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THE SITUATION OF THE AGRICULTURAL MARKETS REPORT 1982

(report from the Commission to the Council)

This report was drafted in autumn 1982 and a summary appeared in "The Agricultural Situation in the Community - 1982 Report" published in conjunction with the sixteenth General Report on the Activities of the European Communities. This summary is given in its entirety under point A of the present report.

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A. - MARKETS FOR AGRICULTURAL PRODUCTS - Summary

INTRODUCTION

1. As in previous years, examination of the markets for agricultural products is separated into two distinct sections. The first focusses attention on those sectors which represent nearly 80% of agricultural output and on which more than 90% of the total agricultural budget was spent in 1981. Individual sectoral analysis for crop products is set out for cereals, sugar, fruit and vegetables, wine and tobacco; included for animal products are milk and milk products, beef and veal, and pigmeat. This review by sector includes reference to the pattern of production and consumption and to the development of the internal market in terms of prices and support measures taken in the Community as well as the evolution of Community trade in world markets.

The second part draws the major strands of these analyses together and sets out the outlook for agricultural markets indicating those sectors where problems exist or are likely to arise, with particular reference to the present situation on world markets.

Further details concerning the market situation of all agricultural products are provided in 'The Situation of the Agricultural Markets - 1982 report'. Statistical information on all sectors is contained in the second part of the present report.

SITUATION ON THE PRINCIPAL AGRICULTURAL MARKETS

Cereals

Community

2. The total area of cereals under cultivation in the Community in 1981 was 28.2 million ha or 28% of the utilized agricultural area (UAA). There was considerable variation concerning land use for cereals according to the Member State concerned. About 42% of the UAA was utilized for cereals in the Federal Republic of Germany, and 62% in Denmark while only about 7% in Ireland and 11% in the Netherlands.

Production and Consumption

3. Total production in the Community for 1981/82 was 122.2 million tonnes (excluding rice), 2.2% less than for the previous year but an increase of 3.2% on the 1979/80 crop. Preliminary indications for 1982/83 are that production will be at record levels at around 128 million tonnes (excluding rice), owing to excellent growing conditions in all Member States. It is anticipated that wheat production will increase by 10% to 55 million tonnes while barley production should also rise by 4.1% to 41 million tonnes: maize production is likely to remain stable at around 18 million tonnes.

4. Total consumption of cereals utilized in the Community during 1980/81 amounted to 119.1 million tonnes, a fall of 1.1 million tonnes compared to 1979/80. About 60% of all cereals were utilized in animal feed, 32.7% for human consumption and industrial use, while the remainder was used for seed (roughly the same proportions as in 1979/80). Within these three categories, the percentage varies substantially from one Member State to another and from year to year, according to the cereal concerned. Final balance sheets for 1980/81 show that self-supply of cereals increased to 104.81% in 1980/81; it is expected to increase to around 107% in 1981/82 owing to larger decrease in domestic consumption than production.

5. The use of cereals in animal feed has been significantly affected in recent years by the growth of cereal substitutes such as manioc and a variety of food industry by-products. In 1981, imports of cereal substitutes amounted to the equivalent of 14.5 million tonnes of cereals. Imports of manioc has increased from 2.3 million tonnes in 1974 to 6.7 million tonnes in 1981. Even if such imports can be stabilized at these levels through self-restraint arrangements with the major suppliers e.g. as with Thailand, imports of other similar products are likely to increase over the medium term owing to the ease of substitution. As an example, corn gluten feed imports have risen from 0.7 million tonnes in 1974 to 2.9 million tonnes in 1981 and can be expected to increase still further in line with the development of the production of alcohol from maize in the USA.

6. Use of home-grown cereals has been given some support by the operation of the silo system which encourages the use of more Community wheat in animal feed. The trend of decreasing utilization of home-grown cereals for animal feed, however, is continuing (less than 45% in 1980/81 compared with around 50% in 1975/76). This is mostly accounted for by farmers tending to sell more of their cereals (or producing less oats, normally used for animal feed) and to purchase compound feedingstuffs made from imported cereal substitutes.

7. Cereals used for industrial purposes increased by 1.9% in 1980/81. Industrial use of wheat increased by 20% while that of maize declined by 1.7%. These two cereals, accounting for 4% and 44% respectively of total industrial use of cereals, are mainly used for the production of starch and glucose. A large quantity of maize is also used in the distilling industry in the UK. In contrast to 1979/80, where utilization decreased by about 3%, the industrial use of barley increased by 3.7% in 1980/81, reaching a total of 5.6 million tonnes.

Main market features

8. The 1981/82 marketing year opened with stock levels at about 13.5 million tonnes, slightly higher than in 1980/81, including 7.0 million tonnes of common wheat, 0.5 million tonnes of durum wheat, 1.8 million tonnes of barley and 2.5 million tonnes of maize in public intervention stocks (0.9 million tonnes was stored on farms). At the beginning of the 1982/83 campaign, off farm stocks were at 11.1 million tonnes.

9. Despite substantial exports during the 1981/82 campaign, internal market prices were depressed owing to large quantities of wheat and barley being available. The notable exception to this general trend was in Italy where the prices of common wheat and coarse grains were well above support levels. With intervention open for both breadmaking wheat and feed grains for the first 3 months of the 1982/83 campaign, producer prices, except in the UK, have been generally maintained at around support levels.

10. With regard to intra-Community trade during 1981/82, France remained the principal supplier of cereals to other Member States. Its exports of common wheat, barley and maize increased from a total of 9.1 million tonnes in 1980/81 to 9.6 million tonnes in 1981/82. Trade in cereal products such as wheat flour and maize grits has also slightly increased.

World markets

11. World production of cereals (excluding rice) in 1981 amounted to 1230 million tonnes, of which the quantity produced in the Community was 10%. The equivalent percentages of other major exporting countries of cereals were: USA 26%, Canada 4%, Australia 2% and Argentina 2%.

At the beginning of the 1981/82 marketing year, world stocks of wheat were estimated at 75 million tonnes with coarse grains at about 80 million tonnes. World production during 1981/82 reached record levels for common wheat and feed grains, with excellent harvests in all the major exporting countries. The total world crop of cereals (other than rice) is expected to reach the same level as 1981.

With stabilisation in global consumption levels and vigorous export activities by the US (under pressure from a high level of carryover stocks), prices began to fall towards the end of the marketing year in spite of another low cereals crop anticipated in the Soviet Union of 165 million tonnes (wheat and feed grains). Since closing global stocks for wheat and coarse grains in 1981/82 are estimated at 190 million tonnes (an increase of 35 million over 1980/81), there is little prospect that the currently depressed world market price for grains will improve in the short term, even if consumption is expected to expand a little.

In 1980/81, the Community imported 16.4 million tonnes of cereals (8.9% less than in 1978/79) confirming the trend of diminishing imports noted over the past few years.

Of the overall total in 1979/80, 11.8 million tonnes were maize (about 90% imported from the USA), 3.9 million tonnes of common wheat (over 90% from North America, including 0.6 million tonnes under inward processing) and about 0.9 million tonnes of barley and malt (coming mainly from Canada but also from Australia and the US). Total imports of cereals during 1981/82 are expected to be about 14 million tonnes of which about 9 million tonnes maize and 3.2 million tonnes of wheat.

12. Total exports of cereals and cereal products in 1980/81 from the Community rose by 26.9% to 29.1 million tonnes: within this total, common wheat and flour accounted for 14 million tonnes. In 1981/82 estimated exports of common wheat and flour are expected to be 14 million tonnes - 13 million tonnes as commercial sales, of which 3.6 million tonnes in the form of flour, and the remainder as food aid. About 0.6 million tonnes of flour as commercial sales were exported under inward processing arrangements. During both these marketing years, sales have been made to the Community's traditional clients in West and North Africa, as well as several European countries (particularly Poland). In 1981/82, a larger percentage of exports went to the Middle East. Flour exports continued to go to a wide variety of traditional destinations, in particular Egypt, Syria and the USSR. Barley and barley products exported (principally malt) amounted to a total of 6.7 million tonnes in 1980/81 of which 1.7 million tonnes in the form of barley products. Exports in 1981/82 are expected to be slightly lower at around 5.9 million tonnes.

Sugar Tables

Community

13. The total area under cultivation for sugar beet in 1982 fell by 9 in comparison to 1981, covering about 2% of the utilized agricultural area in the Community. The decrease was principally due not only to world price levels being much lower than Community prices at the time of planting, but also to substantial quantities being carried over in stock in certain countries.

14. In terms of production structures, the total number of farms producing sugar beet is falling (about 370,000 in 1977) although the rate of decline is now tending to fall off less rapidly than previously. At the same time, the number of sugar-beet processing factories has decreased from 250 in 1972/73 to 206 in 1981/82, a decrease of 18%, accompanied by an increase in total processing capacity of 32%. This improvement of production structures over the past decade illustrates that the development of production has not been hindered by the existence of a quota system, now in operation for over seven years.

Production and Consumption

15. Total sugar production in the Community in 1981/82 reached the record level of 15 million tonnes, about 22% more than in 1980/81. 9.4 million tonnes were produced within the basic quota ('A' sugar); an amount of 2.1 million tonnes was reached outside the basic quota but within the maximum amount ('B' sugar) while the remainder of the production ('C' sugar) rose to 3.5 million tonnes. For 1982/83, the Community crop is expected to be lower than last year's record figure because of the lower acreage planted (about 14 million tonnes).
16. Human consumption of sugar during 1981/82 in the Community fell slightly to 34.4 kg per head in 1980/81. Less than 1% of total production went for industrial purposes, mostly to the chemical industry. Total production and consumption of isoglucose in 1981/82 remained almost static at 182,600 tonnes. (179,700 tonnes in 1980/81).

Main market features

17. The marketing year 1981/82 was the first where the new sugar policy has been in force (since July 1981). It has not been an easy year with a record production level, significant quantities to export accompanied by very low prices on the world market. As a result, the Commission and sugar producers agreed to hold over a quantity of nearly 1.7 million tonnes from the market in order to contribute to a rectification of world price levels. It should be recalled that producers have to bear the full cost of exporting sugar in excess of internal demand in the Community other than the equivalent of about 1.3 million tonnes imported from ACP countries (financed by the EAGGF).

Market prices remained above the intervention prices during the 1981/82 campaign and approached the level of the new intervention prices decided in the 1982/83 price package (+ 9.5% for white sugar and + 10.5% for raw sugar, correcting the balance between the two sugars decided upon in 1981/82). Intra-Community trade in 1981/82 once again fell owing to the increase in production in all Member States: about two thirds of the trade in raw sugar was carried out between the UK, Italy and Germany.

World Markets

18. During 1981/82, the trend observed in the 2 previous years of higher consumption than production was reversed. World production exceeded consumption by more than 8 million tonnes. This situation has occurred as a result of very favourable crops in most producing countries, in particular in India, Thailand and the Community while world consumption has remained stable at around 91 million tonnes. Stocks at the end of August 1982 were at 34.6% of consumption (equivalent to the level in 1978/79).
19. As production is expected to exceed consumption by about 5 million tonnes in 1982/83 world prices have fallen in recent months to very low levels (5.5 cents/lb in New York in September 1982 in comparison to 12.75 cents/lb in the beginning of October 1981). For 1982/83, the Community expects to have a total quantity of 6.7 million tonnes of sugar available for export, of which 3.5 million tonnes of C sugar. As the perspectives for the world market are not encouraging for 1983, it can be expected that further quantities of sugar will have to be carried over to the next campaign (1983/84). This will involve a heavy burden for the producers who will under the new regime bear the cost of such disposal.

Fruit and vegetables

20. Total production of fresh fruit and vegetables during 1981 in the Community, including that part destined for the processing industry, fell by 0.4% in comparison with 1980. Community production of fresh fruit fell by 2.3% in comparison to 1980 (20.5 million tonnes) while vegetable production remained at about the same level as 1980 at 28.4 million tons. Italy was the major producer of fresh fruit (49%) and vegetables (nearly 40%) in the Community. In contrast, production of processed fruit and vegetables rose slightly during 1981 mainly due to increases for canned products (other than tomatoes) and frozen products.

Consumption of fresh fruit in 1980/81 was 19.1 million tonnes (88% going for human consumption). The total internal utilization of vegetables fell by 0.4% to 32.7 million tonnes.

21. Market prices fluctuated considerably over the year and were supported in several instances by temporary measures like countervailing charges on imports. Quantities withdrawn for apples (1.4% of total production) pears (5.6%), cauliflowers (0.5%) and tomatoes (0.5%) were lower in 1981/82 than in 1980/81, but higher for other products such as peaches (9.2%).

Turning to trade, fresh fruit imports into the Community remained at mostly the same level in 1981 as in 1980, around 4.2 million tonnes (including 3.0 million tonnes of citrus fruit and 0.53 million tonnes of apples) or more than five times the total export volume. Total imports of fresh vegetables were 1.2 million tonnes in 1981, or 3.5 times the total export volume, while the level of vegetables amounted to 2.5 million tonnes. Intra-Community trade for fresh food was 2.8 million tonnes in 1981.

22. Intra-Community trade for processed fruit and vegetables in 1981 remained at a similar level to 1980 (rising a little for tomato concentrates and peeled tomatoes as a result of Greek accession). Total imports from non-member countries diminished slightly while exports rose, particularly for tomato concentrates (240,000 t in 1981).

Wine

23. Production in the Community during 1980/81 was 164 million hectolitres (hl), accounting for 48.5% of world production, after reaching a record level of 182 million hl in 1979/80. In 1981/82, production fell by 25 million hl to 139 million hl. Domestic consumption in 1980/81 totalled 164 million hl (162.5 million hl in 1979/80): the comparable figure for 1981/82 will be 151 million hl. A decreasing amount went for human consumption (78% of the total in 1980/81 or 127.2 million hl), confirming a downward trend noted over the past few years, while the majority of the remainder (22.1 million hl.) was distilled (63% with Community aids). The level of self supply for the Community in 1980/81 was around 100%.

24. Intra Community trade slightly increased as a result of Greek accession to 22 million hl. in 1980/81. Exports in the same period were 9.1 million hl. in comparison to imports of around 5.5 million hl. The general trend observed is for exports to increase as a result of decreasing Italian sales while imports are tending to decrease.

25. For the campaign 1982/83, production is expected to rise by about 30 million hl to 169 million hl.
Disposal of those quantities in excess of human consumption will be facilitated by a series of distillation measures decided on by the Council in the context of the prices package 1982/83 modifying the basic regulations in the sector.

Tobacco

26. Production in the Community in 1981 was around 308,000 tonnes (4.7% up on 1980), accounting for 5.4% of world production, representing 0.6% of total agricultural output. Consumption in the Community remained stable at about 608,000 tonnes, falling slightly in the UK and Germany. Self supply in 1981 was about 44%.

World trade accounted for about 28% of world production in 1981, rising to 1.49 million tonnes (10% up on 1980). EC exports took up about 7% of the world market. About 60% of EC imports were of flue-cured Virginia tobacco. It should be noted that, following the accession of Greece, costs of this sector are expected to rise to 580 million ECU in 1982 (361.8 million ECU in 1981) and now account for 4.5% of total EAGGF expenditure. In order to bring this sector into better balance, and redress some of the structural imbalance particularly for oriental type tobaccos, special measures have been introduced in term of price reduction and quantitative limits for those varieties sold into intervention.

Milk

Production and consumption

27. Milk production in 1981 remained almost at the same level as in 1980 at 104.4 million tons. A small decrease in cow numbers to 2.5 million head was offset by an improvement in the average annual yield per dairy cow to 4181 kg per animal (France increasing its average yield by 4% and Denmark decreasing by 2.5%). A further increase in average yields is expected in 1982, by more than 2%, reflecting improvements in herd structure, the quality of milking cows and cheaper feed inputs. Milk production in 1982 is also anticipated to rise by about 2.7%.
28. An increasing proportion of milk production from dairy cows (about 92.2% amounting to 96.2 million tonnes in 1981) continues to be sold by farmers to dairies for processing into milk and milk products. Total milk deliveries only increased by 0.5% in 1981 leading to a higher production of cheese (up by 3.9%), condensed milk (up 6%), whole milk powder (up 7%) as liquid milk products and, as a result, to a decrease in the production of intervention products, butter (down 2.1%) and skimmed milk powder (down by nearly 2%).
29. The overall use of milk in the Community for liquid milk and fresh milk products increased only marginally in 1981. The general tendency of the last 9 years to consume more semi-skimmed milk and less whole milk continued in 1981. Consumption of cheese continued to increase by 2.5% in 1981 (2% in 1980).

