show that the integration of the Community pigmeat market is continuing satisfactorily.



In 1977 the quantity of pigmeat products traded between the member countries amounted to 1.77 million t, an increase of 6.6% over 1976 (1.66 million t). Intra-Community trade had increased by 4.3% between 1975 and 1976.

In trade with non-member countries in 1977, 278 000 tonnes of products were imported and 214 000 tonnes of products were exported (1).

Compared with 1976, imports from non-member countries fell by 10.6% while exports to these countries increased by 6.8%.

The Community trade deficit went down compared with 1976 (net imports fell from 110 450 t in 1976 to 63 700 t in 1977). This deficit is even lower than in 1974 (81 450 t).

Nevertheless, this deficit is bigger than would have been expected from the statistics for the first half of 1977, which showed a positive balance for the first time. However, Community imports increased considerably during the second half of the year (170 000 t from July to December 1977, compared with 109 000 t from January to June 1977) while exports fell (110 000 t in the first half, compared with 103 000 t during the second half).

The breakdown by type of product imported or exported in 1977 is given in the following table:

	<u>Imports from</u> <u>non-member countries</u>	<u>Exports to</u> <u>non-member countries</u>
- live pigs	4 %	0.15%
- fresh and salted meat	35.5%	24.9 %
- lard	33.7%	7.7 %
- offal	18.6%	8.2 %
- prepared and preserved meat	8.2%	59 %
Total	100 %	100 %

The Community is still a net exporter of processed pigmeat products.

Compared with previous years, the breakdown of exports remains practically unchanged. However, the situation as regards imports has changed because of fewer imports of live pigs and greater imports of lard.

Exports of preserved meats to the USA also fell.

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(1) Source: DG VI, including lard and offal.

In 1977 the Community's external trade was with its traditional trading partners among the non-member countries.

However, as in the past, certain Eastern European countries (the German Democratic Republic, Hungary, Poland and Rumania) were the main suppliers of live pigs and fresh meat.

The other main supplier countries were:

- United States of America (mainly offal, lard)
- China (boned meat)
- Sweden (mainly carcasses, fresh meat)
- Canada (offal, pig fat)
- Spain (lard)
- Brazil (boned meat)

The EEC continued to export to:

- United States (preserves)
- Japan (meat and preserves)
- Sweden (cuts and offal)
- Angola (prepared and preserved meat)

In 1977 Poland also bought meat and lard in the Community.

## 5. Prices

### (a) Common prices

#### Basic price

Management of the Community pigmeat market depends on the basic price which is fixed annual for the marketing year from 1 November to 31 October and which applies to Class II carcasses on the Community scale.

The basic price represents an equilibrium at which pigmeat production can develop and provide a fair return to producers while the balance between supply and demand is maintained.

The intervention measures provided for in the Community rules can be taken when prices on the representative markets fall below 103% of the basic price.

The level of the basic price, which had been 114.48 u.a./100 kg from 15 March 1976 to 31 October 1977, was increased to 120.20 u.a./100 kg for the period from 1 November 1977 to 31 October 1978.

Given the favourable trend in all production costs, the new basic price applicable from 1 November 1978 to 31 October 1979 was fixed at 122.604 u.a./100 kg of pig carcasses (+ 2%).

Sluice-gate price

The sluice-gate prices, which are fixed every quarter, are considered to be the normal world market offer prices at the Community frontier, at which products from non-member countries may enter and comply with the prices aimed at through the organization of the market. These prices vary with the price of feed grain on the world market. In 1977/78 the sluice-gate prices fell dramatically to levels unknown in recent years.

(b) Market prices

The upward cycle which began in 1975 reached a peak in the first half of 1976. In 1977 prices began to fall, thereby necessitating intervention measures in the form of private storage aid. These measures were suspended at the end of September 1977 when market prices rose above the level of 103% of the basic price.

1978 must be considered as an exception in that the normal cyclical recovery did not continue. Prices rose during the last quarter of 1977, reaching a peak in December, but this increase was not maintained in 1978. The situation as regards market prices of animal feed had a positive effect on production, which expanded enormously. Superabundant supplies brought down prices and shortened the upward phase of the cycle. Prices started to fall in January 1978 and intervention measures in the form of private storage aid were necessary by mid-June, i.e. much earlier than in a normal cycle.

Pig carcass prices

u.a./100 kg pig carcass

	1 Nov.73	7 Oct.74	1 Aug.75	15 Mar.76	1 Nov.77	1 Nov.78
	6 Oct.74	31 Jul.75	14 Mar.76	31 Oct.77	31 Oct.78	31 Oct.79
<u>Basic price</u>						
Percentage change	100.00	113.50	123.30	133.10	139.80	142.60
<u>Market price</u>						
Percentage change	100.00	102.70	121.6	118.90	114.40	
As a percentage of basic price	114.20	103.20	112.50	101.90	93.30	
<u>Sluice-gate price</u>						
Percentage change	100.0	114.70	101.90	101.60	81.92	

(c) World prices

Of the non-member countries with a market economy the USA is the most important producer.

The trends in pig prices in the USA have been similar to those in the Community although the fluctuations have been much greater. Prices were very low during the second half of 1976 and 1977 but improved considerably during the first half of 1978.

The other countries producing pigmeat on a large scale are the Eastern European countries with State-run economies.

(d) Consumer prices

The consumption of fresh pigmeat is only about half of all uses, and the cuts and presentations vary from one country to another. Comparison of prices and qualities at European level is therefore very difficult.

A sharp rise in prices at the production stage always leads to an increase in retail prices. However, a reduction in prices at the production stage does not necessarily bring about a reduction in retail prices.

In 1977 the low prices paid at the production stage kept producer prices at a stand-still in countries with strong currencies and led to a slight increase in the other Member States. In all Community countries the retail price of pigmeat rose at a slower rate than consumer prices as a whole between 1973 and 1977. In each Member State there is nevertheless a close correlation between the overall trend in consumer prices and the trend in the price of pigmeat.

6. Production costs

Feedingstuffs

Prices of feed grain on the world market were fairly stable throughout 1977. In the first half of 1978 the price of these cereals increased somewhat. On the Community market these prices rose slightly, in line with agricultural prices.

The correlation between feed barley prices and pig carcass prices was not very high during the first half of 1977 but improved considerably during the second half of the year. In 1978 this correlation again fell to a very low level, sinking lower in May and June of the current year than in the worst periods of 1974.

However, the feedingstuffs' market has remained attractive from the producer's point of view.

The costs of feedingstuffs for pigs have remained fairly stable since the end of 1976.

This situation should not change greatly in the near future, now that substitute products are being used increasingly to replace cereals in feedingstuffs for pigs.

The prices of the protein ingredients of feed (in particular soya and fishmeal) followed cereal prices downwards on the world market from spring 1977 onwards, after having risen considerably in 1976. In the first half of 1978 these prices recovered somewhat.

#### Other costs

Although new techniques have resulted in more efficient and profitable pigmeat production, higher labour and energy costs have combined with inflationary trends in general to push up pigmeat production costs, other than feedingstuff costs up to 1977. It is probable that these costs, which make up 25 to 35% of total production costs, will follow the general trend of agricultural and non-agricultural production costs in the various countries. For some months there has been a marked deceleration in the upward movement of production costs.

#### 7. Outlook

1977 saw the bottom of the cycle with production up and prices down. After a particularly critical period from April to September, Community supplies of pigmeat fell off and prices rose. Thus a new cycle should have been initiated with a drop in production and an increase in prices.