30. Internal consumption of both condensed milk and whole milk powder are low as these two products are mainly geared to the export market. Internal offtake for butter decreased slightly in 1981 mainly because of a reduction in the quantities sold at reduced prices to the food industry non-profit making institutions. Disposal of skimmed milk powder also continued to cause difficulties as only about 15% of the powder manufactured could be sold at a fixed price in the Community: about 1.3 million tonnes were sold for animal feed in 1981 (or 62% of production).

Main market features

31. The target price for milk was fixed for 1982/83 with effect from 20 May 1982 at 26.81 ECU/100 kg, an increase of 10.5%. Intervention prices for butter, skimmed milk powder and certain Italian cheeses were altered accordingly. The coresponsibility levy for 1982/83 was reduced from 2.5% to 2.0% of the target price while the previous criteria for reduced levy and exemption from the levy were maintained. The Council also decided to introduce the principle of a guarantee threshold to indicate the limit for annual increases of milk deliveries: if the limit is exceeded in 1982 (by more than 0.5% in comparison with milk deliveries in 1981) the Council must decide how the costs of the extra production must be borne by the producers. In recognition of the problems of small milk producers, the Council granted an amount of 120 million ECU's to be distributed between them.
32. During the marketing year 1981/82, the principal effort in the milk sector as in 1980/81 has been to continue to find markets for the necessary volume of milk production at the cheapest unit cost both internally and externally. Through the maintenance of high export levels of most dairy products in 1981, as well as the continuance of internal disposal programmes, the public intervention stocks for butter and skimmed milk powder fell to low levels at 31 December 1981 (10,000 tonnes and 279,000 tonnes respectively). The success of this policy is underlined by the reduction in expenditure in 1981, by nearly 30% in comparison to 1980: the percentage share of the Guarantee section of EAGGF used for milk fell from 42% in 1980 to 30% in 1981 as a result.

33. Increased production of butter and skimmed milk powder during 1982 expected to be 6 - 7%, coupled with reduced export opportunities, has meant that the difficulties associated with disposal in these markets will continue. Special measures were introduced in July 1982 to encourage the inclusion of skimmed milk powder in animal feed for pigs and poultry (to make the product competitive with soya). Special measures have also been introduced in the butter sector ("Christmas butter" for Community consumers).

World Markets

34. World milk production increased in 1981 by 0.4% (0.7% in 1980). This low rate of increase was due to decreasing production in the USSR (-2.6%) and compensated by an average 1.5% increase in the rest of the world (excluding the EC). Production increased in the USA by 3.2% and in Canada by 2.5%. World milk production is likely to increase by more than 1.5% in 1982, rises being noted in the EC and the USSR and a weakening in the rate of increase in the US.

report.'. The constant expansion in the world markets for all dairy products noted since 1975 has begun to diminish in terms of total exports. The world market in 1981 declined for butter (by 14%), skimmed milk powder (by 9%) and for wholemilk powder (by 7%), stagnated for condensed milk and expanded only for cheeses (by 7%) due particularly to increased exports to the Middle East. In spite of increasing production, world market prices for dairy products have been maintained at levels well above the threshold prices set in the framework of the dairy arrangements in GATT owing particularly to close cooperation between Community and New Zealand on the functioning of the markets.

35. The Community lost market shares for butter and butteroil and, to a lesser extent, for skimmed milk powder. The expansion of the world cheese market was entirely due to increased EEC exports. EEC wholemilk powder exports remained almost stable, but the EEC share of the total market increased. For condensed milk, EEC exports increased by 30 000 tonnes which lifted the Community share in a slightly declining total market.

36. 92 000 tonnes of New Zealand butter was imported into the Community in 1982, representing about 14% of the world butter trade or almost 5% of total butter production in the Community. Cheese imports in the Community amounted to 99 000 tonnes (about 13% of the world cheese trade). Thus the Community remained the world's second largest importer of butter, next to the USSR, and the second biggest importer of cheese, next to the USA.

Beef and Veal

Community

37. Beef production takes place on about half of the farms in the Community, contributing about 16% to final agricultural production in the Community. It is mostly concentrated in the Member States with a large grass production, and comes either from herds producing milk or from specialized beef herds. The trend towards larger units since 1973 has continued, the number of producers decreasing at a rate of 3.7% per annum since 1975. The beef herd slightly decreased in 1981, as in 1980, owing principally to a higher level of slaughtering of adult animals, offset to a certain degree by a small increase in the number of veal calves.

Production and Consumption

38. After the cyclical reduction in beef production during 1976 and 1977, total beef production rose by 3.4% in 1980 (compared to 6.2% in 1979), but fell by 3.8% in 1981, reaching a total of 6.9 million tonnes. Within this figure, adult beef production fell by 3.6% while veal production decreased by 5.4%. As a normal indicator, beef consumption can be linked to the rate of general growth in the economy. With a slowing down in growth rates and a significant rise in unemployment, consumption of beef and veal in the Community diminished by 3.4% during 1981 to 6.7 million tonnes or 24.8 kg per head (22.0 kg per head for beef and 2.8 kg per head for veal).

Main market features

39. Market prices of adult beef animals have regularly risen over the past two years from 130 ECU/100 kg live weight in autumn 1980 to more than 160 ECU/100 kg live weight. In 1981, the average producer price level in the Community has been at about 85.1% of the guide price. After two consecutive years of lower prices, the market prices for veal rose during 1981 and 1982.

40. Accompanying the strengthening of market prices has been a fall in the level of public intervention stocks from 350,000 tonnes at 31 December 1980 to about 160,000 tonnes at 30 September 1982. This improvement in the internal market situation has been considerably helped by the revised system of management through flexible intervention whereby dependence on public purchasing throughout the year has largely been eliminated. Intra-Community trade was at the same level as 1980, stabilizing at around 1.4 million tonnes in 1981.

World Markets

41. The Community produces around 15% of the total world production of beef, and is the second largest producer in the world, but well behind the USA.

Beef exports from the community continued their upward climb during 1981 reaching a peak of 663,000 tonnes. The expected export level in 1982 is well down on 1981 at 510 000 tonnes. The principal destinations were Mediterranean countries, (more than 20%) Eastern European countries (around 36%, of which the USSR 15%) and to the Middle East (20%).

42. Imports from non-member countries mostly entering the Community under special conditions negotiated bilaterally or multilaterally in GATT continued during 1981 at about the same level as in 1980 at 364 000 tonnes (including 50 000 tonnes of live animals and 121 000 tonnes of frozen beef).

Principal suppliers were Uruguay and Argentina (about 40% of total imports) and Eastern European countries (more than 20% of total imports), Hungary and Poland in particular accounting for nearly half the total imports of live animals.

Pigmeat

Production and Consumption

43. Production of pigmeat in the Community is concentrated in regions surrounding the North Sea and the Channel as well as in northern Italy. In 1981, pigmeat production increased by 1.4% over 1980, rising to 103 million tonnes. Consumption remained stable at about 10.1 million tonnes. As a result, self-supply in the Community reached 101.6%, the highest being in Denmark with 306%.

Main market features

44. Market price levels on representative markets fluctuated to a considerable extent during 1981/82. Low prices in the first half of the year led to the introduction of support through private storage between 25 May and 11 July 1982. Seasonal demand then lifted market price levels to 171 ECU/100 kg in December 1981, (136 ECU/100 kg at the beginning of 1981).

The basic price, upon which the Community market for pigmeat relies to ensure a reasonable revenue to producers was increased by 10.5% in the context of the Council decisions for 1982/83.

Intra Community trade in 1981 diminished slightly to 2.22 million tonnes or 0.9% less than in 1980.

World Markets

45. The Community is the world's second largest producer of pigmeat after the People's Republic of China. In 1981, the Community exported 354 000 tonnes (41% more than in 1980) while importing 218 000 tonnes (a decrease of 12.5% in comparison to 1980). Exports of live pigs and fresh meat went mainly to certain Eastern European countries, particularly Poland, while processed pigmeat was mostly exported to the USA and Japan. Major suppliers of pigmeat and pig products in 1980 to the Community included the USA, the People's Republic of China, Sweden and Canada.

Outlook for the agricultural markets in the Community

46. From the sectoral analysis set out in this chapter, it can be seen that the measures taken by the Council in May 1982 in the context of the prices package 1982/83, including an average price increase of 12.2%, have given a stimulus to most agricultural sectors.

In general terms, Community production is running at high or record levels in the major product sectors, in particular for cereals, rapeseed, sugar, milk, sheepmeat, pigmeat, eggs and poultry, wine and apples. Once again consumption is not keeping up with production increases and is continuing to decline for most temperate products. This is particularly noticeable in the sectors of cereals, sugar, certain milk products and beef.

In conjunction with this growing internal imbalance, world prices are generally low for many products in which the Community has an important export interest e.g. cereals and sugar. The world price for sugar at 30 September 1982 was about 30% of the guaranteed intervention price. To a large degree this reflects large harvests in different parts of the world (e.g. in the United States for cereals).

There are, however, other factors at play which are affecting consumption levels which cannot be neglected in the medium term.

On the internal market, consumption decreases e.g. in the beef sector are mostly a factor of the general economic environment with rising unemployment and low growth rates becoming more noticeable as the decade advances. Consumption for certain other products, e.g. in the milk sector will also have been affected owing to the fact that there are fewer people to nourish through declining population growth. Externally, some reduction in demand in third countries will also have been affected with economic recession and through difficulties being experienced in financing high levels of external debt.

At present, the Commission has managed to keep the situation well under control. Budget cost of agricultural support in the Community fell in 1981 and is again expected in 1982 to be little above the 1980 level. However, it is now indicative that stock levels in major sectors are beginning to rise and world markets will become more difficult. It is therefore reasonable to expect that there will be some increase in expenditure in 1983.

Some restraint on production will be provided by the introduction of production thresholds in cereals, rapeseed, milk and processed tomato sectors. It is not yet possible to say whether these production thresholds will affect support in the cereals or rapeseed sectors but it is already clear that the threshold in milk sector of 0.5% will be substantially exceeded, probably by about 2.2%. This will lead to a proposal to reduce the intervention price for milk with effect from 1 April 1983. In addition, the system of coresponsibility in the sugar sector should again have an effect on acreages in 1983.

A further factor in this sector will be that the producers will have to bear full cost of exported sugar in excess of internal demand, other than the equivalent of about 1.3 million tonnes imported from ACP countries.

If these thresholds prove insufficient to limit production increases in the sectors where they are applied and internal consumption remains at present levels in the short to medium term, it should be understood that the product can only go either into intervention or on to export markets. If the Community is to be more dependent on the world market as an outlet for its increasing agricultural production, the key question will be whether world markets will continue to expand in order that this increasing volume can be satisfactorily disposed. In this context, it should be recalled that over the period 1973 to 1980 exports in terms of value have quadrupled to developing countries and tripled to state trading countries: it is precisely these 2 categories of countries which are the most indebted and have the greatest difficulties in keeping their economies afloat.

If it is to be concluded that the rate of expansion of exports on the world markets will not continue in the medium term either because of the economic recession or because of intense competition from our major trading partners, particularly the US, then it is clear that the present arrangements still need to be adapted in order to ensure that the increasing production volume available can be disposed either internally or externally, at reasonable prices while safeguarding farmers' incomes. As in other sectors of the general economy where the rise in unemployment continues unabated, it will not be possible for agriculture to be shielded indefinitely from the realities of the market place.

B. Analysis by Sector

I. Products subject to common market organisation

1. CEREALS

1. Introduction

(a) General situation:

The 1981/82 harvest was very good, although slightly lower than last year's record crop. Opening stocks were also very high, but they were substantially diminished during the course of the year. World demand was initially robust but calmed down as 1982 progressed, especially when indications of the 1982/83 over-abundant harvest became available.

Interest rates stayed at the high levels of the past year; storage costs therefore remained prohibitive. There was considerable intervention activity throughout the year but large quantities were resold, particularly for export. Prices were firm in 1981 but progressively declined during 1982.

Prospects for 1982/83 are not encouraging since the Community along with most major exporting countries have recorded exceptional crops. Market demand has stabilized at low levels, global cereal stocks are high and prices remain depressed.

(b) Cereals in Community agriculture:

The total area of cereals in 1981 was 28.2 million ha. Their importance in the land use of individual Member States varied considerably, being lowest in Ireland and the Netherlands (7% and 11% of UAA respectively) where fodder crops and permanent grasslands are more important. Cereals are of greatest significance in Germany and Denmark (42% and 62% of UAA respectively) where they account for about 70% of the arable land; they also account for a high proportion of the arable land in Luxembourg (67%). In the remaining Member States cereals occupy 20% to 30% of the UAA and 26% to 57% of the arable land.

Cereals' share in final production is a less useful measure of their economic importance since in many cases a large proportion of 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 42% of the UAA, they represented only 9% of the value of final production in 1981 because over 40% of the total quantity produced was used for animal feeding on the farm where it was grown. In the United Kingdom, by way of contrast, cereals accounted for only 21% of the UAA but 16.7% of the value of final agricultural production because only 15% of the crop was fed to livestock on the farm where it was grown. In the Community as a whole, where about 26% of the crop was fed to livestock on the farm where it was grown, the contribution of cereals to the final production of agriculture was 12.3% in 1981.

(c) The Community in world cereals production :

World production of cereals in 1981/82 amounted to 1 230 million t, of which the Community produced 10% (compared with 10.6% in 1980/81). The proportions produced by other major exporters of cereals were: United States 26%; Canada 4%; Australia 2%; Argentina 2%.

2. Production

Community cereals production in 1981/82 reached 121.8 million t - excluding rice - a drop of 2.2% on the 1980/81 record of 125 million t, but an increase of 3.2% on the 1979/80 crop. Weather was generally favourable and yields remained at high levels, except in France where adverse weather conditions resulted in declines of both yields and final production of cereals.

The total area sown with cereals for 1982 remained at about the same levels as in 1981. The growing conditions were excellent and yields are expected to be high. Final production for all cereals will be considerably higher than in 1981, preliminary estimates indicate total production in excess of 127 million t.

(a) Common wheat:

Sowing conditions were not favourable in the winter of 1981/82, since excessive rains often prohibited the completion of sowing on schedule and the abundant moisture adversely affected the areas sown. The harvest is forecast at about 55 million t (+ 10%). Harvesting operations have been facilitated by good weather and quality is expected to vary from good to very good. There exists a growing tendency among producers to switch from high-quality varieties to higher yielding but mediocre-quality varieties of breadmaking wheat. On the other hand the production of varieties which are only suitable for animal feeding seems to have stabilized.

(b) Durum wheat:

The area of durum wheat declined further in France, increased slightly in Italy and increased substantially in Greece. Total area under durum wheat in the Community was 2.1 million ha (+ 4%). Yields have further decreased from their 1981 levels and production is expected to reach 4.1 million t (- 5%). Italy accounts for the lion's share of Community durum production but the area under cultivation has remained stable for a number of years. Durum wheat now occupies about 50% of total wheat. Excellent growing conditions have accounted for the large increase of production in Greece.

(c) Rye:

The areas of rye decreased by over 13% in 1982, confirming a downward trend of recent years. Yields are expected to be substantially higher but production will still decline by about 5% to 2.4 million t.

(d) Barley:

The total area sown with barley in 1982 (9.3 million ha) has diminished by 3.8%. The switch to winter barley seems to have been halted in France and reversed in Germany, due to unfavourable weather conditions.

	1975	1976	1977	1978	1979	1980	1981	1982
Germany	39 %	46 %	49 %	53 %	55 %	59 %	63 %	48 %
France	20 %	31 %	42 %	51 %	38 %	55 %	57 %	55 %

Yields in 1982 are expected to rise by 8.5% to 44 qx/ha. Total production of barley in the Community is forecast at approximately 41 million t, an increase of about 4% compared to 1981.

Production of brewing barley was - with the exception of the United Kingdom - lower than in 1980/81 and quality was also slightly inferior.

(e) Oats:

The area of oats has stabilized at 2.07 million ha (+ 2%) thus reversing its downward trend of recent years. Production in 1982 is forecast at 7.5 million t (+ 5.7).

(f) Maize:

The area of maize in the Community for 1981/82 increased slightly over 1980/81 (+ 2.6%). Yields declined marginally and this caused a very small drop in production which, for 1981/82 is expected to reach 18.2 million t.

3. Consumption

In 1980/81 the total volume of cereals used in the Community amounted to 119.1 million t, a decline of 1.1 million t compared to 1979/80. About 34% consisted of wheat, 31% of barley and 23% of maize. The utilization of all cereals was made up as follows in 1980/81:

human consumption and industrial use: 32.7% (34.3% in 1979/80); animal feed: 59.9% (60.6% in 1979/80); seed and losses, 5.0% (5.0% in 1979/80). 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 1980/81 :

Cereal consumption in 1980/81 - breakdown by cereal

	Human consumption	Animal consumption	Industrial use	Seed and losses	Total
	%	%	%	%	%
Durum wheat	89.6	1.4	-	9.0	100.0
Common wheat	59.3	33.5	1.0	6.2	100.0
Rye and meslin	44.1	48.7	1.3	5.9	100.0
Barley	-	78.4	15.3	6.3	100.0
Oats and spring cereal	4.3	90.3	0.0	5.4	100.0
Maize	4.3	76.2	18.3	1.2	100.0

- (a) Net human consumption in 1980/81 remained at the levels of 1979/80. Allowing for population growth, per capita consumption decreased by only 0.5%. Trends for individual cereals differ, however. Per capita consumption of durum wheat rose by 1.8% (+ 1.7% on average over the period from 1972/73 to 1980/81), while per capita consumption of common wheat declined by 1.7% (- 0.2% on average for the period 1972/73 to 1980/81).

Net human consumption of cereals in 1980/81 - breakdown by cereal

	Net overall human consumption ('000 t)	Net per capita consumption (Kg per capita)	% change 1979/80 to 1980/81
Wheat - common	17 608	64.9	- 1.7
Wheat - durum	3 024	11.1	+ 1.8
Rye	1 054	3.9	0.0
Barley	54	0.2	0.0
Oats	196	0.7	+16.7
Maize	802	3.0	+15.4

(b) Animal consumption:

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 feed 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 55.8% by 1977/78, the year in which the part taken by manioc passed from 1.6% to 3.7% and that of oilcakes from 12.3% to 14.4%. The total quantity of cereals fed to livestock in EEC-10 fell from a peak of 74.7 million t in 1973/74 to 68.9 million t in 1976/77, since when it has only partly recovered, to reach 71.4 million t in 1980/81.

This decline is principally due to the substitution of cereals by products such as manioc, oilcakes and a variety of industrial by-products which may be imported into the Community with little or no import charge. The most important substitute for cereals is manioc, imports of which rose from 2.1 million t in 1974 to 6 million t in 1978 to decline again in 1980 to 4.9 million t. However, it is possible that further expansion of imports will be controlled by a voluntary restraint agreement, so there is likely to be strong growth in the imports of other products. A good example is maize gluten feed, imports of which have risen from 0.7 million t in 1974 to 2.9 million t in 1981 and are expected to rise in line with isoglucose production and to a lesser extent maize alcohol ("gasohol") in the United States, since it is a by-product of this process.

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 feedingstuffs).

Animal feed use of cereals in 1980/81, on the farm where grown and through the market - breakdown by cereal

Cereals	Used on farms	Marketed	Total	
	1 000 t	1 000 t	1 000 t	%
Wheat	5 287	8 078	13 365	18.7
Rye	979	401	1 380	1.9
Barley	15 112	13 599	28 711	40.2
Oats etc.	5 119	1 602	6 721	9.4
Maize	4 112	16 491	20 603	28.9
Other	100	506	606	0.9
	30 709	40 677	71 386	100.0
Total	43.0%	57.0%	100.0%	

Up to 1975/76, the animal feed use of cereals on the farms where they were grown accounted for around 50% of the total feed use. Since then, however, this proportion has fallen to under 45%. In part, this shift is due to a re-assessment of maize used directly on the farm in Italy, but it may also be due to a greater tendency for farmers to sell cereals and to purchase compound feedstuffs. A growing proportion of rye production, for example, is being sold by farmers and less is being used on the farm. Production of oats, a cereal which is largely used on the farm where grown, has also been declining rapidly.

(c) Industrial use:

The use of cereals for processing and industrial purposes increased by 1.9% in 1980/81. There were, however, substantial differences from one cereal to another

Industrial use of wheat has increased by 20% while that of maize has declined by 1.7%. These two cereals, which account for 4% and 44% respectively of total industrial use of cereals, are mainly used for the production of starch and glucose. A large quantity of maize is also used by the distilling industry in the United Kingdom (700 000 t in 1980/81) and a substantial amount in brewing (306 000 t in 1980/81, - 9.7% from 1979/80), mainly in France, the Netherlands and the BLEU.

Industrial use of barley increased by 3.7% in 1980/81, reaching a total of 5.6 million t..

(d) Self-sufficiency:

The final balance sheets for 1980/81 show that, following a large increase in production, the degree of self-sufficiency climbed to 104.8%. The decline in production was accompanied by a drop in domestic consumption of 1.1 million t. Whilst human consumption and industrial use declined, use of animal feed remained stationary, thus reversing last year's trend. Common wheat accounted for the largest share in the drop of human consumption.

The preliminary estimates of domestic use in 1981/82 are about 114 million t, i.e. 2.6% less than in 1980/81. Production, on the other hand, decreased by 2.5% to 122 million t, so that the degree of self-sufficiency is estimated at about 107%.

Summary of the cereal balance sheet in 1980/81

(million t)

	:Common : wheat	: Durum : wheat	: Rye	: Barley	: Oats : etc.	: Maize	: Other : cereals	: Total
:Stock change(1):	-0.2	-0.2	+0.1	+0.5	0.0	-0.1	0.0	+0.1
:Net external :balance (2)	-10.1	+0.2	-0.2	-5.2	+0.1	+9.5	-0.1	-5.8
:Domestic use :less production:	-10.0	+0.4	+0.3	-2.7	+0.2	+8.9	+0.2	-2.7
:Self- :sufficiency (%)	125.9	99.6	104.4	112.9	99.3	65.5	75.0	104.8

(1) + = stock reduction; - = stock increase

(2) + = net imports; - = net exports

(e) Stocks:

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 1981/82 marketing year amounted to 13.5 million t of which 0.9 million t were held on farms. Of the 12.6 million t of stocks in other positions (including intervention stocks), common wheat accounted for 7.0 million t, durum wheat for 0.5 million t, barley for 1.8 million t and maize for 2.6 million t.

By 1 August 1982 the off-farm stocks are expected to have fallen to about 10.7 million t, including around 5.7 million t of common wheat (11.5% of production), 0.2 million t of durum wheat (5% of production), 1.6 million t of barley (5% of normal production) and about 2.5 million t of maize (13.8% of normal production but only 30% 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 produced in non-member countries.

Briefly, the latter consist of imports into one Member State via another Member State, generally for sound economic reasons such as vessel size and port charges, but occasionally in order to benefit from anomalies arising from the mechanisms of the common agricultural policy and in particular its monetary compensatory amounts 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, exports of which from the Benelux countries to other Member States amounted to 2.4 million t in 1980/81 (+ 20% from 1979/80). There has also been a significant trade of this kind in common wheat (0.8 million t from the Benelux countries in 1980/81).

The major Community supplier of cereals to other Member States is France. French deliveries in 1980/81 totalled 9.7 million t (including cereal products) as compared with 10.7 million t in 1979/80. Deliveries of French wheat in 1980/81 were 3.9 million t and in 1981/82 increased to 4.0 million t.

Deliveries of barley increased slightly in 1981/82, from 2.5 to 2.6 million t, the main customers being Belgium, Germany and Italy. However a significant part of the consignments to Belgium are believed to have been for subsequent export to non-member countries via Belgian ports. French deliveries of maize to other Member States rose from 2.7 million t in 1980/81 to 3.0 million t in 1981/82 following the decline in French products in 1980, the principal customers were the Benelux countries, Germany, the United Kingdom and Ireland.

Intra-Community trade in cereal products is also of increasing importance, including such products as wheat flour and semolina, barley malt and maize grits.

(b) With third countries:

Imports of cereals from non-member countries (reduced by the estimated level of transshipments) amounted to 16.4 million t in 1980/81 (8.9% less than in 1979/80) of which 11.8 million t were maize (3.5% more than in 1979/80). In 1981/82 the preliminary estimates indicate imports of about 14 million t of cereals, including only 9 million t of maize. In 1980/81 about 90% of the maize imports came from the United States, with the remainder coming mainly from Argentina. Imports of barley and malt in 1980/81 amounted to over 900 000 t. The barley came mainly from Canada but also from Australia and the United States. Imports of barley in 1981/82 are estimated at around 600 000 t and again consisted mainly of imports of North American barley into Italy.

Imports of common wheat rose from 3.8 million t in 1979/80 to almost 3.9 million t in 1980/81 and then dropped back again to 3.2 million t in 1981/82. This total includes temporary imports under inward processing arrangements for subsequent re-export in the form of flour: 0.6 million t (wheat equivalent) in 1980/81 and about 0.5 million t in 1981/82. Durum wheat imports dropped from 1.1 million t in 1979/80 to 1 million t in 1980/81. Over 90% of imports in 1980/81 came from North America and most of the remainder from Argentina. It is expected that durum wheat imports in 1981/82 will be slightly up, to approximately 1.1 million t.

Total exports of cereals and cereal products in 1980/81 rose by 26.9% to 29.1 million t. Within this total, common wheat and flour accounted for 14 million t. Exports of wheat and wheat flour in 1981/82 are estimated at about 14.2 million t, broken down as follows: 13 million t of commercial sales, of which 3.6 million t in the form of flour, and almost 1.3 million t as food aid, of which about half was in the form of flour. The estimated total of commercial flour exports includes around 0.6 million t 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 wheat from non-member countries or from the waiving of import levies 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 from non-member countries). Commercial exports of wheat in 1980/81 went to the Community's regular clients in West and North Africa as well as to countries in Europe, particularly Poland. In 1981/82 the pattern was similar, with a larger percentage of exports going to the Middle East. Flour exports continued to go to a wide variety of destinations, with Egypt, the Soviet Union and Syria among the most important.

(+) Inward processing traffic: importation into the Community of products from non-member countries for processing and subsequent re-exportation; such operations are exempt from import levies and charges.

There were again large exports of barley in 1980/81 and 1981/82. Total exports of barley and barley products (mainly malt) amounted to 6.2 million t in 1980/81 (+ 30%), of which 1.7 million t was in the form of barley products. The quantities exported in 1981/82 are believed to have been slightly lower (about 5.9 million t, including 1.7 million t in the form of products), though the principal destinations of the barley were once again other European countries, the Soviet Union, the Mediterranean area and the Middle East. In both years France was the dominant supplier (including French barley exported through the Belgian ports) though the United Kingdom and Denmark were also important.

5. Prices

(a) Common prices:

The reference price for common wheat of bread-making quality has for several years been fixed for the minimum quality by way of derogation from the Regulation on the common organization of the market. Since fixing the prices for the 1981/82 marketing year, however, the Council defined an average bread-making quality as provided for in the basic Regulation and fixed the reference price for that quality. Nonetheless, at the same time it fixed a reduction to be applied in the event of intervention in respect of the minimum quality. Thus for 1982/83 there are two prices designed to support the market in bread wheat:

- the actual reference price (209.10 ECU/t) which serves as a basis for deriving the target price and thus the threshold price;
- a derived price (209.10 - 10.40 = 198.70 ECU/t) at which level any intervention measures for minimum-quality bread wheat must take place.

The latter price may be compared with the derived price fixed for 1981/82 (+ 7.5%). Such a comparison reveals a slight improvement in the competitive position of common wheat in animal feed in relation to the intervention price for coarse grains (+ 8.5% in 1982/83) and the threshold price for maize (+ 8.9% in 1982/83).

As for durum wheat, its intervention price was increased by 8.5%, which has not improved its competitive position compared with common wheat in the areas where it is grown.

(b) Internal market prices:

The 1981/82 marketing year, like the previous one, was characterized by surpluses of wheat and barley. These surpluses depressed prices of common wheat to the "reference price" (1) (this reference price was 17% above the intervention price)(2). The most notable exception to these general observations was the situation in Italy, where the prices of common wheat and maize were quite higher than the guaranteed prices; the price of durum wheat, however, was under the intervention price.

(1) ("minimum quality")

(2) In the case of barley the market prices were, in some Member States, near or below the intervention price levels.

Average difference between market price and intervention price in 1981/82

(%)

	Common wheat	Durum	Bread-making: Other wheat	Barley	Rye	Maize
	quality					
Germany	+1.08	+9.46	x	+1.95	+5.53	x
France	+1.14	x	x	+5.29	x	+17.36
Italy	+12.52	x	-0.85	x	x	+20.06
Netherlands	-0.88	x	x	+4.46	+7.30	x
Belgium	+3.66	x	x	+5.66	x	x
United Kingdom	-1.78	+5.49	x	-1.26	x	x
Denmark	x	x	x	+3.14	+5.34	x
Greece	x	+4.50	-6.19	-6.46	+14.52	-2.0

Consideration of the common wheat market is complicated by the existence of two support price levels, the intervention price and the price derived from the reference price (which only applies to wheat of "bread-making quality"). The criteria used to define "bread-making quality" and which are applied to the derived price are such that the price of most kinds of wheat in the Community, even those which are not of "bread-making quality", tend towards this price.

(c) World prices

At the beginning of the 1981/82 marketing year world stocks of wheat were estimated at 75 million t, slightly decreased from last year, while feedgrain stocks also declined by about 5 million t to approximately 80 million t. Global production of both common wheat and feed grains attained record levels in 1981/82.

There were excellent harvests in all the major exporting countries, with the United States and Canada achieving record wheat and feedgrain crops while Australia and Argentina also reached very high production levels. In the Soviet Union bad weather was responsible for another low crop (88 and 77 million t for wheat and feedgrains respectively), while China had a satisfactory, though certainly not exceptional, harvest.

The United States' aggressive export activities continued under the pressure of high American stocks but the stabilization of global consumption levels exerted a strong downward pressure on prices towards the end of the market year, despite the prospect of another unsuccessful Soviet harvest for 1982.

Cereals prices stayed firm at the beginning of the year, however the abundance of supplies and sluggish trade gradually depressed the market. Fears of possible tight grain supplies which had prevailed before the 1981 harvest were completely reversed. Closing global stocks for wheat and coarse grains in 1981/82 are estimated at 190 million t, an increase of 40 million t over the previous year.

Early indications for 1982/83 point to a difficult year. While consumption is likely to expand - at a low rate - production will be abundant and will probably exceed disappearance. The current seriously depressed prices for grain on the world market and the sluggish world economy seem to provide little hope for a rapid liquidation of existing stocks.

Highest and lowest monthly average prices in 1981/82 -
CIF Antwerp/Rotterdam

Type	Highest		Lowest	
	ECU/t	Month	ECU/t	Month
Common wheat :				
Soft Red Winter II :	177.85	January 1982	157.38	May 1982
Dark Northern				
Spring II/14%	202.15	February 1982	179.54	October 1981
Barley :				
Canada Feed I	150.85	March 1982	150.75	February 1982
Maize :				
Yellow Corn III	155.10	August 1981	120.56	December 1981
Durum wheat :				
US Hard Amber				
Durum III	209.29	February 1982	175.17	May 1982

(d) Consumer prices:

Bread prices increased by an average of about 10% between 1980 and 1981, rather less than in previous years. There were, however, great differences from one Member State to another:

- Belgium, Germany: from 3 to 6%
- Denmark, France, Ireland, Netherlands, United Kingdom: from 8 to 13%
- Italy, Greece: from 21 to 22%.

It is very unlikely that these increases were caused by the price of wheat, as the price of bread is determined primarily 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.

6. Short-term outlook

Community cereals production in 1982/83 is estimated at about 127-128 million t, i.e. much higher than in 1981/82. The Community is expected to show a net surplus of all cereals, mainly as a result of continued imports of certain substitutes such as manioc, gluten feed and sweet potatoes.

Cereal imports, which consist mainly of maize and quality wheat, are unlikely to diminish significantly; the exportable surplus of all cereals will, however, be higher than in the preceding marketing year. The cereal most affected is common wheat and, assuming no change in stock levels, quantities available for exports are likely to total over 16 million t - against 14 million t - of which some 11.5 million t in the form of commercial exports as grain. Barley available for exports are expected to be around 6.5 million t, against almost 6 million t in 1981/82.

The outlook for the world market in 1982/83 is not favourable, the dollar exchange rate remains high and Soviet demand is uncertain. The world cereals crop is expected to reach a new record, and the oversupply of cereals in producer countries must be balanced against a very low international demand. As a result, prices appear very weak compared to previous years. In the Community, large surpluses are expected for both wheat and barley.