However, prices began to sag again in January 1978. They decreased steadily until June when the Commission decided to intervene on the market by introducing private storage aid. The more favourable production conditions created by low feedingstuff prices and new feeding techniques (substitutes for cereals) have resulted in a new increase in production instead of the anticipated reduction in supplies. As these favourable production conditions continued into 1978, there should be a plentiful supply of pigs on the Community market during the first half of 1979 at least.

8. 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 additional amounts on imports and, if necessary, export refunds may also be granted.

The levies fixed depend on the trend of world and Community feed grain prices.

Additional amounts were reintroduced at the end of January 1977 after an interval of 14 months. They helped to maintain the prices of imported products at a fair level, in line with Community internal prices. They were suspended on 1 November 1977 but had to be reintroduced in June 1978.

Export refunds were maintained for processed products but at low levels so as not to disturb established trade flows. Refunds were once again introduced for fresh meat in February 1977 and then abolished at the end of October. In April 1978 export refunds on live pigs and fresh meat were re-introduced and the refunds on processed products were increased. In September 1978 it was decided to make a slight increase in the refunds for fresh products and live pigs.

(b) Intervention

After prices for pig carcasses dropped on the representative markets in the first half of 1978, the Commission adopted support measures in the form of aid for the private storage of certain types of frozen pigmeat as from June 1978.

The effect on market prices for pig carcasses seems to have been positive. The steady drop from January to June 1978 was checked but the prices of pig carcasses on the representative markets are still far below the level of the basic price.

Neither the aid measures applied nor the amounts of aid granted nor the eligible products selected are likely to create structural surpluses. At the end of September 1978 private storage aid had been granted in respect of some 35 000 t.

(c) Special intervention

There was an outbreak of swine fever in Sardinia in the spring of 1978. To prevent disturbances on this market a system of private storage aid was introduced in May 1978. However, the measure was not used by the operators as the health measures adopted were adequate.

9. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section in 1977 was 31.9 million AUA of which 24.9 million AUA was for export refunds and 7.0 million for payments under intervention measures for the 1976/77 marketing year.

For 1978 budget appropriations are 101.4 million EUA of which 66.5 EUA are for export refunds and 21.1 million EUA for intervention.

It is probable that this amount will not be fully used.

## 16. EGGS<sup>1</sup>

### 1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates.

	<u>1976</u>	<u>1977</u>
Eggs/animal products	6.6%	6.1%
Eggs/total agricultural production	3.9%	3.8%

Production continues to be concentrated in an ever smaller number of enterprises.

At the sectoral level there have been many contacts in the Community between representative groups and associations. No single co-ordinating body has yet been established, however.

### 2. Production

Statistics relating to the number of laying hens indicate that production in 1977 was 1% down as compared with 1976 in the Community as a whole but in individual Member States the change varied from - 13% to + 7%.

Figures on the number of chicks hatched indicate an overall increase of 3.7% in 1977 compared with 1976 although some Member countries show much greater increases (up to 14% in the Netherlands).

These two factors, the present and future number of laying hens, and the slight increase in yield per laying hen determine the cyclical pattern of production, which was roughly the same in 1977 as in 1976 but will be higher again in 1978, as it was in 1975.

Overall production in 1977, at 3 824 000 t, represents about 21% of world production.

### 3. Consumption

Despite the fluctuations in prices between 1975 and 1977, per capita consumption remained practically the same (13.8 kg per capita), which confirms the relative inelasticity of the demand for eggs.

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<sup>1</sup>See Table M.16.1 to M.16.7 of Part II.



#### 4. Supplies and Trade

The Community self-supply rate is approximately 100%.

In 1977 intra-Community trade amounted to 335 000 t (less than 7% of production) of which Germany imported about 200 000 t, mainly from the Netherlands and Belgium. France became a net importer, the United Kingdom a net exporter.

Trade with non-member countries amounted to 94 000 t, of which 51 000 t were imports and 43 000 t exports (1.4% and 1.1% of production respectively).

6 500 t were imported from certain European countries which had undertaken to observe the sluice-gate price (Article 8 of Regulation (EEC) No 2771/75). Most imports were effected under the inward processing arrangements, i.e. the imported eggs were processed and re-exported as egg products or foodstuffs containing eggs.

The Community exported only small quantities of eggs (1% of the production), mainly to the Middle East, Switzerland and Austria and as supplies for armies and shipping.

#### 5. Prices

The price of eggs followed the opposite trend to that of production between 1975 and 1977. Thus, prices were low in 1975 but increased considerably in 1976 and in the first half of 1977, account being taken of the monetary values used in the comparison.

At the end of 1977 prices began to drop rapidly and continued to do so in 1978, with the result that production costs are no longer covered by market prices.

Consumer prices are not, however, in line with producer prices. Generally speaking, profits are tending to increase, which means that the producers are bearing the brunt of the market fluctuations.

#### 6. Outlook

The production of eggs in shell seems to follow a long-term cycle, which reached its lowest point towards the end of 1976. The number of laying chicks incubated in 1977 was 3% higher than in 1976. Production thus increased but because exports were higher and consumption increased slightly, producer prices were relatively high in 1977. This increase, which was made all the more significant by a reduction in compound feed prices, stimulated production; during the last half of 1977, the number of laying chicks incubated was over 6% higher than the number for the same period in 1976 (+ 6%).

As a result, prices fell in 1978. In mid-summer seasonal movements aggravated the situation. Given the existing laying stock, supplies should be plentiful throughout 1978 and at the beginning of 1979.

The increase in export refunds in 1978 could encourage exports, which were low at the beginning of 1978, and thereby ease the situation on the egg market.

7. Measures taken under the common organization of the market

- (a) In accordance with the Council Regulation applicable on 1 February 1978, the tariff headings 04.05 A I (a) (hatching eggs) and 01.05 A (day-old chicks) were sub-divided into turkeys and geese, on the one hand, and other poultry species, on the other hand.
- (b) In 1977 the drop in the world price of feed grain was paralleled by a reduction in the sluice-gate prices for egg products, which continued until May 1978. Prices rose subsequently.

Levies followed the opposite trend.

- (c) The refunds on eggs in shell were changed several times. At the beginning of 1977 the refund was 13 u.a./100 kg; on 15 April this amount was reduced to 10 u.a./100 kg and this refund was applied until 31 January 1978. On 1 February 1978 it was increased to 12 u.a./100 kg and on 15 May 1978 to 18 u.a./100 kg.

As from that date the Commission granted export refunds on hatching eggs for a three month period only.

The refunds on egg products have not been changed since they were introduced on 1 May 1976.

The fixing of the refund three months in advance is authorized only for eggs in shell.

- (d) The accession compensatory amounts which still applied to some products were abolished on 31 December 1977.
- (e) The fixing of monetary amounts raises no particular problems in this sector.

8. Budgetary expenditure

Budget expenditure for the combined egg and poultrymeat sector amounted to 13.1 million u.a. in 1976, 22.3 million a.u.a. in 1977 and is estimated at 30.0 million EUA for 1978, i.e. 0.3%, 0.4% and 0.4% respectively of the total expenditure of the EAGGF Guarantee Section.

Although the export refund granted for eggs in shell (in u.a./ 100 kg) was not very different in 1977 from what it had been in 1976, the increase in the volume of exports and the extension of refunds to egg products had a direct impact on the expenditure committed.