7. Economic aspects of the measures taken

(a) Levies and refunds:

(1) Import levies:

Import levies varied considerably, influenced by the great fluctuations in world prices during 1981/82:

- common wheat:

62 to 117 ECU/t, i.e. 37 to 90% of the cif price (net of tax)

- barley:

49 to 105 ECU/t, i.e. 31 to 85% of the cif price (net of tax)

- maize:

51 to 108 ECU/t, i.e. 33 to 90% of the cif price (net of tax).

(2) Export levies:

Export levies have not been applied in the cereals sector since the end of 1975.

(3) Export refunds (1981/82):

Export refunds for common wheat and barley were mainly fixed by standing invitations to tender from the open market.

Due to the troubled political situation in Poland during last year and in view of the need to control the quantities exported to East European countries, several invitations to tender were initiated last year for these destinations. It was also deemed necessary to continue with invitations to tender for South America because of the problems which are liable to arise from excessive deliveries of Community wheat to this area.

For wheat, one tender covered all destinations except Scandinavia and South America (4.3 million t sold), a second covered South America only (259 000 t sold,) and a third one destined for Poland (with a 15% reduction based on a Council Decision, with 160 000 t sold). The total quantity of wheat sold in tenders from the free market was 4.7 million t with an average refund of 58.84 ECU/t.

For barley, a tender was opened for all destinations except Scandinavia, Japan and South East Asia (1.9 million t sold, average refund 44.77 ECU/t), and a separate tender was opened for Poland in September-October (72 500 t sold at an average refund of 44.5 ECU/t).

As far as fixed refunds are concerned, licences were issued as usual at the beginning of the marketing year for West Africa. Licences were also issued for the major basic cereals (apart from maize, of which there is a Community deficit) for countries bordering on the Community (notably Switzerland, Austria, Liechtenstein and Scandinavia) which see the logistic advantage of importing from the Community rather than its competitors. Export refunds were also fixed in the normal way for wheat flour, rye flour and durum wheat semolina.

The tenders ran from July 1981 to the end of June 1982, with the following results:

- common wheat : 4.7 million t
- barley: 1.9 million t.

Refunds for malt continued to be fixed as in the previous year by a special system which involves a weekly calculation based on the import levy for barley, with an added precaution in order to avoid speculation.

The period of validity of normal export licences was two months from the end of the month of issue except where licences were issued under the refund tendering procedure, in which it was four months from the end of the month of issue.

(b) International agreements and food aid:

The commitment of the Community and Member States under the 1980 Convention is for the annual supply of 1 650 000 t instead of the 1 287 000 t under the previous Convention. Of this amount, 927 663 t (i.e. about 56%) was to be supplied by the Community as such and the remainder by the Member States, broken down by agreement among them. By 30 June 1982 the Community had put in hand 42% of the 1981/82 programme and executed 99% of the previous programmes.

The corresponding figures for Member States' aid were 26% for the 1981/82 programme and 98% for the previous programmes.

(c) Intervention:

The intervention agencies experienced an exceptional level of activity during the 1981/82 marketing year. The quantities accepted totalled 2.4 million t, which overburdened storage capacity and analysis

facilities in some Member States. Stocks therefore had to be transferred to regions under less pressure, and a very active export programme was implemented. About 3.3 million t of cereals sold during the marketing year, most of it for export. Stocks thus fell from 3.5 million t on 31 July 1981 to 2.6 million t on 31 July 1982.

Details of changes in intervention stocks during 1981/82 were as follows :

Intervention stock changes in 1981/82 (provisional estimates)

	(1 000 t)				
	Common wheat	Durum wheat	Rye	Barley	
Stocks on 31.7.81	2 529	186	292	477	
Purchases	1 244	511	87	590	
Sales	2 176	123	92	935	
Net change	- 932	388	- 5	- 345	
Stocks on 1.8.1982	1 597	574	287	132	

All the common wheat is bread-making wheat offered during the first three months of the marketing year under the special intervention measures in the form of buying-in at the reference price.

(d) End-of-season carryover payments:

Payments were made on private stocks of wheat in order to prevent recourse to special intervention measures for this product at the end of the marketing year. Carryover payments were also granted for maize stored in the surplus production regions and for rye stocks at mills. These carryover payments, which are designed to compensate for the price adjustment at the end of the marketing year, are now calculated on the basis of the differences in intervention prices, not target prices as had been the case hitherto. This innovation tends to increase the amount of the payments, by bringing them more into line with internal market reality.

(e) Uniformity of prices:

Monetary compensatory amounts: In common with other sectors, cereals suffer from some disunity caused by monetary differences.

Accession compensatory amounts: As of 1 August 1982, all accession compensatory amounts applied for Greece will cease.

(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 1982/83 marketing year are 18.61 ECU/t for maize starch, 26.64 ECU/t for wheat, 22.92 ECU/t for broken rice and 29.96 ECU/t for potato starch.

(g) Durum wheat aid:

This direct income aid to certain producers of durum wheat is aimed at those areas of the Community where producers are dependent on this cereal for a significant part of their income.

For 1982/83 the aid is fixed at 92.85 ECU/ha in Italy and France, and in Greece at 66.14 ECU/ha for the regions receiving national aid in 1980 and 23.21 ECU/ha for the regions precluded from national aid.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section on cereals was 1 921.4 million EUA in 1981; it is estimated at 2 036.2 million EUA for 1982 and 2 191 million EUA for 1983, i.e. 17.5%, 15.4% and 15.5% respectively of total Guarantee Section expenditure. The 1 921.4 million EUA for 1982 breaks down into 1 206.3 million EUA for export refunds and 715.1 million EUA for intervention measures.

2. RICE

1. Introduction

In the 1981/82 marketing year the area under rice in the Community of Ten represented about 0.21% of its total UAA and 0.14% of the total area under rice in the world.

Rice is still grown only in France, Italy and Greece. Some 89.5% of Community production comes from Italy; in 1981 the Community accounted for only 0.2% of world rice production (411 million t) (1).

Rice represents around 0.25% of final agricultural production.

2. Production

In 1981 the area sown with rice in the Community was 189 526 ha, a drop of 5.4% compared with the previous year. In France the area was only 5 313 ha compared with 6 568 ha in 1980, a drop of 19.1%. In Greece the area under rice dropped by 14.8% from 17 751 ha in 1980 to 15 123 ha in 1981. In Italy the area under rice in 1981 totalled 169 090 ha, a reduction of 4.0% compared with 1980.

In 1981 rice production in the Community of Ten, at 935 450 t, was 12.7% down on the 1 071 183 t produced in 1980 (1). This drop was due partly to the reduction in area and partly to a lower average yield of 49.4 q/ha in 1981, as against 53.4 q/ha in 1980 (1).

The 1981 production figure in France was 20 150 t (1), a drop of 15.5%, and in Italy 837 000 t, a drop of 13.5% (1). Production in Greece at 78 300 t was 1.7% lower than the 79 631 t produced in 1980.

3. Internal consumption

In 1980/81 Community consumption of rice amounted to 1 169 000 t, an increase of 16% compared with the previous marketing year (1 008 000 t). Industrial uses dropped by 5.2% (55 000 t against 58 000 t in 1979/80), but the amount of seed used rose by 13.8% (33 000 t against 29 000 t in 1979/80). The use of rice in feedingstuffs was well up (+ 242.9%), rising from 14 000 t in 1979/80 to 48 000 t.

Human consumption also increased, from 896 000 t to 1 021 000 t (+ 14%). The degree of self-sufficiency, which was fairly high in 1979/80 (98%), fell back to 73.5% owing to the drop in production in 1980/81.

(1) Quantities expressed in terms of paddy rice.

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

4. Trade

In 1980/81 imports from non-member countries, including the quantities imported under inward processing arrangements, amounted to 0.792 million t compared with 0.608 million t in 1979/80, an increase of 30.3%. The quantity imported under inward processing arrangements in 1981 may be put at roughly 130 000 t of milled rice equivalent.

This increase in imports is largely due to a poorer rice harvest in Italy.

Rice exports in 1980/81, including the quantities exported under inward processing arrangements amounted to 0.429 million t compared with 0.624 million t in 1979/80, a drop of 31.2%. This reduction in the volume of exports is due to the same reasons as the increase in imports.

The Community's share of world trade in 1979/80 was 6.5% of imports and 4% of exports. The main sources of whole rice remain the United States, Thailand, South America and Surinam and of broken rice South America, Burma and Thailand.

Exports were again concentrated on Italy's neighbours : Switzerland, Austria, Portugal and countries around the Mediterranean. There were also some special sales to more remote destinations.

Intra-Community trade rose by 4.4% from 608 000 t in 1979/80 to 635 000 t in 1980/81, approximately 50% of this being Italian rice exported to the other Member States. Italian exports to the rest of the EEC reached the record figure of some 247 400 t in the 1980/81 marketing year.

5. Prices

(a) Common prices

Prices for the 1982/83 marketing year have been fixed as follows :

- the intervention price for paddy rice has gone up by 12% compared with the previous year to 290.55 ECU/t;
- the target price for husked rice (round-grain and long-grain) has been set at 496.69 ECU/t, an increase of 10.3% on 1981/82;
- the threshold price for husked rice (long-grain and round-grain) is 490.50 ECU/t, an increase of 10.5% on 1981/82.

(b) Market prices

During the 1981/82 marketing year market prices in the main producing area (Vercelli) were often very high :

- . for round-grain rice, 29% above the intervention price;
- . long-grain rice, 37% above the intervention price.

In 1980/81 market prices for round-grain and long-grain rice were 30% and 35% respectively above the intervention price.

The end of the 1981/82 marketing year saw a marked reduction in prices, which at the beginning of September 1982 stood at :

- approximately 106% of the intervention price for round-grain rice;
- approximately 127% of the intervention price for long-grain rice.

(c) World prices

In 1981/82 world market prices were much lower than in the previous marketing year.

(d) Consumer prices

These are not available for alle Member States. The following were recorded :

	1980	1981	1982
. Germany	3,49 DM/kg	3,58 DM	+ 2,6
. Belgium	52,79 FB/kg	54,88 FB	+ 4,0
. France	5,83 FF/kg	6.50 FF	+ 11,5
. Italy	1.161 Lit/kg	1.237 Lit	+ 6,5
. Netherlands	4,92 HFL/kg	4,99 Fl	+ 1,4
. Greece	28,51 Dra/kg	45,31 Dra	+ 58,9

On the Thai market milled rice fell from 450 \$ (September 81) to 300 \$ (end of August 1982), and husked rice from 430 \$ (September 81) to 275 \$ (end of August 1982). The US market showed the same trend but at different price levels. The world market lacked transparency regarding round-grain rice prices because the majority of US exports were carried out under PL 480 and the output of the other countries producing round-grain rice went for internal consumption. However, it is clear that price trends were along the same lines as those mentioned above, with minor differences.

6. Short- and long-term outlook

For the fifth consecutive year the area sown with rice dropped in the Community of Ten as a whole and in each of the three producing countries (France, Greece, Italy). The reasons are partly economic, other crops being more attractive, and partly, particularly in France and Greece, structural and environmental. However, production is already beginning to recover again : the 1982 harvest will be bigger than that of 1981 owing to a slight increase in sowings (roughly 4%).

~~In Italy and Greece in particular, the price of maize seems to be making it a more attractive proposition than rice.~~

In the long-term some increase in areas sown with rice can be expected in France and Greece, but the situation is likely to remain fairly stable in Italy.

The types of rice produced will maintain their relative positions in the overall volume of production (about 25% for round-grain rice, 25% for middling-grain rice and 50% for long-grain rice).

Demand on the Community market is mainly for long-grain varieties. However, certain types of long-grain rice produced in the Community are exported to non-member countries and in their place other varieties of long-grain rice are imported which are better able to meet a certain type of demand. This practice will continue. Community trade is progressing satisfactorily.

The latest information available on exports of rice from Italy to the other Member States in 1981/82 indicates a figure of 280 500 t (milled rice).

On the Community market the high prices which characterized the 1980/81 marketing year persisted in 1981/82.

They eased, however, at the beginning of the 1982/83 marketing year. The level of world prices enabled the Community industry to buy more on the international market.

7. Economic aspects of the measures taken

(a) Levies and refunds

The drop in world market prices in 1981/82 resulted in a sharp increase in import levies compared with the previous marketing year.

For the last three marketing years levies have been as follows :

	<u>ECU/t</u>		
	: <u>1979/80</u>	: <u>1980/81</u>	: <u>1981/82</u>
Round-grain husked rice	: 92,81	: 30,66	: 133,39
Long-grain husked rice	: 128,22	: 30,89	: 138,64
Round-grain milled rice	: 198,45	: 59,93	: 193,65
Long-grain milled rice	: 285,46	: 169,57	: 313,30
Broken rice	: 41,94	: 8,04	: 36,40

Levies were high from January 1982 onwards because of the drop in world market prices, and remained high until the end of the marketing year.

A structural surplus brought about by the insufficient number of easy outlets for rice in the EEC meant special measures had to be taken regarding exports. These measures had two different aims, depending on whether they are applied to traditional exports of quality products to the problems of disposing of purely structural surpluses to non-member countries. The following measures were adopted to maintain traditional export flows to Switzerland, Austria and Liechtenstein.

For long-grain husked rice refunds of 12 ECU/t at the beginning, 80 ECU/t in the middle and 90 ECU/t at the end of the marketing year were fixed for the traditional exports to Austria, Liechtenstein and Switzerland. The corresponding refunds on milled rice were 15 ECU/t, 100 ECU/t and 112.50 ECU/t.

The disposal of the surplus proper was carried out under the tendering procedure so that the quantities to be exported and the expenditure incurred could be better supervised.

The highest amounts granted under these arrangements were of the order of 187-209 ECU/t for long-grain milled rice and round-grain rice. A refund of 145 ECU/t for Zone I was maintained so that it might still be possible to penetrate markets further afield than Switzerland, Austria and Liechtenstein. The amounts so exported were fairly small.

(b) Food aid

In 1981/82, 114 854 t of rice were exported as food aid, including 34 485 t as national aid and 80 369 as Community aid.

(c) Quantities offered for intervention

There has been no intervention for rice since 1972/73.

(d) Monetary compensatory amounts

No monetary compensatory amounts have so far been set for rice.

8. Budgetary expenditure

Expenditure by the EAGGF Guarantee Section for rice amounted to 21.7 million EUA in 1981; the provisional figure for 1982 is 65 million EUA and the estimate for 1983 is 64 million EUA, i.e. 0.2% of the Guarantee Section's total expenditure. The total of 64 million EUA breaks down into 51 million EUA for refunds and 13 Million for intervention.

3. SUGAR AND ISOGLUCOSE

Introduction

The 1981/82 marketing year was the first one governed by the new basic Regulation (EEC) No 1785/81 (1) in the sugar sector. This provides in particular for a system of quotas and arrangements whereby the producers themselves bear the full cost of the disposal of surpluses resulting from the difference between Community production and consumption.

The introduction of the new system coincided with a situation of record sugar production (15 million t white sugar equivalent), large surpluses for export and very low world prices, especially towards the end of the marketing year (July-August 1982).

1. Sugar and Community agriculture

In 1982 the area under beet for sugar production decreased by some 9% on the previous marketing year, mainly because in the winter of 1981/82, when growers were deciding on the crop rotation for their land, world sugar prices were already very low and in some countries large quantities had been carried over and would be posing problems in the new marketing year.

The area under sugarbeet in the Community in the Community accounts for about 2% of its total UAA.

The figures provided by the 1975 Structure Survey showed the total number of holdings growing sugarbeet to be declining in all Member States. This is confirmed by the latest survey, for 1977 (about 370 000 units). It would appear that at present the number is still declining but that the rate of decrease has slowed.

The average area of sugar beet per grower varies between Member States, ranging from about one hectare in Greece to almost 1 ha in France.

Generally speaking the large acreages are to be found in France and the United Kingdom, medium-sized ones in Germany, the Benelux countries, Denmark and Ireland, and the small ones in Italy and Greece.

On the whole, the far-reaching structural changes in sugarbeet-growing over the last ten years signify an improvement in production conditions and indicate that the current system of production quotas has not hampered the necessary restructuring process.

(1) OJ No L 177, 1.7.1981, p. 4.

2. Restructuring of the processing industry

In 1972/73 there were a total of 128 sugar manufacturers in the ten present Member States, with a particular concentration in France, Germany and Italy. In the same year there were 250 beet processing factories.

The latest figures available for 1981/82 show a marked change in the structure of the sector.

The number of sugar manufacturers has dropped to 100 (-22%) and the number of processing plants in operation to 206, a decrease of 18%.

This development has been accompanied by improvements in the equipment of the factories remaining in operation and the daily throughput of the Community as a whole rose from 879 000 t of beet in 1972/73 to 1 160 000 t in 1981/82, an increase of about 32%.

3. Production

Sugar production in the 1981/82 marketing year reached a record of 15 028 000 t (white sugar equivalent), 22.6% more than in 1980/81, which was itself regarded as a good year.

One of the factors contributing to the good results was the fine weather in autumn 1981, which increased the sugar content of the beet.

Of this total for 1981/82, about 9.4 million t was A sugar, with B sugar totalling about 2.1 million t, while production of C sugar, amounting to about 3.5 million t, was the highest since the common organization of the market in sugar was introduced.

In view of the large quantity of C sugar and the unpromising outlook for all exporting countries on the world market for 1981/82, the Commission and the Community sugar producers (manufacturers and growers) concluded that joint action was required to help to improve world prices. Consequently, the producers carried over 991 000 t of C sugar to the next marketing year and the Commission decided to increase the stocks of quota sugar at the end of the 1981/82 marketing year to the 1979/80 level (increase of 700 000 t).

4. Consumption

Human consumption

In 1981/82 human consumption of sugar was slightly down on the previous year, per capita consumption in the Community amounting to 34.4 kg of sugar, compared with 34.9 kg in 1980/81. Production and consumption of isoglucose remained virtually unchanged.

Production/consumption of isoglucose in the Community

('000 t dry matter)					
<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>
82.6	102.8	139.1	164.1	179.7	182.6

Non-food sector and degree of self-sufficiency

In 1981/82, 7 000 t of white sugar were fed to bees. About 100 000 t were used by the chemical industry, compared with 90 000 t the previous year. The production refund was 3.45 ECU per 100 kg of white sugar used up to 31 July 1982 and 3.72 ECU after that date.

As a result of the increase in production the Community's degree of self-sufficiency rose sharply in 1981/82 to 159%. This surplus was further increased by imports of preferential sugar from the ACP countries, amounting to 1 335 million t of white sugar equivalent.

5. Trade

Between Member States

Two-thirds of intra-Community trade in sugar in the natural state is between the United Kingdom, Italy or Germany and the other Member States.

The main outlets for sugar in the form of processed products are the Federal Republic of Germany and France, which import from the other Member States.

In 1981/82 the total volume of intra-Community trade decreased further as the result of the increase in production in all the Member States.

With non-member countries

As usual, most of the preferential sugar imported in 1981/82 went to the United Kingdom; some was also imported by France and Ireland.

In 1981/82 contracts were awarded by tender for most of the sugar exported on Community responsibility. Awards were thus made for 2 507 000 t of sugar (white sugar equivalent). In addition, 127 000 t were committed under the "periodic" system and 6 000 t as food aid. Including exports of C sugar, the total volume of exports of sugar in the natural state in 1981/82 totalled 5.27 million t of white sugar equivalent.

6. Community prices

1981/82

Following the agreement reached by the Council at its meeting on 30 and 31 March 1981, agricultural prices were fixed on schedule for the first time since 1974 and were applied to sugar with effect from 1 July 1981.

The increase in common agricultural prices averaged 11% for the Community as a whole.

The increase in the sugar sector was smaller: the intervention price for white sugar was increased by 8.5%, while that for raw sugar was raised by only 7.5%. On the other hand, largely on the basis of an annual interest rate of 13.1%, storage costs were raised by 26%.

1982/83

The average increase in agricultural prices in ECU for the Community as a whole was 10.4%.

In the sugar sector the increase in the intervention price for white sugar was less (+9.5%) than for raw sugar (+10.5%).

This made up for the 1% difference in the previous marketing year (see "1981/82" above).

The rates of increase in the intervention prices for white sugar and raw sugar are thus the same overall for the two marketing years.

Under the system of compensation for storage costs the reimbursement calculated on the basis of an annual interest rate of 13% (almost the same as that applied in 1981/82) was raised by 8.6%.

Prices on the internal market

In 1981/82 ex-refinery market prices net of tax charged by the sugar industry were higher than the intervention price until June 1982, and then moved closer to the intervention price for the new marketing year in most of the Member States. In Italy and Ireland prices continued to exceed the intervention price by a larger amount.

7. Prices on the world market

In 1981/82 there was a complete reversal of the situation on the world market in sugar. Instead of a shortfall in production (-4.7 million t of raw sugar in 1979/80 and -0.5 million t in 1980/81) there was a surplus of over 8 million t in 1981/82, while the surplus for 1982/83 is estimated at a further 5 million t.

This situation is mainly due to excellent sugar harvests in India, the Community and Thailand and good crops in many other producer countries (South Africa, Cuba, etc).

World consumption has remained more or less unchanged, at about 90-91 million t, while world stocks at the end of 1982 were equivalent to 35.3% of one year's consumption, thus returning to the high level experienced in 1978/79.

With a foreseeable world surplus at the end of 1982/83 of about 13 million t, the pressure of this quantity on the world market began to depress prices in 1981/82.

Additional factors are the recent decisions (May 1982) by the United States to reintroduce import quotas and the ISA (International Sugar Agreement) decision to maintain BETs (basic export tonnages) for 1983 and 1984 at the high 1982 levels.

World sugar prices, which had been supported in 1980/81 by massive USSR purchases, stood at 12.75 cents/lb in New York at the beginning of October 1981, falling by April 1982 to under 9 cents/lb and then to less than 7 cents/lb in August and 5.50 cents/lb in September 1982.

In 1981/82 the annual average price of white sugar on the Paris exchange was 30.82 ECU/100 kg for short-term deliveries, 40% down on the average price for the previous year.

8. Outlook for 1982/83

Given the decrease in the area under sugarbeet, which in 1982 totalled about 1.84 million ha in the Community, and in view of the good weather, production in 1982/83 is currently estimated at about 13.6 million t of white sugar. Total Community consumption for this marketing year can be estimated at about 9.6 million t; if imports of preferential sugar, the customary trade with non-member countries in the form of processed products and the quantities carried over to 1982/83 are taken into account, the total quantity of sugar available for export in the natural state will probably be 6.2 million t, including 3.2 million t of C sugar.

In view of the size of this Community surplus (6.2 million t), which far exceeds the record Community exports of 5.27 million t in 1981/82, and the poor prospects for the world market and world prices for the rest of 1982 and 1983, Community producers are again going to have to carry over large quantities of sugar to the 1983/84 marketing year.

9. Economic aspects of the measures taken

Levies and refunds

In view of the trend in world prices, which throughout the marketing year were below Community prices, all exports of sugar covered by the quota qualified for export refunds.

The average refund at the f.o.b. stage for the 1981/82 marketing year was 25.61 ECU per 100 kg of white sugar and 24.14 ECU per 100 kg of raw sugar.

Import levies for 1981/82 averaged 26.87 ECU per 100 kg of white sugar and 21.66 ECU per 100 kg of raw sugar.

Intervention and food aid

In 1981/82 no sugar was offered to the intervention agencies. During the year the customary shipments of food aid included 6 086 t of white sugar.

10. Budgetary expenditure

In recent years expenditure in the sugar sector has fluctuated considerably on account of changes in world prices and in Community stocks.

Expenditure by the EAGGF Guarantee Section was 575 million ECU in 1980 and 768 million ECU in 1981 and is estimated at 1 255 million ECU in 1982.

From the 1981/82 marketing year the cost of disposing of surpluses of sugar produced in the Community has had to be borne entirely by the producers themselves.

This expenditure is covered by revenue from the production levies payable on A and B sugar and isoglucose. Another levy to compensate for storage costs is charged on all sugar produced and disposed of within the quotas. The latter levy has each year yielded enough to cover reimbursements of storage costs for the relevant years taken as a whole.

After deduction of the revenue from the two levies in the sugar sector, net Community expenditure totalled 108 million ECU in 1980, 304 million ECU in 1981 and about 469 million ECU in 1982. However, this is essentially expenditure resulting from the obligation to export a quantity of Community sugar corresponding to the 1.3 million t of preferential sugar imported from the ACP countries.

4. OLIVE OIL

1. Introduction

Establishing Community olive oil statistics for the most recent marketing years presents the same difficulties as previously. The information available gives the following picture.

Of the oil produced in the Community, 0.2% comes from France, 30% from Greece and 70% from Italy. In 1980 the value of olive oil production as a proportion of the value of agricultural production in each country was 11% in Greece and 5.8% in Italy, and olive oil production overall represented 1.4% of the value of final agricultural production in the Community.

Until 1975 approximately 70% of the Community's requirements were met by Community production, but over the last six years this percentage has been steadily increasing and with the accession of Greece the Community has become virtually self-sufficient, quantitatively, if not qualitatively.

According to available information, 2.7 million ha are planted with olive trees in the Community (2.2 million ha in Italy and 0.5 million ha in Greece). This accounts for roughly 27% of the total world area under olives and 2.5% of Community UAA. These areas remain more or less the same. According to certain estimates, the total number of cultivated and wild olive trees is about 307 million (185 million in Italy, 117 million in Greece and 5 million in France).

In a normal year, Community production of olive oil is 47% of world production but since olive trees bear fruit in alternate years only, production can vary sharply from one year to another.

2. Production

Since 1978/79 aid to growers belonging to a producers' organization has been based on the actual quantity of oil produced. Other growers receive aid at a fixed rate according to the number and production potential of the trees they cultivate.

There are at present four producers' organizations in Italy, four in France and 90 in Greece. In France all growers belong to an organization, in Italy roughly 95% and in Greece 70%.

On the basis of application for aid, production in the 1980/81 marketing year was 720 000 t in Italy, 338 000 t in Greece and 1 800 t in France, but the Italian applications for 1980/81 are now being reexamined by the Italian authorities, as were the applications for 1979/80. The quantities covered by aid applications for 1981/82 were not yet known when this report was drawn up.

3. Consumption and marketing

A system of consumption aid was introduced in the Community on 1 April 1979. The aid in question is granted for oil put up in packaging of a maximum capacity by approved packaging establishments and is subject to the oil being marketed at a price which takes account of the consumption aid. Only four countries, however, operate packaging establishments approved for the purposes of the scheme (Italy, France, United Kingdom and Greece). The scheme has been in operation in Greece since 1 November 1981.

The following statistical picture emerges after four years of operating the scheme:

- for 1978/79 (1 April to 31 October 1979) aid applications were made in respect of 124 340 t (98% of them in Italy);
- for 1979/80 applications were made in respect of 193 267 t, almost all of them in Italy;
- for 1980/81 applications were made in respect of 234 000 t, 98% of them in Italy);
- for 1981/82 the figures available for the first seven months of the year show that applications have been made in respect of 280 000 t.

The increase in the quantities eligible for consumption does not necessarily imply a rise in consumption. It can be explained partly by the heavier consumption of Community oil at the expense of oil imported from non-member countries which does not qualify for the aid. The increase expected for the 1981/82 marketing year is due partly to the inclusion of Greece in the scheme.

Regarding the impact of the aid on the retail price, four years of operation of the scheme show that it has been effective and that retail prices for olive oil have increased much less than wholesale prices.

4. Trade

Traditionally the Community has been the world's largest bulk importer of olive oil. Since the accession of Greece, however, and in view of the quantity of oil available in that country imports from non-member countries have fallen from 125 570 t (average for the five marketing years preceding enlargement) to 108 000 for 1980/81 and 43 000 t for 1981/82 (the latter figure being based on import licenses issued up to 15 September 1982). The main importing Member States remain Italy followed by France.

Since the accession of Greece exports from the Community to non-member countries have exceeded the quantities traditionally exported. Compared with the five marketing years prior to enlargement during which total exports were 16 890 t, exports in 1980/81 were 28 000 t and should be more than 40 000 in 1981/82 (export licenses issued up to 15 September 1982 covered 41 200 t).

Of the quantities exported during the 1981/82 marketing year, no less than 30 700 t came from intervention, of which 10 270 t were from Italy and 20 430 t from Greece.

5. Prices

a) Common prices

The new organization of the market in olive oil came into force on 1 January 1979. For the 1981/82 marketing year the mechanism established was as follows:

	<u>ECU/100 kg</u>
Producer target price	272.8
Production aid	60.0
Intervention price	196.3
Market representative price	145.0
Threshold price	144.09

The consumption aid is equal to the difference between the producer target price the production aid on the one hand and the market representative price on the other. For the 1981/82 marketing year it was 67.77 ECU/100 kg.

For 1982/83 the prices fixed by the Council are as follows:

	<u>ECU/100 kg</u>
Producer target price	302.77
Production aid	66.60
Intervention price	217.93
Market representative price	159.50
Threshold price	155.88

b) Market prices and intervention purchases

In 1980/81 and 1981/82 prices in Italy, especially for edible virgin oil, were frequently above the intervention price. In the same marketing years prices in Greece were generally below the intervention price. This resulted in very large quantities being taken into intervention.

The total quantities brought into intervention in 1980/81 (before the scheme applied to Greece) were 63 520 t of olive oil, as follows:

- 56 290 t of edible virgin oil
- 590 t of lampante virgin oil
- 6 640 t of olive-residue oil.

For the 1981/82 marketing year the quantities brought into intervention are considerably greater owing to the accession of Greece. By 31 August 1982 there were 100 070 t of which 36 920 t were brought in in Italy and 63 150 t in Greece.

Sales from intervention are not uniform for all quantities of oil. Some sell much more readily than others. This is particularly so in Greece for edible oils. Quantities of this quality brought into intervention in 1981/82 represented almost 70% of Community purchases, that is 42 925 out of 63 150 t. Of this the Greek intervention agency has been able to dispose of only 14 050 t.

c) Olive oil held by the Italian and Greek intervention agencies

After purchases and sales in Italy and Greece approximately 176 700 t of olive oil were in storage on 31 August 1982 (60 800 t in Italy and 115 900 t in Greece).

6. Economic aspects of the measures taken

a) Import levies

Since June 1976 the levy has been fixed by tender, account being taken not only of the world market but also of the Community market and of levy offers made by operators. No particular difficulties arose in connection with the fixing of levies in 1981/82.

b) Refunds

During the 1981/82 marketing year a refund was granted on exports of olive oil put up in packaging of less than 5 kg. The level of the refund, which fluctuated between 8 and 25 EC/100 kg, enabled 15 400 t to be exported by mid-September 1982, compared with 10 400 t by the same date last year.

7. Budgetary expenditure

Expenditure in the olive oil sector consists of intervention purchasing, aid paid to olive oil producers, consumption aid paid to packaging plants and export refunds.

EAGGF guarantee spending on olive oil was 439.8 million ECU in 1981. For 1982 the appropriations for olive oil, on the basis of the 1982 budget adopted, are 684 million ECU.

For 1983, expenditure is estimated, on the basis of the draft budget for 1983, at 742 million ECU. Two main factors explain the size of the figures for these last two marketing years compared with expenditure in previous years: a catching-up operation in respect of production aid payments in Italy and the accession of Greece, which is a major producer. The figures for 1982 and 1983 can be explained by a further factor, the increase in the rates of aid.

Expenditure on olive oil accounted for 4% of total Guarantee Section expenditure in 1981 and 5% in 1982. For 1983 the estimate is 5.3%.

5. OILSEEDS AND PROTEIN SEEDS

I. Colza, rape and sunflower seeds

1. Introduction

In 1981, the share of oilseeds in the value of final agricultural production was 0.7% and these crops accounted for 1.3% of the Community's UAA. World production of colza rose from 11.4 million t in the previous year to 12.5 million t in 1981; Community production remained largely the same in 1981 as in 1980, at 2.0 million t, and the Community's share of world production therefore dropped from 18% to 16%.

World production of sunflower seed rose from 13.1 million t in 1980 to 14.3 million t in 1981, a figure lower, however, than the 15.4 million t recorded in 1979. Community production of sunflower seed was 503 000 t in 1981, representing 3.5% of world production.

The Community's own oilseed production meets only a very small part of its oil and oilcake needs. The degree of self-sufficiency in 1981 was approximately 20% for oil, excluding olive oil, and 8% for oilcake.

2. Production

In 1981, the Community area under colza was 881 000 ha compared with 731 000 ha in 1980. Area increased in all the major producing countries, by 18% in France, 12% in Germany, 36% in the United Kingdom and 26% in Denmark (see Table M.5.1). However, because of a drop in yield, total production in 1981 was limited to 1 998 000 t, i.e. almost the same as in 1980 (1 995 000 t).