## 17. POULTRYMEAT<sup>1</sup>

### 1. Introduction

In 1977 the relative value of poultrymeat production was still substantial and fairly similar to that of eggs, that is, together about 12.6% of annual production and 7.9% of total agricultural production. The figures relating to poultrymeat alone are:

	<u>1976</u>	<u>1977</u>
Poultrymeat/animal products	6.7%	6.5%
Poultrymeats/total agricultural production	4.0%	4.1%

Poultrymeat production is still characterized by concentration and by horizontal and vertical integration. The degree of concentration is greater in the poultrymeat sector than in the egg sector, with a large proportion of some Member States' production being in the hands of a few industrial-scale producers.

The attempts to bring together the various groups and associations concerned with the production and marketing of poultrymeat in order to improve market stabilization have not yet succeeded.

### 2. Production

The figures for poultrymeat production show an increase of 3.5% in 1977 compared with 1976, but incubations of day-old chicks for meat production increased by only 2.5% (Table M.17.1). This apparent discrepancy can be explained by the fact that the incubation figures are for "chickens" only and that the 17% reduction in exports of chicks to non-member countries has made more day-old chicks available within the Community. Incubations of day-old chicks of all other meat-producing species increased in 1977.

In 1977 total Community production was estimated at 3 419 000 t, the degree of change (as compared with 1976) varying considerably from one Member State to another, although there has been an increase in production in all Member States.

According to the estimates available, Community production of poultrymeat represents about 21% of world production.

### 3. Consumption

Poultrymeat is probably the cheapest form of meat available to consumers and evidence from numerous countries suggests that there is scope for an increase in consumption levels in the EEC.

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<sup>1</sup>See Tables M.17.1 to M.17.6 of Part II.

Whereas consumption had been at a standstill in 1974 and 1975, an upward trend started in 1976 and continued in 1977 (+ 2%). The marked difference between the price of poultrymeat and that of other meats is responsible for this trend.

#### 4. Supplies and trade

For several years the Community had been between 101 and 103% self-supplying, but in 1977 the rate was over 105%. Imports from non-member countries represent about 2% (60 000 t) of Community production and exports about 6% (225 000 t).

Imports from non-member countries fell by 9 000 t (- 13%) but this reduction hardly changes the effect had by imports on the Community market. Most imports from Eastern Europe benefited from the arrangements pursuant to Article 8 of Regulation (EEC) No 2777/75 whereby additional amounts are not imposed if sluice-gate prices are respected. Such imports totalled 7 600 tonnes of ducks and 8 600 tonnes of geese in 1977. Imports of turkeys and turkey parts from the USA reached 10 000 t in 1976 and 1977 but there is a growing tendency to declare these products under Tariff Heading 16.02 B. Since the rate of the duty in respect of this heading has been consolidated under GATT, additional amounts are not applied to these imports, although justified by some offer prices.

Exports to non-member countries in 1977 were 22% up on the previous year. This increase of 40 000 t was mainly made up of chickens.

In 1977 intra-Community trade amounted to 270 000 t, 3% higher than in 1976; the quantities traded included 170 000 tonnes of chickens, 6 000 tonnes of duck, 12 000 tonnes of turkey and 50 000 tonnes of poultry cuts and 20 000 tonnes of meat preserves.

The principal trade flows are from other Member States towards West Germany, which continues to import 45% of its consumption. By contrast the Netherlands exports 70% of its production.

Health, veterinary or zootechnical problems continue to inhibit free trading of produce among the Member States.

#### 5. Prices

Chicken prices reached a peak in the months of July, August and September 1976 and since then prices have fallen but remain reasonable. The exceptions to this generalization are shown in Table II B 17.4 (market prices of chickens) because in France, Italy the United Kingdom and Ireland prices improved considerably in 1977 compared with 1976, even if the effects of inflation are taken into account.

Consumer prices were all higher in 1977 than in 1976 despite the fact that producer prices fell in some Member States. In the United Kingdom, and especially in France, consumer prices increased by a much larger percentage than producer prices. In Italy, however, producers benefitted from a major price surge. There is no simple explanation for these divergent movements in a very competitive market.

## 6. Outlook

It is difficult to forecast poultrymeat production accurately on the basis of parent stock. The problem is that only a very short production period is necessary to increase parent stock - a matter of six to 12 months - and that the number of chicks used can vary greatly in relation to the potential available.

Poultrymeat production is variable and depends on many factors including recent prices, feedingstuff costs, export possibilities and the general trend in demand.

Since the middle of 1976 prices have fallen gradually but production has continued to increase. Compared with 1976, incubations within the Community increased by 2.8% in 1977; exports of chicks dropped by about 20%; the parental stock increased by 6% in 1977 and continues to increase in 1978, the figures for the first four months being 8% higher than those for the same period in 1977. Exports in the first half of 1978 were 20% down on those for the same period in 1977 because the USSR did not renew its purchases. It is still too soon to assess the effect of the refund of 22 u.a./100 kg granted in May. An extremely difficult market situation could thus rise towards the end of 1978. It is to be hoped that traders will handle the situation carefully.

## 7. Measures taken under the common organization of the market

- (a) In accordance with the Council Regulation applicable on 1 February 1978, tariff headings 04.05 A I (a) (hatching eggs) and 01.05 A (day-old chicks) were subdivided into turkeys and geese, on the one hand, and other poultry species, on the other hand.

This distinction clarified the market and the trading situation and improved competition in certain areas of Community trade.

- (b) The bases adopted in 1974 for calculating sluice-gate prices and levies were changed in respect of ducks and geese by a Council Regulation applicable on 1 February 1978. In the case of ducks, the rate for converting cereals into meat was reduced and the flat-rate amounts increased. In the case of geese, only the flat-rate amounts were increased. These adjustments gave rise to slight changes in the level of protection given to derived products.

- (c) The gradual fall in feed grain prices on the world market between summer 1976 and summer 1977 had repercussions on the sluice-gate prices for poultry, which also decreased. The recovery on the world market at the beginning of 1978 increased sluice-gate prices slightly on 1 August 1978 but as a result of the plentiful cereals harvest in 1978 the sluice-gate prices are to be reduced again on 1 November 1978.

Levies followed the opposite trend to that of sluice-gate prices since the former are based on the differences between the cereals price on the world market and the Community prices.

- (d) Refunds granted in this sector in 1977 were limited to chicken meat exported to certain non-member countries, particularly in Europe and the Middle East. The amount of this refund was 8.5 u.a./100 kg at the beginning of 1977 and was raised to 12 u.a./100 kg on 1 April 1977. The refund remained at this level until 1 February 1978 when it was increased to 15 u.a./100 kg. On 15 May 1978 the amount was increased to 22 u.a./100 kg. At the same time a refund was granted for day-old chicks, but only for a period of three months. Refunds for chickens may be fixed in advance (three months).
- (e) The accession compensatory amounts still applicable to certain products were abolished on 31 December 1977.
- (f) Water content of frozen chickens:

The date of application of the Regulation limiting the water content of frozen chickens was twice postponed by the Council on technical grounds concerning the chemical analysis methods. Meanwhile the Commission had further research carried out in order to clarify the conditions for applying the methods described in Annexes III and IV to the Regulation.

## 8. Budgetary expenditure

Budget expenditure for the combined eggs and poultrymeat sector amounted to 13.1 million u.a. in 1976, 22.3 million a.u.a. in 1977 and is estimated at 30.0 million EUA for 1978, i.e. 0.3%, 0.4% and 0.4% respectively of the total expenditure of the EAGGF Guarantee Section.

In the poultrymeat sector, the sole refunds granted in 1977 were for chicken exports, but both the amount of this refund and the exports were greater than in 1976. Exports increased by about 40 000 t (22%).

In 1978, despite still higher refunds, exports are facing stiffer competition and it is probable that the quantities exported will be smaller than in 1977.

18. SILKWORMS<sup>1</sup>

Silkworm rearing, which is practiced in Italy and on a small scale in France, represents only a tiny fraction of Community agricultural activity and of world sericulture, which produces about 52 000 t of raw silk from about 425 000 t of cocoons.

Relatively high prices for raw silk on the world market at the end of 1976 and beginning of 1977 had the result that the number of boxes cultivated increased from 7 265 in 1976 to 8 797 in 1977, producing 197 and 202 t of cocoons respectively. As prices have remained high, 12 000 boxes were prepared in 1978 but only 8 644 boxes were cultivated, the remainder perishing for lack of mulberry leaves following exceptionally cold weather. It is expected that 12 000 boxes will be cultivated in 1979.

For 1978/79 the amount of the aid has been fixed at 55 u.a., which is about the same as the total amount (normal aid + supplementary aid) granted in 1977/78.

Expenditure by the EAGGF Guarantee Section in the silkworm sector amounted to 0.4 million u.a. in 1977.

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<sup>1</sup>See Table M.18.1 of Part II



II. PRODUCTS NOT SUBJECT TO COMMON MARKET ORGANIZATION

## 19a. AGRICULTURAL ALCOHOL<sup>1</sup>

### 1. Introduction

In the absence of a common organization of the market, the situation continues to deteriorate in this sector.

### 2. Production

During 1977 agricultural alcohol production was relatively stable. There was a slight drop in the production of beet alcohol (- 10.1%) and molasses alcohol (-3%), but this was offset by a considerable increase in the production of vinous alcohol (+ 101%). There were no significant changes in the other production sectors.

France is still by far the Community's main producer of agricultural alcohol. Production increased substantially there (+ 20.2%) and also in Belgium (+ 9.8%), while it fell in Italy (- 7.9%), the Netherlands (- 11.6%), Denmark (- 11.0%), Ireland (- 10.0%) and, to a lesser degree, the United Kingdom (- 3.7%).

### 3. Consumption

Consumption (human consumption in particular) is at a stand-still despite large tax increases (Germany, France, etc.).

### 4. Prices

On the world market the cheapness of molasses and the existence of surpluses have had a depressing effect on the price of alcohol. In the Community prices have varied little. A slight drop has been recorded where prices are not manipulated.

### 5. Trade

French exports account for a considerable share of extra-Community trade (more than 500 000 hl in the natural state). Intra-Community trade was dominated by the fact that the German market received 212 000 hl of alcohol, of which 195 000 hl came from Italy and 17 000 hl from Belgium.

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<sup>1</sup>See Table M.19a. of Part II

6. Outlook

The pressure created by Community measures and the precedents set by recent Court judgements should result in the further dismantling of monopolies and other forms of national market organizations, although this may unfortunately disturb the sector even more.

19b. POTATOES (1)

1. Introduction

No common market organization yet exists for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 concerning the whole range of fresh and processed products.

The proposal provides for:

- marketing standards;
- measures promoting the formation of producer groups;
- support measures aimed at market stability;
- a system of trade with non-member countries including a reference price system for new potatoes.

Products such as potato starch (2), dehydrated potatoes (3) and products processed from potatoes (4) are already subject to a common market organization. The marketing of seed potatoes is subject to a Council Directive (5).

2. Production

According to FAO statistics, the world harvest in 1977 was 292 938 000 tonnes. The Community, with a production of 38 826 000, grew about 13% of the world total. The average yield per hectare in the EEC is almost double the world yield per hectare.

The value of potato production represented about 7% of the value of crop production and 2.9% of the value of total agricultural production in the Community. The latest statistics show that the number of holdings which grow potatoes is about 2.4 million (in the enlarged Community). At national level the production structure is very variable, the average crop area per farm being 5.3 ha in the United Kingdom and about 0.4 ha in France and Italy.

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- (1) See Tables M.19b.1 to M.19.b.3 of Part II
  - (2) Regulation (EEC) 120/67 of 13.6.1967, OJ L 117 of 19.6.1967, p. 2209.
  - (3) Council Regulation (EEC) 1420/75 of 26.5.1975, OJ L 141, 3.6.1975.
  - (4) Council Regulation (EEC) 516/77 of 14.3.1977, OJ L 73, 21.3.1977.
  - (5) Consolidated version of Council Directive of 14.6.1966, OJ 66, 8.6.1966, p. 35.

Since the period from 1951 to 1955, the total area under potatoes in the EEC has dropped by about 60%: 3 512 000 ha in 1951/55 compared with 1 418 000 ha in 1977. Because of the increase in yield per ha, however, production has fallen by only one third approximately (61 957 000 t in 1951-55; 38 826 000 t in 1977).

The Community is basically self-sufficient. However, there have been supply problems following very dry years (in 1975 about 33 million t and in 1976 about 29 million t).

Both the area under new potatoes (about 125 000 ha) and the production of new potatoes (about 2 million t) have remained almost the same over the past 10 years. There is a shortage of home-grown products in this sector, however, because the Community imports about 400 000 t per year.

In 1976 the area under seed potatoes in the EEC was about 103 000 ha. About 3 million t of seed potatoes were produced, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, purée, French fried potatoes, etc.) are also important in the potato sector. About 3 million tonnes of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and they are mainly grown under contracts concluded between the farmers and the processing industry. The sector has developed very rapidly but production seems to have stabilized for the time being. The basis exists, however, for further expansion in this sector in the very near future.

### 3. Consumption

Unprocessed potatoes are used mainly as foodstuffs. They are employed to a lesser extent in animal feed. The quantities turned by the processing industry into products for human consumption represent about 14% of total human consumption.

#### (a) Human consumption

Per capita consumption of potatoes in the natural state has tended to diminish over the last few years. It has gone from 109 kg in 1956 to 69.1 kg in 1976/77.

#### (b) Animal feed

The amount used in animal feed depends on the volume of the harvest. In 1975/76 it was 5 240 000 t in the EEC. In 1977 it was 4 731 000 t, including 2 991 000 t in Germany, 319 000 t in France, 380 000 t in Italy, and 490 000 t in Ireland.

(c) Products processed for human consumption

The consumption of products processed from potatoes continues to increase. In 1977 about 2.8 million tonnes were processed. Consumption of certain products such as frozen pre-cooked products should increase further.

4. Trade

Intra-Community trade in potatoes represents only about 4% of total production while trade in seed potatoes and new potatoes stands at between 12 and 15%. The main net exporting countries are the Netherlands, France and Ireland. The United Kingdom exports seed potatoes and imports new potatoes. Italy exports new potatoes and imports seed potatoes and ware potatoes. Denmark and the BLEU also have a considerable import-export trade.

The structure of Community trade in processed products is similar to that in unprocessed products. The main exporting countries are the Netherlands and France while the other countries are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. The EEC exports seed potatoes to South America, Africa and Asia and imports new potatoes from the countries in the Mediterranean basin.

5. Prices

Prices are very unstable, varying from year to year. The reasons are the inelasticity of the demand curve and the negative effect of plentiful harvests on the price levels. In 1977/78, following a good harvest in the Community after two years of drought, potato prices fell to very low levels, in particular on the Rotterdam and Arras markets. On the Rotterdam market the price was 2.68 u.a. per 100 kg on 13.9.1977; 4.92 u.a. per 100 kg on 7.6.1978. On the Arras market the price was 2.83 u.a. per 100 kg on 13.9.1977 and 1.44 u.a. per 100 kg on 7.6.1978. During the same marketing year (1977/78) the prices on the American markets in New York and Chicago were about 6 u.a. and 9 u.a. per 100 kg respectively. The price of new potatoes is much higher than the price of ware potatoes. The same comment can be made with regard to the price of seed potatoes which is at least five times higher than that of ware potatoes.