In the Community of 10, the area under sunflower seed rose by 53% from 138 000 ha in 1980 to 210 000 ha in 1981. Yields were higher than in 1980, and production consequently rose from 307 000 t in 1980 to 503 000 t in 1981 (+64%). The vast majority was in France, with 413 000 t in 1981.

3. Consumption

The demand for colza, rape and sunflower seed depends on the demand for colza and sunflower oils and oilcake; the latter is in turn determined by the overall demand for oil 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 oilseeds will be dealt with separately.

(i) Oil

Consumption of colza oil in 1981/82 dropped by 8%, reflecting the reduced level of imported rape seed and the broad maintenance of the export trade. Community production was largely the same because the size of the harvest was similar in 1981 and in 1980.

Sunflower oil consumption increased by 2% in 1981/82 compared to 1980/81, to 550 000 t. This reflects largely the increase in EEC sunflower production, which compensated for a decline in seed imports.

(ii) Oilcake

Consumption of rapeseed cake fell slightly in 1981/82 in comparison to 1980/81, from 1 369 million t to 1 338 million t. This partly reflects the reduction in rapeseed imports, since the Community tends to crush the major part of its requirements in the EEC and exports very little. The level of rapeseed cake imports declined because of competition from alternative oilcake. The Community production of rapeseed in 1981/82 was ultimately the same as in 1980, at 1.2 million t.

Sunflower seed meal consumption declined in 1981/82 compared to 1980/81 from 1 322 million t to 1 189 million t. This reflects, on the one hand, an increase in the EEC level from 1 392 million t to 1 443 million t, but a reduction in imports, largely as a result of competition from imported soya meal.

(iii) Oilseeds

Following the maintenance for a further year of the system of adjustment of the world market price for colza and rapeseed originally adopted by the Council on 11 November 1980 by Regulation (EEC) No 2917/80 amending Regulation No 115/67/EEC, no difficulty was experienced in marketing the 1981 rapeseed crop.

Since the Community is considerably deficient in sunflower seed, no difficulty was experienced in marketing even the larger 1981 crop.

4. Trade

Imports of colza seed fell from 319 000 t in 1980/81 to 141 000 t (56%) in 1981/82, reflecting a poor crop in the main supplier country, Canada, coupled with lower internal EEC demand for oilseed products.

Imports of sunflower seed also declined, though not so spectacularly, from 1 087 000 t in 1980/81 to 942 000 t in 1981/82. This reflects weak demand in the Community, coupled with the increase in the EEC's internal sunflower seed production.

Exports of colza and sunflower seed remain at a relatively low level, (12 000 t of colza seed and 2 000 t of sunflower seed in 1981/82).

Trade in colza within the Community consists mainly of French and Danish exports to Germany. Sunflower seed is traded largely between France and Germany.

5. Prices

(a) Common prices

For the 1981/82 marketing year, the target price for colza seed was 42.56 ECU/100 kg and for sunflower seed 47.75 ECU/100 kg. For colza an increase of 9% was decided on for 1982/83. In view of the Community's wish to encourage the cultivation of sunflower seed, a rise of 14% was adopted. The target price for colza seed was therefore fixed for 1982/83 at 46.39 ECU/100 kg and for sunflower seed at 54.44 ECU/100 kg.

In 1982/83, for the first time, a single intervention price was applied for all intervention centres in the Community.

Furthermore, on 15 July 1980, the Commission adopted Regulation (FEC) No 1983/81 which provided for a special bonus in addition to the intervention price for '00' types of colza. This measure was designed to support the production of these varieties in the Community, and was maintained for the 1982/83 marketing year.

6. Market prices

(1) World markets

During 1981/82 world market prices generally fell following an improvement in soya production compared to 1980/81. For 1982/83, world oilseed production is expected to be at a record level, and prices are expected to decline below 1981/82 levels.

(2) Community markets

Prices obtained by Community producers were generally between the intervention price and the target price. The sunflower crop is normally sold at prices well in excess of the intervention price and even close to the target price.

6. Outlook

The Community colza crop for the present marketing year (1982/83) is estimated at between 2.5 and 2.7 million t, up 25-35% on last year. This reflects increases in planted area, particularly in the United Kingdom and Germany, coupled with favourable weather. As regards selling the crop, the marketing is well advanced, and trade sources expect little problem is disposing of the remainder.

The Community sunflower seed crop for 1982/83 is estimated at 625 - 635 000 t compared to 507 000 t in 1981/82. This reflects a substantial production increase in France, relative stability in Italy and a small output in Greece.

7. Economic aspects of the measures taken

(a) Aid and refunds

Current aid for colza seed in the 1981/82 marketing year fluctuated between 14 118 ECU/100 kg and 23 661 ECU/100 kg with an average of about 21.5 ECU/100 kg. The export refund during the same period varied between 12 and 20 ECU/100 kg.

For sunflower seed aid varied between 17 321 and 22 378 ECU/100 kg, averaging around 20.6 ECU/100 kg. No export refunds were fixed for this product because of the Community deficiency situation.

(b) Intervention

During the 1981/82 marketing year, 26 165 t of colza seed were offered for intervention. This amount was sold during the same marketing year.

(c) Change in aid rules

In November 1980, in order to assist the marketing of the 1980/81 crop, the Council adopted a system for adjusting the world market price to alter, under certain conditions, the amount of aid for colza seed. This measure was continued for the 1981/82 harvest, but was not maintained for the 1982/83 crop year.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure on colza and sunflower seed amounted to 571.5 million ECU in 1981. The appropriations for 1982 are 487 million ECU. The appropriations allocated in the 1983 draft budget are 674 million ECU.

II. Soya beans

From 1974 to 1978 the area under soya, almost all of it in France, was about 4 000 ha. In 1979 it rose to 17 000 ha, with production reaching 25 000 t. Since then production has declined, with a level of 15 000 t in 1980 and 16 000 t in 1981. The reason for the decline seems to lie in poor yields and high production costs. However, in Italy the area sown for 1982 shows signs of increase.

The soya crop accounts for only a very small proportion of Community UAA or world production (88 million t of soya in 1981/82) and of Community consumption (18 million t of seed equivalent in 1981/82).

The guide price for the 1982/83 marketing year was set at 52.74 ECU/100 kg, a 14% increase compared with the 46.26 ECU/100 kg for 1981/82.

In 1982 the Council adopted Regulation (EEC) No 1984/82 amending Regulation (EEC) No 1619/79 laying down special measures for soya beans. This Regulation altered the beginning and ending dates of the marketing year for soya, advancing both by one month, and extended the application of the soya regulations to the French overseas departments.

III. FLAX SEED

Two types of flax are cultivated in the Community: fibre flax which is grown mainly for the production of fibres but which also produces seed, and seed flax cultivated solely for seed.

Given that in an average year 65 000 ha produce about 65 000 t of seed, the cultivation of flax (1) accounts for only a very low proportion of the Community UAA and the world production of flax seed (5.0 million ha with 2.4 million t in 1981 according to the FAO).

This crop makes only a modest contribution to meeting the Community's large requirements, since imports in 1981 amounted to 302 000 t of flax seed (294 000 t of which came from Canada), 11 000 t of oil (6 000 t from Argentina) and 525 000 t of oilcake (345 000 t from Argentina and 115 000 t from the United States).

Despite this deficit the cultivation of seed flax is not expanding within the Community. In fact there are difficulties in maintaining even existing areas because returns are inadequate (yields, although double the world average, are relatively low) and insufficiently guaranteed compared with those from competing rotating crops, namely cereals and other oilseeds. In 1981 only 4 294 ha (5 200 t) were sown compared with 4 955 ha in 1980.

France, Italy and the United Kingdom are practically the only Member States which produce flax seed. Since the production of seed from fibre flax is estimated at 42 200 t, Community production of flax seed was 47 400 t in 1981 compared with 64 000 t in 1980.

For the 1981/82 marketing year, the guide price was fixed at 46.40 ECU/100 kg compared with 42.18 ECU/100 kg for 1980/81 (+ 10%). Aid was 14.866 ECU/100 kg compared with 14.010 ECU/100 kg for 1980/81.

EAGGF Guarantee Section expenditure for seed flax is included in the figure for fibre flax (1).

(1) See also under 7: Fibre flax and hemp

IV. CASTOR SEED

The share of castor seed in the value of final agricultural production and UAA in the Community, as well as in world production, is tiny.

According to the FAO, world production of castor seed in 1981 was 883 000 t from 1.5 million ha. Brazil (303 000 t), India (240 000 t) and China (120 000 t) together accounted for 75% of this production.

In the Community this crop is still at an experimental stage (only about 10 ha in 1981 and 1982) since some problems have proved more difficult to solve than expected. Yields are very satisfactory but the varieties cultivated are too late and the development of harvesting equipment is progressing too slowly. In 1981 imports amounted to 39 000 t of seed, principally from Pakistan, China, Paraguay and the Philippines, and 67 000 t of oil from Brazil, China and India.

The aid system set up in 1978/79 for a minimum of five marketing years involves the fixing of a guide price, which is 59.81 ECU/100 kg for 1981/82 compared with 54.34 ECU/100 kg for 1980/81 (+ 10%), and the granting of aid equal to the difference between that price and the world market price provided that the producer has received at least the minimum price, which was fixed at 56.96 ECU/100 kg compared with 51.78 ECU/100 kg for 1980/81.

For 1981/82 the average aid was 21.304 ECU/100 kg compared with 20.965 ECU/100 kg for 1980/81.

An additional aid measure (launching aid) of 12.90 ECU/100 kg was introduced for the five marketing years for which the system applies.

6. DRIED FODDER; PEAS AND FIELD BEANS

a. Dried fodder

1. Introduction

The common organization of the market in dried fodder covers the following products: dehydrated fodder, the main sun-dried legumes, protein concentrates obtained from lucerne and grass juice and by-products obtained in the manufacture of protein concentrates. By a Regulation of 18 May 1982 the Council decided that the common organization of the market would continue to apply to dehydrated potatoes for the 1982/83 marketing year.

The common organization of the market in dried fodder (see below under 6) has been operating since 1 April 1978. It replaces and strengthens the common organization of the market which had operated in respect of dehydrated fodder alone since 1 May 1974.

2. Production

Production of dehydrated fodder, other than dehydrated potatoes, in the Community in 1981 was 1 462 000 t, 9.1% down on 1980. Bad weather and factory closures in some Member States (Denmark, United Kingdom, France, Netherlands) were responsible for the fall in production.

In 1981 France was once again the main producer with 840 000t, more than half (57%) of Community production.

Dehydrated potatoes are much less important than conventional dehydrated fodders (mainly lucerne and grass).. In 1981/82 Community production of those potatoes was 35 695 t, 36% down on the previous year (55 586 t). The main producer in the Community is Germany, with around 29 000 t.

For sun-dried fodder, the common organization of the market has been in operation since 1 July 1978. Community production eligible for aid is estimated at 110 000 t in 1981/82 (78 000 t in France and 32 000 t in Italy). This is about 15% up on 1980/81.

3. Quantities available

Dehydrated fodder available in 1981/82 totalled 1 607 866 t, appreciably down on 1980/81 (2 043 437 t). The drop both in Community production (about 150 000 t) and imports (about 250 000 t) was responsible for this fall in available fodder.

4. Trade

Mainly as a result of the steep rise in production in certain non-member countries, the Community imported less lucerne meal than in previous years. Imports which were 385 000 t in 1979 and 444 000 t in 1980 fell to 184 000 t in 1981.

Detailed import figures for 1981 are not yet available, but it may be assumed that in 1981, as in earlier years, the United States and Hungary remained the largest exporters of dehydrated fodder to the Community. Imports from non-member countries went mainly to Germany (100 370 t) and Italy (47 518 t).

Community exports of dehydrated fodder to non-member countries have never been on a large scale. In 1981, they amounted to 38 063 t compared with 10 049 t in 1980.

5. Prices

On 1 April 1981, which was the beginning of the 1981/82 marketing year, the world market price of dehydrated fodder was 134 ECU/t. Since then prices have risen reaching maximum levels in July 1981 (144 ECU/t) and February 1982 (148 ECU/t). However, following the general fall in the prices of protein products mainly, the prices of dried fodder fell to 136 ECU/t in October 1982.

6. Economic aspects of the measures taken

For 1982/83 the Council fixed the guide price for dried fodder at 168.81 ECU/t and the flat-rate aid at 8.01 ECU/t, i.e. at levels higher in both cases by 14% than in 1981/82.

For Greece, in view of the criteria laid down in the Act of Accession, the guide price for dried fodder was set at 162.70 ECU/t. At the same time the Council increased the percentages to be applied to the difference between the guide price and the world market price, for the purpose of calculating the additional aid, from 80% to 100% for dehydrated fodder and protein concentrates and from 45% to 50% for sun-dried fodder.

7. Outlook

Community production of dried fodder, which has remained fairly stable in recent years, fell in 1981/82.

Drying costs account for a considerable part of the production cost of dehydrated fodders, which are thus particularly sensitive to any increase in energy prices. Recent and foreseeable increases in the price of fuel oil are a cause of concern for the sector's future. In some Member States, however, a lot of research has been carried out recently into ways of reducing fuel consumption by dryers and some results have already been achieved. Over the next few years Community production of dehydrated fodder seems likely to drop further.

8. Budgetary expenditure

EAGGF guarantee spending on dried fodder was 34.1 million ECU in 1981. The appropriations set aside for 1981 in the budget total 48 million ECU. The appropriations set aside in the draft 1983 budget total 29 million ECU. These amounts correspond respectively to 0.3%, 0.3% and 0.2% of the EAGGF Guarantee budget.

b. Peas and beans used in animal feed

Since the Community's demand for feed protein greatly exceeds production, the Council adopted, on 22 May 1978, special measures designed to expand the utilization of peas and beans in animal feed.

In 1982, in the course of extending Community aid to peas and field beans for human consumption, the system of aid was modified for peas and beans for animal feed. The modifications involve :

- the requirement to present a certificate issued by the Member State attesting that the producer has obtained the minimum price to obtain the aid;
- the suppression of the pre-harvest area declaration by the producer;
- the extension of aid to producer groups processing the produce of their members;
- the extension of aid to further categories of animal feedstuffs;
- the implementation of checks on the destination of peas and beans for animal feed imported from third countries.

In 1981/82 aid for the processing of peas and field beans was paid in respect of 246 000 t of peas and 106 000 t of field beans. This represents a 7% increase in the case of peas and a 4% increase in the case of beans compared to 1980/81 (230 000 t and 102 000 t). This reflects increases in utilization in the United Kingdom and France, but a decline in Belgium.

For the 1981/82 marketing year, the activating price for aid to peas and field beans was fixed at 41.83 ECU/100 kg of soya cake, while the minimum purchase price was set at 24.47 ECU/100 kg. The aid varied between 7.971 and 9.224 ECU/100 kg.

For the 1982/83 marketing year, the activating price was fixed at 47.60 ECU/100 kg and the minimum price at 27.41 ECU/100 kg; these prices represent increases of 13.8% and 12% respectively as compared to 1981/82.

Expenditure on this sector by the EAGGF Guarantee Section in 1981 totalled 31.3 million ECU. The appropriations for 1982 are 46 million ECU. The appropriations set for the draft 1983 budget amount to 48 million ECU.

c. Peas and beans for human consumption

On 18 May 1982, by Regulation (EEC) No 1432/82, the Council adopted a new system of special measures for peas and beans, extending the aid system to peas and field beans used for human consumption. The new system entered into force on 1 August 1982.

The aid for peas and field beans destined for human consumption is granted on a different basis to that applicable for peas and field beans for animal feed. In the case of human consumption, aid is granted for an amount equal to the difference between the guide price and the world market price registered at the frontier of the Community for peas and beans of varieties capable of competing with Community production.

EEC production of peas and field beans of the type suitable for Community aid is estimated at 200 000 t in 1982/83, of which only a part should qualify for aid.

7. COTTON, FIBRE FLAX AND HEMP

A. Cotton

1. Introduction

Although cotton is not included in Annex II to the Treaty, Protocol No 4 on cotton which is part of the Treaty of Accession of Greece recognizes the specifically agricultural character of this production.

At Community level cotton is of limited importance both with regard to the areas planted (125 000 - 145 000 ha in recent years, or 1.5% of the UAA) and with regard to the number of producers (50 000). Nevertheless, for Greece, which is effectively the only producer Member State, cotton is of very great economic and social importance. The yield of unginned cotton and fibres is very high in Greece (in 1981/82, 1 046 kg/ha compared to a world average of 446 kg and 613 kg in the United States) and the fibres produced are of excellent quality. At present about 75% of the harvest is mechanized but the small size of the cotton fields (2.8 ha on average) does not facilitate the use of machinery.