6. Outlook

The 1977/78 marketing year was one of very low prices. Because of the large harvest in France the level of prices was very low and new potatoes also had a very difficult marketing year.

According to provisional data from the SOEC, the area under potatoes in 1978 was much smaller than in 1977 (1 418 000 ha in 1977, 1 318 000 ha in 1978 (- 7.5%). On the other hand, since rainfall was adequate in the summer of 1978, the harvest should be almost the same as in the previous marketing year (about 38 million t). As a result of the normal harvest and the pressure on the new potato supply markets, the 1978/79 marketing year opened with low prices (about 4 u.a. per 100 kg in Rotterdam on 5 September: Bintje + 50 mm).

Prices will probably remain very low on the various European markets until Christmas.

Other factors may affect the long-term market. It appears that blight has caused damage in some regions of the Community. This could give rise to storage problems in the future and consequent price increases. However, more precise information on the quality of the stocks must be awaited.

7. Economic aspects

In the absence of Community market regulations in the sector, steps have been taken by some Member States to remove the difficulties affecting markets in some regions of the Community where supplies have far outstripped demand.

19c. SHEEPMEAT (1)

1. Sheep numbers

In 1977 the number of sheep in the Community continued to increase slowly as it had been doing almost uninterruptedly since 1970 (1977/70 + 10%). Sheep numbers increased in all the Member States except Denmark and Ireland.

2. Production

In 1977 Community production continued on the downward trend which had begun in 1976. This downward movement must be considered as temporary because the medium-term upward movement should be resumed from 1978 onwards (see point 6).

Production fell most sharply in the United Kingdom because ewe-lambs were kept for breeding; this reduction must therefore be considered as the result of an increase in numbers.

The situation is the same in France.

Production was static in the other Member States except Germany and Italy.

3. Consumption

As in 1976, consumption of sheepmeat in the Community dropped considerably in 1977. Although consumption has increased in all the continental Member States, there has been a large reduction (- 10%) in consumption in the United Kingdom, due mainly to the increase in market prices.

4. Market prices

In 1977 the Community weighted average market price increased by 10% from 221 u.a. per 100 kg in 1976 (2) to 244 u.a. per 100 kg. However, this result conceals divergent trends. There was a slight increase in French prices (9.1%) and a considerable increase in UK prices (+ 21.1%), these prices being expressed in national currency.

Thus, the trend which had begun in previous years was continued, i.e. the difference between the French and UK market prices has diminished further. The relationship between these two prices went from 46% in 1975 to 49% in 1976 and 55% in 1977 (3).

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- (1) See Tables M.19.c.1 to M.19.c.7 of part II.
  - (2) Average market prices in the Member States converted into u.a. at the green rate and weighted in accordance with the size of flocks.
  - (3) Based on the conversion of market prices at the commercial rate.



5. Trade

(a) Trade with non-member countries

In 1977 total Community imports of live animals and sheepmeat were slightly lower than in 1976. Although imports from New Zealand remained stable and imports from Argentina and Poland were up, there was a sharp reduction in imports from Australia and Bulgaria (which found new outlets in certain countries, mainly in the Middle East) and Uruguay.

Imports by product categories were as follows (in decreasing order):

- Live animals: Hungary, Poland, the German Democratic Republic, Bulgaria, Romania (1).
- Fresh meat: Yugoslavia, Czechoslovakia (1), Spain (1), Bulgaria (1).
- Frozen meat: New Zealand, Argentina, Australia, Uruguay, Brazil.

The United Kingdom, with 216 470 t (1976: 225 000 t), is still by far the leading importer in the Community.

With the exception of Italy, which imported less (18 760 t compared with 19 860 t in 1976), the continental Member States imported almost the same quantities in 1977 as in the previous year:

Germany imported 20 410 t, including 13 600 t from Argentina, France: 5 870 t, BLEU 4 320 t and the Netherlands 1 180 t.

In 1977 the Community exported 5 000 t of sheepmeat, 1 600 t going to Switzerland and 1 200 t to Algeria. Of this total, 3 700 t were exported by the United Kingdom and 900 t by Ireland.

(b) Intra-Community trade

In 1977 the volume of trade increased further to 92 830 t (compared with 78 090 t in 1976). It continued to be dominated by a flow of some 50 000 t (43 000 t in 1976) towards France from the United Kingdom (20 000 t), the Netherlands (16 500 t), the Federal Republic of Germany (10 000 t) and Ireland (2 000 t). Only UK exports increased in 1977.

The United Kingdom also exported 13 000 to the BLEU and 16 000 to Germany.

Irish exports (7 000 t) remained stable on the whole.

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(1) Quantities not exceeding 1 000 t/year carcass weight.

6. Provisional estimate for 1978 and outlook for 1979

- In 1978 production increased appreciably in all the Member States. This movement was particularly evident in the United Kingdom and should continue in 1979.
- With regard to consumption in 1978 and 1979 it is estimated that:
  - on the continent (except in Denmark) the steady upward movement will continue;
  - in the United Kingdom the downward movement will be checked because less red meat of other kinds will be available;
  - there will be a sharp reduction in Ireland as a result of the French market being opened to good quality Irish meat.

These divergent movements should result in an overall increase in Community consumption in 1979.

- There was a considerable increase in market prices in Ireland and in the United Kingdom in 1978.

In 1979 the same trends are expected to continue. Thus the difference between UK prices and French prices (see point 4) should continue to diminish.

- In 1978 total imports from non-member countries should fall by 10-15%; in contrast, intra-Community trade should continue to expand. There should be a sharp increase in exports from Ireland to France. These are expected to exceed 10 000 t (compared with 2 000 t in 1977).

The drop in exports from the United Kingdom to France will be offset by an increase in trade with the Benelux countries, Germany and Ireland (live animals from Northern Ireland).

7. Self-supply rate

The Community self-supply rate is tending to increase slightly over the long term, as can be seen from the following:

1973	59.3%
1974	66.4%
1975	63.1%
1976	64.0%
1977	63.8%
1978	66.9% (provisional)
1979	68.3% (estimates)

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(1) Where the increase in quality exports has reached 80%.

8. Situation in non-member countries

In 1977 sheep numbers increased considerably in New Zealand and in the European countries with State-run economies. As regards Western Europe, it will be noted that in Spain numbers have continued on their long-term downward trend.

New Zealand with 400 000 t carcass weight is still the leading world exporter of sheepmeat. The other main world suppliers are Australia (242 000 t) and Argentina (45 000 t). Of the non-member countries, the main importers of sheepmeat are Japan with 290 000 t (carcass weight), the Middle East with 240 000 t and the USSR with 130 000 t. There is a strong demand from Middle Eastern markets, mainly for live animals and mutton.

In 1978 New Zealand should export more (420 000 t), thanks to increased purchases by Middle Eastern countries (also Greece to a lesser extent), while exports from other supplier countries should remain at a standstill.

This being the case, the price level should remain stable or increase slightly on the international market.

19d. HONEY<sup>1</sup>

1. Introduction

Honey is not subject to a common market organization. The only general charge on imports is a 27% customs duty, which is reduced to 25% in the case of certain developing countries.

2. Production, consumption and trade

In 1976/77 the EEC produced 55 000 t of honey and imported 77 000 tonnes. Germany alone produced 40% of Community supplies in 1976/77 and France contributed 27% of the total product.

The Federal Republic of Germany is also the biggest importer (60%) in the EEC, followed by the United Kingdom (17%). The EEC produces only 42% of its requirements but the amounts produced by the Member States differ widely. Basically the EEC may be divided into those countries with a high degree of self-supply (France, Italy and Denmark) and those dependent on imports for most of their requirements. France increases its degree of self-supply by applying quantitative restrictions to honey imports from certain countries and by applying Article 115 of the Treaty of Rome (protective clause) to others.

The divergent trade policies of the Member States make it difficult to set up a common market organization.

3. Common measures to assist beekeeping

Between 1968 and 1973 the Community granted indirect aid to beekeepers in the form of a premium for denatured sugar intended as food for bees. This aid was abolished in 1974 because of the sugar shortage. In 1976 the EEC granted direct aid amounting to 2.5 million u.a. to associations of beekeepers; this aid came from special funds voted by the European Parliament and not from the EAGGF budget.

In view of the sugar supplies currently available, the EEC again granted a premium for denatured sugar to be used as food aid for bees, as in 1978.

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<sup>1</sup>See Table M.19.d. of part II.

C. SURVEY OF CERTAIN SECTORAL GROUPS

20. MEAT<sup>1</sup>

1. Gross meat production within the Community

Community gross production of all meat in 1977 reflects the changes that have come about in the three largest sectors: beef and veal, pigmeat and poultrymeat. It increased from 20.6 million tonnes in 1976 to 20.9 million tonnes in 1977 (+ 1.8%).

The breakdown of this figure is as follows:

pigmeat	42.2%
beef and veal	30.3%
poultrymeat	16.3%
sheepmeat and goat meat	2.3%
horse meat	0.3%
other meat (rabbit and game)	2.4%
offal	6.2%

100.0%

Comparison of these data with those for previous years brings out the following general points:

- pigmeat continues to advance, largely as a result of the steady improvement in production structures;
- beef and veal production is declining;
- the market share of all the other types of meat remains unchanged.

Meat production

- (a) Pigmeat production in 1977, at 8.9 million tonnes, was about 4.4% up on 1976 (8.6 million tonnes).

In 1978, although the pigmeat production cycle was due to enter the downward phase, there was an increase which was particularly marked during the second half of the year.

This phenomenon can be attributed to the very favourable situation on the market in feedingstuffs and the prominence acquired recently by substitutes for fodder cereals in the composition of feed rations. These favourable production conditions will entail a further increase in slaughterings, at least during the first half of 1979.

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<sup>1</sup>See Tables M.20.1 to M.20.4 of Part II.

(b) Beef and veal

In 1977 gross Community production of beef and veal together totalled 1.9% less than in 1976. This decrease in production follows the downward cycle which began in 1976 (2.4% down on 1975), but mainly reflects a drop in beef production (- 3.3%), for veal production has increased.

The main reason for rising veal production is the increase in the average slaughter weight.

During the first half of 1978 beef production was slightly lower than in 1977, while veal production was slightly higher. Total Community production of beef and veal is estimated at about 6.3 million tonnes for 1978, i.e. comparable with the 1977 total.

Forecasts at present suggest a cyclical upturn in beef and veal production beginning in 1980.

(c) Poultrymeat

In 1977 poultrymeat production totalled 3.4 million tonnes, 3.5% more than in 1976. Price levels continued to be relatively attractive for producers in 1977, which encouraged production. There was a 6% increase in 1977 in parent stock for the production of table chickens. This upward trend continued in 1978.

(d) Sheepmeat and goat meat

Production of sheepmeat continued to decline in 1977 (484 000 tonnes as compared with 499 000 in 1976, a decrease of 3%). In 1978, however, production has picked up and seems likely to continue to expand in the coming years.

In 1977 the decline was marked in the United Kingdom; in the other Member States production remained stable and in Italy and the Netherlands it increased.

(e) Horse meat

Production continued to increase in 1977 (68 000 tonnes as compared with 61 000 t in 1976, i.e. + 11.6%). It is difficult to predict the future trend; it is interesting, however, to note that production has increased significantly for two successive years (+ 24.7% in 1976 over 1975) after a long period of decline.

(f) Other meat

Production of game and rabbit increased slightly in 1977 (+ 0.8%). Production seems likely to stabilize in the long term at around 0.5 million tonnes.

However, the present situation as regards feed prices could encourage the development of rabbit production, which is now arousing some interest among Community operators.

(g) Edible offals

Production is dependent on the number of slaughterings of cattle, pigs and sheep. In 1977, 1.3 million tonnes were produced, 2.1% more than in 1976 (1.272 million tonnes).

2. Meat consumption in the Community

In 1977 per capita consumption of meat (83.9 kg) increased more than in previous years (+ 1.8% compared with 1976).

The increase was mainly in the consumption of pigmeat (+ 3%) and poultrymeat (+ 2%). Broadly speaking, the percentages for the consumption of each type of meat were the same as in the previous year; a slight drop can be seen, however, in beef and veal consumption and a slight increase in pigmeat consumption.

Consumption of the various meats (as a percentage of total)

Pigmeat	40.5%
Beef and veal	30.3%
Poultrymeat	14.0%
Sheepmeat and goat meat	3.5%
Horse meat	1.2%
Other meat (rabbit and game)	2.6%
Offal	7.0%
Total meat	<u>100.0%</u>

(a) Pigmeat

In 1977 pigmeat was in abundant supply at moderate prices, which led to a further increase in consumption (34 kg per head, as compared with 33 kg in 1976).



Germany, with almost 53 kg per capita, remains the Community's largest consumer; Italy, although its consumption again increased substantially (20.1 kg per capita in 1977, as against 18.8 kg per capita in 1976), still consumes the least pigmeat in the Community.

The proportion of pigmeat in total meat consumption in the Community was slightly higher (40.5% in 1977, as compared with 40.2% in 1976).

As for the future, pigmeat is likely to consolidate its position vis-à-vis the other meats.

(b) Beef and veal

Although still curbed by the persistent economic difficulties, total consumption of beef and veal increased by about 1% in 1977, mainly because of the large stocks available. After remaining steady from 1974 to 1976, per capita consumption rose to 25.4 kg, i.e. the 1970 level.

Nonetheless the proportion of beef and veal in the Community's total meat consumption again dropped slightly, to 30.3% as compared with 30.5% in 1976.

Since 1976, France has been the largest consumer (31.6 kg per capita in 1977). Denmark remains the smallest consumer of beef and veal: 16.8 kg per capita in 1976, falling to 15.1 kg in 1977.

In the medium term a very slight increase in beef and veal consumption can be expected, since account must be taken of widespread unemployment, the slow rate of population growth, the high level of production of other types of meat and the high price of beef and veal.

(c) Poultrymeat

In 1977 consumption of poultrymeat continued to increase (12.5 kg per capita as compared with 12.3 kg in 1976).

Since 1973, the advance has been slow but steady (11.8 kg in 1973). As a percentage of total meat consumed, poultrymeat remains at about 15%.

(d) Sheepmeat and goat meat

The trends which had emerged in recent years and more particularly in 1976 were confirmed in 1977. Community consumption of sheepmeat again declined in 1977, the increase in the continental Member States failing to offset the substantial drop (- 10%) in the United Kingdom.

In 1978 and 1979 the steady upward trend is expected to continue on the continent. In Ireland, however, consumption is expected to decline considerably as a result of the opening of the French market to good quality Irish meat.