The Community share of world cotton production is only 1%.

2. Production

Under the Greek national aid system it has not been possible to maintain the area under cotton. It sank from 183 000 ha in 1977 to 168 000 ha in 1978, 142 000 ha in 1979 and 141 000 ha in 1980. In 1981, first year of application of the Community aid system, the area under cotton was 126 000 ha. Estimates for 1982 give 137 000 ha. The area under cotton in Italy is about 1 500 ha. Community production in 1981 was 351 000 t of unginned cotton and 121 000 t of cotton fibres compared to 358 000 and 118 000 t in 1980. Production of cotton seed was 192 000 t in 1981 compared to 195 000 t in 1980.

3. Trade

Since unginned cotton is difficult to transport over long distances both for technical (preservation is difficult) and economic reasons (it is more profitable to gin the cotton on the spot), there is no international trade in this product.

Since the Community has a spinning capacity which is far greater than its production of fibres, it imports large quantities.

In 1981 the Community of Nine imported 671 000 t of cotton fibres (raw cotton plus linters) compared to 790 000 t in 1980. The Soviet Union (185 000 t), the United States (102 000 t), and Turkey (81 000 t), are the main suppliers (55% of total supplies). Community exports of cotton fibres are very limited.

Trade between Greece and non-member countries is limited.

4. Prices

Because there is no trade in this product there are no world prices for unginned cotton.

As regards the world price for fibre, the "A" index published by Liverpool Cotton Services and by "Cotton Outlook" is considered one of the most representative of the world spot market for a specific usual grade. (The "A" Index switched from a basis of Strict Middling 1 - 1/16 inches to Middling 1 - 3/32 inches on 1 August, 1981).

During the 1981/82 marketing year world cotton prices, as measured by the Outlook "A" Index stayed at low levels. The "A" Index which was 81 ct/lb in August 1981 declined to 68 ct/lb in December and then gradually recovered to 78 ct/lb in July.

The average for the whole year was 74 ct/lb compared to an average of 93.30 ct/lb in 1980/81 and 86 ct/lb in 1979/80.

5. Aid system and budgetary expenditure

The aid system involves the granting of aid for the Community quantity of unginned cotton, equal to the difference between a guide price fixed every year by the Council and the world market price recorded regularly by the Commission.

The aid is fixed once each month except when there is an important change in the world market situation. The aid is granted to ginning undertakings provided that they have paid the producer at least the minimum price fixed by the Council for the marketing year in question. The full aid is granted only for a limited quantity. Any excess production results in a reduction in aid for all producers, so that this maximum quantity provides a barrier to any excessive development of Community production.

In any case, production finds a natural limit in the fact that fertile irrigated land in an area with a subtropical climate is not very abundant in the Community.

For the 1981/82 marketing year, the Council fixed the guide price at 76.00 ECU/100 kg, the minimum price at 72.20 ECU/100 kg and the quantity of unginned cotton which will receive the full aid at 430 000 t. The corresponding figures for 1982/83 are 85.88 ECU/100 kg, 81.59 ECU/100 kg and 450 000 t.

During the 1981/82 marketing year the Commission, taking into consideration the world market situation, fixed the aid for unginned cotton 17 times. The aid was about 25 ECU/100 kg in September but then due to the fall of cotton prices during the ginning months of October, November and December, it was increased to 30.32 and 35 ECU/100 kg respectively. Following a slight recovery of prices the aid gradually decreased to 23 ECU/100 kg in July 1982. The expenditure on cotton by the Guarantee Section of the EAGGF for the 1981/82 marketing year was at about 7 116 million ECU.

B. Fibre flax and hemp

1. Introduction

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

For some years the Community area under fibre flax has fluctuated around 60 000 ha. Fibre flax is grown on about 10 000 farms in the Netherlands, Belgium and north west France. Flax straw is processed into fibres in about 250 retting and scutching concerns located in the production areas. Their number is decreasing but they are growing in size and they produce a considerable and relatively stable quantity of raw materials which the Community lacks: natural textile fibres, oilseeds and wood particles. The Community accounts for only 4% of the total world area under fibre flax (1.5 million ha) but for 12% to 15% of world production of flax fibre (700 000 t), as a result of yields which are well above average. The quality of the Community fibre is also well above that of flax produced elsewhere in the world (USSR, Eastern Europe, China, Egypt).

Paper hemp is grown only in a very small area in France. The raw material supplied by 1 500 to 2 000 producers is used in manufacturing special types of paper. Italy produces a very small quantity of textile hemp.

2. Production

In 1981 the Community area under fibre flax, which in earlier years had been close to 60 000 ha, was only 49 600 ha. This is because throughout the winter of 1980/81 sales of fibre flax stagnated as a result of temporary overproduction. The relative importance of the producer Member States has hardly changed: France 81%, Belgium 12% and the Netherlands 7%. Dew retting continues to replace water retting, the higher cost of the latter (in terms of labour and energy) being insufficiently compensated for by the additional return from a higher seed yield and a greater suitability for the production of certified seed. This trend is a danger to future supplies of good quality certified seed, particularly in years when weather conditions hamper or delay seed stripping in the fields.

In 1981 average fibre yield was far below average since retting took place in bad weather conditions (too dry to start with and too wet at the end) and about one quarter of the area sown was not harvested. Production, generally of good quality, amounted to only 405 000 t of straw and 52 700 t of fibres, a considerably lower production of fibres than normal (84 700 t) in 1980.

The area under paper hemp, after a steady increase in previous years, began to fall in 1979 and dropped sharply again in 1981, reaching only 5 700 ha compared with 6 900 ha in 1980 (-21%).

The difficulties in selling paper have caused paper mills to conduct a very cautious buying policy consisting mainly in replacing hemp by low cost flax tow, and the slump in sales of hemp seed has further affected the profitability of this crop.

3. Consumption and stocks of fibres

Stocks of fibres held by scutching concerns, dealers and spinning undertakings at the start of the 1980/81 marketing year were estimated by the trade at 62 000 t, of which 20 000 t were held by scutching concerns and 1 600 t by dealers. These relatively high stocks further increased throughout the marketing year, reaching the alarming level of around 75 000 t at the beginning of the 1981/82 marketing year.

Demand within the Community has recovered slightly because of the improved situation in the wet spinning industry. The uncertain situation in the dry spinning and string and rope industries, which mainly purchase low quality short fibres, has scarcely improved, however.

The prolonged slump in sales of short flax fibres continued to affect the market in hemp fibres, with the result that sales of quantities for which storage contracts had been concluded at the end of the 1980/81 marketing year were not much easier when they were placed on the market 12 months earlier.

4. Trade

Since its unit value is too small to justify long-distance transport, there is no trade in flax straw with non-member countries.

In 1981 retting and scutching concerns in Belgium purchased 55 000 t of flax straw in France and the Netherlands to swell the Belgian crop. The sharp fall compared with the previous marketing year is explained by a reduction in areas and yields, notably in France.

The quantities of fibre flax imported in 1981 (15 900 t) are up on 1980 (14 000 t) but lower than in 1979 (21 500 t). The quantities exported (22 600 t) are smaller than recorded in previous years.

The Community does not produce enough low and medium quality fibre, which it imports from Eastern Europe, Egypt and China where it is produced in large quantities, but it supplies the entire world with good and superior quality fibre which is not produced elsewhere.

Imports of hemp fibre rose from 6 300 t in 1980 to 9 400 t and exports were only about 1 000 t.

5. Prices

The damage caused to the 1981 harvest and the resulting shortage of flax straw sharply pushed up the prices of the latter (+ 20% to 25%) for the 1981/82 marketing year, and also the income of those producers not affected. Average selling prices for long flax fibres rose considerably from October 1981 and throughout the 1981/82 marketing year.

At the end of the season prices were 20% to 40% higher than at the beginning. The market situation for short fibres, on the other hand, scarcely improved. The contract price for hemp straw agreed between users and producers rose from FF 435/t (75.40 ECU/t) in 1980 to FF 475/t (79.23 ECU/t) in 1981.

6. Outlook

In 1982 the Community area under fibre flax was 50 803 ha. This represents a slight improvement (+ 2.5%) after the sharp drop in 1981. There was a considerable increase in Belgium and the Netherlands, which had experienced difficulties in previous years in maintaining the level of areas sown. In France, on the other hand, the total loss in 1981 of about one third of the areas sown somewhat discouraged flax growers and scutchers, who until 1982 had faced up to the situation better than their counterparts in Belgium and the Netherlands.

The quality of both straw and fibre was uneven, but satisfactory on the whole.

Overall yield was normal for straw, slightly down for fibre and somewhat up on normal for seed.

The drop in the areas under hemp, which began in 1979 after the steady expansion of the crop in previous years, slowed down in 1982 (about 5 300 ha sown compared with 5 700 ha in 1981). The slump in sales of hemp line and hemp seed was not sufficiently compensated for by the rise in the price of straw to enable a recovery of the crop to be predicted.

7. Projections for fibre flax for 1983/84 and beyond

The satisfactory marketing situation for straw and the promising situation for long fibres from the 1982 harvest should enable producers and scutchers to maintain at least the areas currently sown. However, the fact that the market is currently in balance and should remain so in the short term is due principally to a contraction of supply.

The future of the sector will be assured in the long term only if flax succeeds in capturing an increasing share of the range of textile products available to the modern consumer.

8. Budgetary expenditure

The aid for fibre flax rose from 296.48 ECU/ha for 1981/82 to 335.08 ECU/ha for 1982/83. Of this amount, 21.80 ECU are to contribute towards financing measures to encourage the use of flax fibres.

For hemp, aid for 1982/83 is 304.26 ECU/ha compared with 269.26 ECU/ha for 1981/82 (+13%).

Expenditure chargeable to the Guarantee Section of the EAGGF for flax and hemp in 1981 was million ECU.

8. SEEDS

I. Introduction

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

- dried leguminous vegetables for sowing	CCT 07.05 A
- spelt for sowing	CCT 10.01 A
- hybrid maize for sowing	CCT 10.05 A
- rice for sowing	CCT 10.05 A
- oilseeds and oleaginous fruit for sowing	CCT 12.01 A
- seeds, fruit and spores, of a kind used for sowing	CCT 12.03

Fodder seed must be considered not only from the standpoint of seed production, but also from the standpoint of the species' function in crop rotation. Leguminous plants used as the initial crops increase the nitrogen content of the soil in which they grow. It should also be remembered that indigenous varieties are generally more persistent (long-lived) than varieties imported from abroad.

Community production of fodder seed in 1981 was about 2.8 million quintals, approximately 40% of the world total, the main exporting countries being the United States, Canada and New Zealand.

II. Production

Denmark is the main Community producer of grass seed, although the Netherlands and the United Kingdom are also major producers. France and Italy are the main producers of leguminous plants.

In 1981 production of fodder seed in the Community was about 2.8 million quintals (2 154 402 a in 1980), the increase being mainly in the production of leguminous plants. Compared to 1981 (240 155 ha), the area declared for the 1982 harvest (242 130 ha) has remained virtually the same overall. The area under grasses has decreased somewhat (- 4%), whilst the area under leguminous plants has increased (+ 4.2%) :

Graminae : 100 456 ha in 1981 as compared with 96 522 ha in 1982
Leguminosae : 139 699 ha in 1981 as compared with 145 608 ha in 1982.

A provisional estimate for the 1982 harvest indicates that production will be at a satisfactory level, particularly in Denmark.

The production of rice for sowing is approximately 361 628 q (1981). With the granting of Community aid, the use of certified seed has risen from 40% to 70% of requirements. Community aid thus seems to be having a positive effect in this sector.

III. Supply situation

Community supplies continue to be satisfactory. With 2.8 million q available and an estimated demand of some 1 700 000 q, the Community is able to cover its own requirements for most of the species grown. In the coming marketing year the situation should remain almost the same. Trade with non-member countries will be maintained, however, particularly the trade in certain species of which the EEC has a shortage (Phleum pratense, Trifolium repens, Vicia sativa, Lolium multiflorum, etc).

IV. Prices

The level of producer prices in the Community shows an upward trend as compared with the same period last year. Prices on the Danish market, which is the main Community market, were as follows :

	ECU/100 kg	
	<u>September 1981</u>	<u>September 1982</u>
Lolium perenne L (late varieties)	75	97 - 100
Lolium multiflorum L	63	109
Festuca pratensis L	106	121
Festuca rubra L	124	121 - 124
Poa pratensis L	118	-

The countervailing charges applicable to imports of hybrid maize range at the moment (October 1982) between 3.6 and 54.6 ECU/100 kg, depending on the country of origin.

For 1982/83 the reference prices for hybrid maize have been fixed as follows:

I. Double hybrids and topcross hybrids	74 ECU/100 kg
II. Three-cross hybrids	97 ECU/100 kg
III. Single hybrids	157 ECU/100 kg

V. Action decided

The Council decided to include spelt for sowing in the Annex to Regulation (EEC) No 2358/71. The Commission fixed the reference prices for hybrid maize for the 1982/83 marketing years. The lists of varieties of Lolium perenne L (varieties of high persistence, late or medium late; varieties of low persistence, medium late, medium early or early) have been slightly altered.

VI. Outlook

The 1982 harvest would thus seem to be satisfactory, particularly in Denmark, the main producer in the EEC. At the beginning of the season, however, a certain increase in prices has been recorded, particularly for the most widely-grown species.

VII. Budgetary expenditure

EAGGF Guarantee Section expenditure on seeds was 38.8 million ECU in 1981 and is estimated at 43 million ECU in 1982.

9. WINE

I. 1980/81 wine-growing year

1. Introduction

In 1981 wine represented by 4.2% value of the Community's final agricultural production. In the 1980/81 wine-growing year the area under vines in production amounted to 2 426 000 ha, or 2.5% of the Community's UAA; in five years the area has been reduced by 150 000 ha (5.6%).

The international Vine and Wine Office puts world wine production in 1980/81 at 354 million hl, which is 24 million lower than the previous year's figure but much higher than average production over the last six years (323 million hl).

2. Production

Production in the Community (including Greece) was 164 million hl in 1980/81, compared with 182 million hl in 1979/80 (an absolute record) and 144 million hl in 1978/79.

In the three years this represented 46.8%, 48.2% and 48.5% respectively of world production.

Since the area under vines in the Community represents only about 24% of the world vineyard, the average Community yield is considerably higher than the world figure.

3. Consumption

In 1980/81 total internal utilization accounted for 164 million hl compared with 162.5 million hl in 1979/80; these quantities include the intervention distillation mentioned below.

(a) Human consumption

In 1980/81 direct human consumption was 128 million hl against 129 million hl in 1979/80.

These figures confirm that the trend is still downwards, even though there was a slight upturn in consumption (probably owing to the increase in growers' own consumption which generally occurs in years of abundant harvest).

This drop can be attributed to the reduction of consumption in the main producing countries, which the slight increases in the other countries does not offset.

(b) Processing

The quantities processed in 1980/81 amounted to 35 million hl, including quantities used for making spirits of designated origin, quantities distilled under compulsory distillation measures and quantities distilled with Community aid.

The quantities distilled with Community aid in 1980/81 totalled 23 million hl.

In the two previous wine-growing years the quantities processed were 32 million hl and 12 million hl, while the quantities distilled with Community aid were 18 million hl and 1.7 million hl.

(c) Self-sufficiency

The degree of self-sufficiency of the Community of Ten in 1980/81 for all internal utilizations was 99.9% (112.2% in 1979/80).

If the quantities distilled under the various intervention measures (about 23 million hl) are included in the supply figure, the degree of self-sufficiency for 1980/81 becomes 116.1% compared with 126.4% in 1979/80 and 104.0% in 1978/79.

4. Stocks

At the end of 1980/81 stocks in the Community of Ten amounted to 91.3 million hl, slightly down on the previous year (94.1 million hl) but well up on 1978/79 (78.1 million hl).

5. Trade

In 1980/81 imports into the Community of Ten were 5.5 million hl, whilst exports amounted to 9.1 million hl. (The figure for exports on the attached tables (the balance sheet) is different because it is calculated from the difference between the total of exports from Member States and intra-Community trade which is worked out on the basis of imports).

Since the 1975/76 wine-growing year, the trend has been for imports to drop and exports to rise, mainly owing to expanded Italian exports.

Comparison with the previous year is difficult because of the accession of Greece.

The information available, however, shows a sharp increase in exports and a slight drop in imports.

II. 1981/82 wine-growing year

1. Production

The most recent production figures indicate a volume of 139 million hl, a reduction of 25 million hl compared with the previous year.