The downward trend in the United Kingdom is likely to be checked as sheepmeat production picks up; an improvement can be seen in that Member State in particular.

(e) Horse meat

Consumption remained at about 1 kg per capita in 1977. As a percentage of total meat consumption it remained around 1%. The differences from one country to another continue to be much the same as before; the largest horse-meat consumer is the BLEU: 3.9 kg per capita.

Virtually no horse meat is eaten in the Federal Republic of Germany, the United Kingdom or Ireland.

(f) Other meats

Consumption of rabbit and game in the Community has remained almost unchanged since 1971, at 2.2 kg per capita.

France remains by far the largest consumer (5.8 kg per capita), although since 1975 consumption has steadily declined.

Consumption of rabbit and game is negligible in the Netherlands, the United Kingdom and Ireland.

As a percentage of total meat consumed, rabbit and game have decreased slightly: 2.6% in 1977, as compared with 2.7% in 1976.

(g) Edible offals

At 5.9 kg per capita, consumption of edible offals is increasing (5.7 kg in 1976), as is its percentage of total meat consumption (7% in 1977 and 6.9% in 1976).

Ireland eats the most offals (15.7 kg per capita); at the other end of the scale is Italy with a per capita consumption of only 3.3 kg.

3. Self-supply in meat

- Community meat production meets some 96% of overall Community requirements. This rate of self-supply has been stable for a number of years. There are quite large differences from one category of meat to another, however: there has been an increase for most categories but a marked decrease in the self-supply rate for beef and veal.

The lowest rate of self-supply is still in horse meat (27.1%) and the highest is in poultrymeat (105.4%).

- The Community remains a major net importer of meat, with a deficit of about 680 000 tonnes. This figure remains relatively stable since it is determined by the self-supply situation.

4. Expenditure on the management of the meat markets

Only beef and veal, pigmeat and poultrymeat are subject to common market organization and therefore financed by the EAGGF Guarantee Section.

These represent nearly 89% of all meat and edible offals produced within the Community: pigmeat 42.2%, beef and veal 30.3% and poultrymeat 16.3%. Expenditure on the management of the three markets totalled 465 million u.a. in 1977, broken down as follows:

pigmeat	31.9 million u.a. ( 6.9%)
beef and veal	410.8 million u.a. (88.3%)
poultrymeat	22.3 million u.a. ( 4.8%)

21. OILS AND FATS<sup>1</sup>

1. Introduction

The oils and fats sector comprises:

- oils and fats of vegetable origin, which must be subdivided, in view of the structural market differences, into olive oil, on the one hand and all other vegetable oils on the other;
- oils and fats of animal origin, which again must be subdivided between butter, on the one hand, and lard and tallow on the other;
- oils and fats of marine animals.

The above are the basic raw materials, but they may be consumed as they are, or in the form of prepared oils and fats, such as margarine; they may be used for animal or human consumption, or in industry or they may be incorporated into other products. Further, depending on end-use, the various basic products are largely interchangeable. The form of end-use varies considerably within the Community. For example, in the Northern countries, consumption of oils and fats is largely in the form of butter and margarine, whereas in France and Italy, oils and fats consumption is preponderantly in the form of fluid vegetable oils.

The importance of the different categories in total human consumption varies only slightly from year to year. The following table shows the quantities of the various categories of oils and fats consumed in 1975 and 1976 and the percentages of total consumption which they account for.

TABLE I

Human consumption of each category of oils and fats in absolute terms and as a percentage of total human consumption.

'000 t

	Quantity		Percentage	
	1975	1976	1975	1976
1. Vegetable oils and fats	3 250	3 452	51.3	53.2
2. Oils and fats of land animals	1 234	1 329	20.9	20.4
3. Oils and fats of marine animals	361	342	5.7	5.3
4. Butter	1 402	1 370	22.1	21.1
TOTAL	6 337	6 493	100%	100%

<sup>1</sup>See Tables M.21.1 and M.21.2 of part II.

Different policies are applied in the Community for each category of products. In the vegetable oil sector, all oilseeds enter the Community free of duty. Oils are subject to duties ranging from 10% to 15%, but lower or zero tariffs are applied to oil imports from associated countries - and these imports represent up to 70% of oil imported as such.

Hence vegetable oil prices in the Community, apart from olive oil, tend to be at world market level. Similarly, oils and fats of marine and land animal origin are subject to relatively low import duties. For both butter and olive oil, however, there are support prices fixed within the Community, and imports are subject to a levy. This diversity of policy regarding products which are naturally interchangeable has an inevitable effect on consumption.

Factors external to the sector may also affect the relationship between the various oils and fats available and hence their consumption figures. For instance, the drought which hit the Community in 1976 led to an increase in the use of oilcake. The very high demand resulted in an 11% increase within a year in the quantities of seed crushed in Community oil mills; this meant that availabilities of vegetable oils also expanded, hence the greater consumption of these oils.

## 2. Production

The factors determining Community production of oils and fats vary according to the category concerned.

Of the total quantity of oilseeds crushed in the Community, soya represents between 70 and 75%. Soya is mainly processed for its oilmeal content, which represents 80% of its volume. Its oil is a secondary product which nonetheless, amounting to over 1.5 million tonnes annually, equals one third of Community vegetable oil requirements. Between 25 and 30% of our vegetable oil production derives from other oilseeds crushed within the Community, and the remainder is imported in the form of oil. Of the total quantity of seed crushed (12.5 million tonnes in 1976) about 10% is of Community origin.

According to official figures, production of vegetable oils in the Community, excluding olive oil, totalled 3 526 000 tonnes in 1976.

Production of olive oil usually ranges from 400 000 to 600 000 tonnes annually in the Community. Since olive trees are perennial plants, output depends not on demand, but mainly on climatic conditions.

Output of oils and fats derived from land animals - mainly lard and tallow - amounts to nearly 2 million tonnes annually. In this category again, insofar as these fats represent a by-product of the slaughtering industry, it is largely the size of the livestock population, and the demand for meat, which determines the output of these fats. The quantity produced in 1976 totalled 1 946 000 tonnes.

The production of oils and fats derived from marine animals is mainly concentrated in Denmark, although the United Kingdom and Germany also contribute to Community output. In 1976 production totalled 125 000 tonnes as compared with 131 000 tonnes in 1975.

The factors which determine butter production in the Community are the number of cows, the milk yield and demand for milk and cheese. The Community is more than self-sufficient in butter, for which demand is stagnant or declining. So here again demand is not the sole factor determining output. In 1976 butter production totalled 1 745 000 tonnes, as compared with 1 719 000 tonnes in 1975.

### 3. Consumption

The level of consumption of oils and fats in the Community is determined, as elsewhere, by the following factors:

- absolute level and rate of growth of population
- absolute level and development of incomes
- price and availability of the product
- level of consumption already attained.

Within the Community the population is growing only slowly. The level of economic development, while high compared to much of the world, has been relatively stagnant over the past few years. Per capita consumption of oils and fats (excluding butter), fell between 1974 and 1975 from 19.5 kg per head to 19.1 kg per head, largely because of the dramatic increase in the price of oils and fats between the two years in question, and rose again to 19.8 kg per head in 1976.

Apparent human consumption of oils and fats of land mammals has remained relatively stable since 1975, at about 1.2 million tonnes, or 5.1 kg/head. Consumption of oils and fats of marine animals amounted to 342 000 tonnes or 1.3 kg/head in 1976, as against 368 000 tonnes in 1975.

According to official statistics, apparent consumption of all vegetable oils and fats, except olive oil, amounted to 3 452 000 tonnes in 1976, about the same as in 1975.

Trade estimates put it much higher, however: 4.3 million tonnes.

In 1974 consumption of olive oil declined in the Community, since its increase in price was even higher than the increase for competing vegetable oils. When the price for other oils fell in 1975, that of olive oil, being fixed, could not follow the trend, and consumption continued to decrease.

As regards butter, per capita consumption has been declining since 1974 and stood at 5.3 kg in 1976, one of the reasons being the price trends for the competing products mentioned above.

The use of butter within the Community declined from 1 798 000 tonnes in 1975 to 1 720 000 in 1976 and to 1 713 000 in 1977. This slight drop would have been greater if special measures had not been taken to promote consumption of this product.

#### 4. Trade

As mentioned above, the Community imports the major part of its vegetable oil requirements (apart from olive oil) in either oilseed or oil form. Imports are therefore an exact reflection of demand - but demand for protein-rich oilcake as well as demand for oil. In 1974 the total quantity of oilseeds imported and crushed in the Community rose - but the major part of the increase was accounted for by soya beans which, as already stated, tend to be processed for their protein content. In 1975 the drop in demand for oil, as a result of the high prices thereof during 1974, caused imports of oilseeds to fall slightly, but this trend was reversed in 1976. As regards vegetable oil imported as such, the total rose from 1 652 000 tonnes in 1975 to 1 782 000 tonnes in 1976. Community exports of vegetable oils represent 12 to 14% of total supply averaging 600 000 to 700 000 tonnes per year.

Trade in oils and fats of land mammals is relatively insignificant since the Community's degree of self-supply in this sector is 80%. Exports are negligible.

The situation in respect of fats and oils derived from marine animals is quite different. Imports represent between 70 and 80% of total consumption, but in fact, since Community production has been increasing, imports have fluctuated in response to demand, or according to availability world-wide. Imports dropped from 405 000 tonnes in 1975 to 393 000 in 1976.

Although the Community is more than 100% self-sufficient in butter, it nonetheless imports between 120 000 and 160 000 tonnes. The major part of these imports result from international commitments taken on by the Community vis-à-vis New Zealand in 1973. Exports are partly in the form of food aid and partly sold at world market prices with the aid of export refunds.

#### 5. The present situation

Official statistics are not available for 1977 on the oils and fats sector, but from the information available some deductions may be made.

The quantity of oilseeds crushed in the Community rose substantially, as a result of the increased demand for oilcake and abundant supply of soya beans. Apparent consumption of oil should be well above the low 1974 and 1975 levels. Consumption of olive oil again declined.

Output and demand for animal and marine oils and fats appear to have remained rather static in 1977 while consumption of butter fell. It would thus appear that the increase in demand consequent upon falling prices and a slightly improved economic situation was satisfied by vegetable oils and fats, consumption of which rose.

6. Prices

As indicated earlier, prices in the oils and fats sector tend to be at world market level for all of the products concerned except olive oil and butter, for which prices are fixed within the Community.

The following table sets out prices quoted at Rotterdam for soya oil, the effective price leader for vegetable oils, lard, tallow and marine oils.

TABLE II

Prices of selected oils quoted at Rotterdam (\$/t)

	1973	1974	1975	1976	1977	1978
						(Aug.)
Soya oil (Dutch)	436	832	563	438	523	575
Lard	373	602	479	480	618	611
Tallow (US)	356	448	340	377	421	509
Fish oil (any origin)	342	559	344	373	472	430

During the same period, the prices fixed for butter and olive oil were as follows:

TABLE III

	u.a./100 kg					
<u>Olive oil market target price</u>						
	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
	79.60	95.00	101.86*	149.96	144.89	141.91
<u>Butter - intervention price</u>						
	186.00	176.00	183.58	209.58*	223.80*	230.95

\* Where two prices were fixed during the marketing year, the highest price is shown.



7. Outlook for 1978/79

World prices for oils and fats were higher in 1977 and 1978 than in 1976 because of strong demand, particularly from India. The indication at present is that demand will remain stable, but in view of the forecasts of availabilities in 1978/79 a fall in prices cannot be ruled out, and this could lead to an increase in consumption. For olive oil and for butter, however, the prospects are less encouraging, as consumption of these products will presumably be adversely affected by the prices expected for competing products.

## 22. FEEDINGSTUFFS<sup>1</sup>

### 1. Supply and consumption in 1977

Conditions of supply were particularly good in 1977 for both energy-giving raw materials and proteins.

Soya was generally in plentiful supply following the record harvests in the United States and the adoption of an active export policy by Brazil. This did not prevent soya oilcake prices from varying considerably, some of the reasons being monetary fluctuations of the dollar, a strike in the United States, the rate of cover factories, the availability of transport, etc.

The market in cereals was particularly buoyant; the raising of prices by the Council to a level regarded as average and the simplification of the market organization helped to establish this security of supply. Industrial consumption of cereals remained steady.

The volume of oilcake used for animal feed was slightly greater than in 1976, when it showed a sudden and very large increase over the previous year. The largest percentage increase was in the consumption of oilcakes made from colza (rape) and sunflower.

Consumption of skimmed milk powder increased by about 5%, while the high prices of fishmeal reduced consumption thereof.

### 2. Production of compound feedingstuffs

From 1970 to 1977 production of industrial feedingstuffs more than doubled, rising from 33 million t to over 67 million t. There were however, large differences from one type or destination to another. For instance, production of feed for poultry increased by only 69%, as compared with a 92% increase in feed for pigs, 161% for cattle and sucking calves and 159% for other animals.

In 1976 production increased considerably compared with 1975 : at a rate of 12,8%. Economic circles agreed that the reason for the phenomenon was the drought, especially after the two previous years of stable production.

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<sup>1</sup> See tables M.22.1 to M.22.8 of Part II.

There was, moreover, no indication that the level of production achieved in 1976 could be maintained in normal climatic conditions.

Contrary to all expectations, however, total production of industrial feedingstuffs was maintained and even increased by 3.5%. This percentage varied from one type or destination to another. The increase for poultry feed was 1.3%, for pig feed 4.2%, for cattle feed 3.9% and for other feed 13.8%. These increases in output will be reflected in 1978 by an increase in animal production.

\* \* \*

### 3. Feed requirements of livestock

In 1977 livestock feed requirements were 0.7% more than in 1976 (calculated in FU). Although there was a slight drop in the cattle sector (- 0.1%), there was a substantial increase in the other sectors (pigs + 2.8%; poultry + 1.6%).

The percentage of these requirements covered by industrial feedingstuffs increases each year.

In the cattle sector, the market share of industrial feeds was 10.4% in 1975 and 13.7% in 1977. In the pig sector, the percentage rose from 66.3% to 71.2% over the same period, and in the poultry sector from 61.4% to 63.8%. There are of course still great differences from one Member State to another as regards the feeds used, which are determined to some extent by the structure of their livestock herds.

### Outlook

There is likely to be a decrease in the total Community livestock herd in 1978, which would lead to an overall drop in feed requirements.

Even assuming a 2.5% increase in milk production, feed requirements for the cattle sector will be lower than in 1977. The forecasts also point to an overall decline in demand for pig and poultry feeds.

The Directorate-General for Agriculture estimates that industrial production of compound feedingstuffs will increase by about 700 000 tonnes, this forecast being based on the market share of industrial feed as compared with farm-produced fodder and the cutback in animal production.

.../...

As regards raw materials, the forecasts of self-supply are fairly optimistic, which indicated that prices should fall. The full effect of the price drop will not be felt by producers, however, since the other overheads which make up the final cost are expected.