2. Consumption

Total internal utilization accounted for 151 million hl, a reduction of 13 million hl.

(a) Human consumption

In 1981/82 direct human consumption was 127.2 million hl, confirming the downward trend which has been apparent for several years (127.7 million hl in 1980/81).

(b) Processing

The quantities processed in 1981/82 amounted to 22.1 million hl compared with 35.4 million hl in the previous marketing year.

The quantities distilled under Community intervention measures dropped sharply (14.3 million hl as against 22.9 million in 1980/81) owing to the reduction in quantities coming forward.

3. Prices

(a) Official prices

For 1981/82 the average increase in guide prices for all types of table wine was 10.0% compared with the previous year, with the exception of white wines of type AI, where there was an increase of 8.5%.

(b) Average prices for the wine-growing year

- Red wine of type RI

French prices rose constantly until April, when they became stable until July.

There were no quotations in August as the quotation boards in the Midi refused to quote.

Averages were about 12% higher than the previous year's.

The price of Italian wines rose steadily over the year. Quotations in the different marketing centres varied from the previous year's by 9% to 38%.

In Greece the only quotation of the year was 105% above the guide price.

- Red wine of type RII

French prices rose until March. No more prices were quoted after April. The average during the first seven months of the year was 16% higher than the previous year's average.

Italian prices were weak until mid-April and then rose slightly.

The average price was 8% above that of the previous year.

- White wine of type AI

There was a very marked increase in French prices. Average prices at Bordeaux and Nantes were up by 40% and 30% respectively on the previous year.

Italian prices improved slightly from the start of the year then after March there was a more definite increase.

Average quotations in the different marketing centres were between 13% and 27% up on the previous year.

The average Greek price was 88% of the activating price compared with 95% the previous year.

- German wine (of type AII and AIII and RIII)

The only red wine quotation showed an increase of 57% on the previous year.

Quotations for white wine of type AII were very stable throughout the year and were 22% up on the previous year.

However, quotations for white wine of type AIII were 5% down.

(c) Prices on the Spanish market

In 1981 the average price of Spanish white wines was around 67% of the Community average. This was the same percentage as the previous year, while in 1979 it was 76% and in 1978 78%.

These prices can be related to production in the corresponding year : 42 million hl in 1980, 48 million hl in 1979 compared with 29 million hl in 1978 and 22 million hl in 1977.

III. Outlook

(a) Short term : forecasts for the 1982/83 wine-growing year

The latest information available suggests that the 1982/83 harvest will yield some 30 million hl more than the previous year.

Production should be around 169 million hl.

(b) Medium-term

Although the 1981/82 harvest was comparatively small, the trend in recent years increases the likelihood of bigger average surpluses. It is therefore more necessary than ever to apply the instruments set up by the 1980-86 action programme effectively, especially as regards the conversion of vineyards to other uses. This requires the parallel implementation of a market policy which is consistent with the structural action programme, and therefore full implementation of the latest amendments to the basic Regulation, which aim to rebalance the market from the beginning of the year by means of compulsory distillation.

IV. Economic aspects

(a) Levies and refunds

1) Import levies

The import levies in the wine sector are known as "countervailing charges" and play only a very minor part since they do not apply to the 19 non-Community countries which have undertaken to observe the reference price and are the Community's principal suppliers. The level of the countervailing charges remained unchanged throughout 1981/82.

2) Export refunds

The level of export refunds for wine rose at the beginning of 1981/82 from 1.05 ECU to 1.15 ECU per % vol per hl. Refunds for liqueur wines other than quality wines p.s.r. were introduced in April 1982.

The quantities qualifying for refunds fell slightly in 1981, amounting to 2.33 million hl against about 2.5 million hl in 1980.

They should increase slightly in 1982.

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

In 1981/82 the following intervention measures were applied :

- at the start of the marketing year :
 - . authorization to conclude long-term storage contracts for table wines, grape must and concentrated grape must,
 - . distillation carried out under the "price guarantee" (reserved for holders of long-term storage contracts),
 - . preventive distillation.
- distillation of wine produced from table grapes.
- so-called exceptional distillation, which started in March 1982. (This had also been necessary in 1980 and 1981).

The quantities of wine distilled with Community aid were of the order of 14 million hl, against 22.9 million hl in 1980/81.

The average of the monthly quantities covered by storage contracts dropped appreciably, amounting to 22.3 million hl (28.1 million hl in 1980/81), the maximum figure being 34.3 million hl (42.1 million hl in 1980/81).

(c) Stock situation

At the beginning of 1981/82 stocks held by producers and the trade in the Community of Ten amounted to 91.3 million hl (against 94.1 million hl at the beginning of 1980/81). A far lower quantity (around 77 million hl) can be expected at the end of the year.

(d) Price unity

Monetary compensatory amounts in the wine sector, which in 1980/81 were applied only to table wines produced in Italy and Germany, were discontinued from 6 May 1982 for Italy and introduced for France.

In the wine sector the representative rate for the French franc and the lira were altered with effect from 6 May. The rate for the drachma also changed, the new rate taking effect from 29 June.

V. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on wine amounted to 459.4 million EUA in 1981; the provisional figure for 1982 is 516.0 million EUA and the estimate for 1983 is 569.0 million EUA. This is 4.2%, 3.9% and 3.8% respectively of total expenditure by the Guarantee Section.

The figure of 516.0 million EUA can be broken down into 36.0 million EUA on refunds and 480.0 million EUA on intervention.

VI. Impact of Greek accession

The accession compensatory amounts will be discontinued from 16.12.1982 as Greek guide prices were fixed at the same level as the Community prices for 1982/83.

RAW TOBACCO

1. Introduction

In 1981 world leaf tobacco production was 7/8% higher than in the previous year, having risen from 5.26 million to 5.67 million t. Production of all varieties increased in 1981, with the exception of oriental tobaccos, which fell by 6%. Flue-cured varieties increased their share of total production for 1981 to more than 45%.

2. Production and structure

In 1981 Community production was 308 735 t, an increase of 4.7% over 1980, even though the area under cultivation remained virtually unchanged (reduction of 0.5%).

The figures shown in the tables below bear out the findings made in previous years i.e. reduction in the area under cultivation and an increase in yields per ha.

Type	AREA (ha)			PRODUCTION (t.)		
	1979	1980	1981	1979	1980	1981
Dark air cured	29.160	28.173	27.341	70.341	62.966	65.579
Sun cured	107.889	104.597	103.059	138.076	123.995	132.163
Light air cured	22.816	22.483	23.895	81.510	76.085	75.548
Flue cured	10.822	11.152	12.018	25.442	21.787	26.075
Fire cured	6.272	5.863	5.019	10.423	9.779	9.113
Total EEC 10	177.280	172.477	171.588	326.332	294.946	308.735

Type	AREA (%)		PRODUCTION (%)	
	1980/1979	1981/1980	1980/1979	1981/1980
Dark air cured	- 3,4	- 2,6	- 10,5	+ 4,2
Sun cured	- 3,1	- 1,5	- 10,2	+ 6,6
Light air cured	- 1,5	+ 6,3	- 6,7	- 0,7
Flue cured	+ 3,1	+ 7,8	- 14,4	+ 19,7
Fire cured	- 6,5	- 14,4	- 6,2	- 6,8
Other	- 34,9	- 27,8	- 38,2	- 23,0
Total EEC 10	- 2,7	- 0,5	- 9,6	+ 4,7

Type	AREA (ha)			PRODUCTION (t.)		
	1979	1980	1981	1979	1980	1981
Belgium	527	423	496	2.060	1.187	1.450
Germany	3.425	3.363	3.194	8.535	6.889	7.839
Greece	93.315	89.306	90.162	127.293	116.659	126.890
France	20.016	18.701	17.075	51.873	44.669	41.587
Italy	59.995	60.684	60.660	136.571	125.542	130.969
EEC - 10	177.278	172.477	171.587	326.332	294.946	308.735

3. Consumption

In 1981 world consumption of tobacco for the manufacture of cigarettes and other manufactured products increased by 3.4%, reaching 5.32 million t (5.14 million t in 1980).

This was achieved despite the fall in cigarette sales in several developed countries and the use of less tobacco in cigarettes (in Germany in 1980 897 grams of tobacco were used to manufacture 1 000 cigarettes while in 1981 only 829 grams were used). The rise in consumption is attributable mainly to increased consumption in the developing countries. As in the two preceding years, world tobacco consumption in 1981 outstripped the quantity of baled tobacco produced in the same year. The Community's degree of self-sufficiency is about 44%. Consumption in the Community (608 395 t) has more or less stabilized although there has been a slight fall in consumption in the United Kingdom and the Federal Republic of Germany. The steep rise in consumption of "light cigarettes" (low nicotine and tar content) continued in 1981.

4. Trade

World exports in 1981 reached 1.49 million t, which is 10.3% more than in the previous year.

Community exports in 1981 were 109 200 t compared with 32 000 t in 1980. This was due not only to the accession of Greece but also to the steep rise in exports from the other nine Member States (57 200 t in 1981 compared with 32 000 t in 1980). This tobacco was exported in 1981 but represented several harvests.

Virginia flue-cured tobacco accounted for about 60% of total imports. Furthermore, one third of imports enter the Community at a zero or preferential rate of duty under the terms of the EEC policy towards the developing countries (generalized preferences, ACP). Consequently, imports from the ACP countries amounted in 1981 to 80 000 t.

5. Prices

The trend towards higher prices recorded on the American market in 1980 continued in 1981 both for export prices and for prices charged on the domestic market. The average export price of Virginia flue-cured and Burley reached USD 6.19 and USD 6.41 per kg respectively, an increase of 13% in both cases.

The average price of leaf tobacco on the American domestic market rose by 9 to 15%, quickly reaching USD 3.83 and USD 3.67 per kg for Burley and Virginia flue-cured respectively.

Following the accession of Greece the prices of oriental tobaccos in the two main producing countries fell slightly in Yugoslavia but remained stable in Turkey.

No figures are available for prices on the domestic market in those countries.

6. Outlook

In 1981 world consumption of tobacco rose by more than 3%, again outstripping production, as in the last three years. The levelling-off of leaf tobacco production in 1982 and the expected 2% rise in consumption will help bring stocks down to their lowest level since 1975, about 5.8 million t.

This increase applies principally to flue-cured and Burley by virtue of the growing success of "American blend" type cigarettes, while consumption of sun-cured should continue to fall.

As far as the Community is concerned, the structural difficulties affecting oriental tobacco in particular will continue, but special measures for reducing prices and imposing quantitative restrictions are now being applied to varieties bought into intervention. Information available concerning Greek varieties indicates that intervention buying of tobacco from the 1981 harvest will be in the order of 10% of production.

7. Economic aspect of the measures taken

Regulation (EEC) No 727/70 on the common organization of the market in raw tobacco was amended in 1982 by reducing the ratio between the intervention price and the corresponding norm price from 90 to 85% for all varieties, with the exception of some for which it had been 80% since 1979.

The aim of these measures is to achieve a better balance between production and market requirements by limiting the price guarantee applying to unsold tobacco. Other measures were taken to discourage intervention buying. The "processing costs" component used to calculate the premium granted for tobacco sold commercially, but also taken into consideration when calculating the derived intervention price, was applied differentially and reduced in relation to the actual cost in the latter case. Detailed rules for implementing the three-year plan adopted at the 1981 price-fixing for oriental tobaccos (Xanti-Yaka, Perustitza and Erzegovina) and Kentucky were also adopted in 1982. These measures have already produced results since the quantity of tobacco taken into intervention should be about 1% of production in Italy compared with an average of 10% in previous years (1977, 1978).

In 1982 two invitations to tender were issued, as a result of which 13 297 666 kg were sold, including 7 175 393 kg of Beneventano. The quantity still held in storage therefore is 22 300 t, which is 37% less than last year.

Other invitations to tender will be issued shortly, depending on market requirements, to dispose of tobacco still in storage.

The payment of export refunds on sales of tobacco to non-member countries has helped maintain export outlets without creating difficulties in obtaining supplies on the internal market and has reduced the intervention costs charged to the EAGGF. Exports of tobacco which benefitted from refunds in 1980 were in the order to 30 000 t. With the accession of Greece a further 30 000 t of exports are expected to be added to this figure for the 1981 harvest. The export refunds fixed for raw tobacco from the 1981 harvest will apply for the first time to Greek varieties which qualify for a refund the rate of which varies with the variety.

8. Budgetary expenditure

EAGGF Guarantee Section expenditure in the raw tobacco sector was 309.3 million EUA in 1980 and 361.8 million in 1981, i.e. 2.7% and 3.3% respectively of total expenditure. Expenditure for 1982 will be 582 million EUA owing to the accession of Greece and will represent 4.5% of total expenditure.

9. Effects of the accession of Greece

The accession of Greece to the Community has had a far-reaching impact on the tobacco sector.

In 1981 Greece produced 126 890 t, which must be added to the 181 845 t produced in the other nine Community countries. The area under cultivation has more than doubled and is now 171 588 ha.

This increase, which has brought the Community's degree of self-sufficiency to 44%, has nevertheless left unsolved the problems currently facing the Community, which are due mainly to the heavy demand for light air-cured tobacco. It should be noted in this connection that a programme is currently under way in Greece for changing to different varieties in order to adjust production to actual market requirements. It is still too early, however, to estimate the effect that Community rules have had on the development of the production and marketing of Greek tobacco, since the 1981 harvest has not yet been completely sold.

11. FRUIT AND VEGETABLES

A. Fresh fruit and vegetables

1. Introduction

Production of fresh fruit and vegetables in 1981, including crops for processing, fell short of the 1980 figure by 0,4%.

Within the Community of Ten, Italy is by far the largest producer, accounting for 49% of Community fruit production and nearly 40% of vegetable production. France comes second with 15% of fruit output and 16% of vegetable output, while the third most important producers are Germany for fruit (17%) and Greece for vegetables (14%), the latter closely followed by the United Kingdom (13%).

2. Production

Fruit production in the Community (1) in 1981 was 20.5 million t, a drop of 2.3% over 1980 but still close to the average figure for previous harvests. The fall in production affected all Member States except Greece and Germany, where production rose by 6.7% and 8.5% respectively.

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

- in apple production, which accounted for 25% of fruit production, the 1981 harvest was 30% lower than in the previous marketing year, with a drop in all Member States except Greece where there was an increase;
- in pears (11% of fruit production) the harvest was also down, especially in Germany, the Netherlands, Belgium and Greece, and to a lesser extent in Italy; production was up on 1979 but down on 1980; the harvest for the Community as a whole was 1.4% higher than in 1979.
- the peach harvest in 1981 was slightly up in Italy (+ 10%) as well as in the Community as a whole compared with 1979 (+ 11.6%) and 1980 (+ 6.7%);
- in table grapes, which represented 10% of fruit production, the 1981 harvest was 1.7% up on 1980 and 4.7% up on 1979; Italy is by far the largest producer, accounting for 69% of Community production.

Commercial vegetable production in the Community reached 28.4 million t, much the same as in 1979 and 1980. Production fell in Greece, Denmark and Italy and remained about the same in France; Belgium, Germany, Ireland and the Netherlands saw a slight increase.

(1) Harvest figures for the Community of Ten.

3. Consumption

Internal consumption of fruit (1) in the Community of Ten in 1980/81 came to 19.1 million t, an increase of 0.4% over 1979/80 and 1.2% over 1978/79. For citrus fruits this consumption was 7.7 million t.

Internal consumption of vegetables, at 32.7 million t, showed a drop of 0.4% compared with the previous marketing year.

a) Human consumption

Human consumption was the principal use made of fresh and processed fruit, and accounted for 88% of all internal consumption.

Per capita annual consumption in the Community of Ten amounted to 88 kg for all fruit (26.3 kg of citrus fruit and 61.7 kg of other fruit).

Human consumption of vegetables was 88% of all internal consumption. Per capita annual consumption was 106.1 kg for the Community of Ten.

b) Animal consumption and industrial uses

These products are seldom fed to animals systematically and industrial uses (for non-food purposes) are also only sporadic, so that the quantities of fruit and vegetables involved are appreciably less significant even than wastage during marketing.

c) Degree of self-sufficiency

The self-sufficiency rate of the present Community is particularly high for vegetables, reaching 99.2% in 1980/81; the figure for non-citrus fruit is 84.1% and for citrus fruit 43.3%. The figure for the 1979/80 marketing year were 98.2%, 82.7% and 43.3%.

(1) Including preserves, fruit juices and tropical fruits but excluding dry or dried fruits and citrus fruit.

4. Community's trade (1)

In 1981 the Community's total imports of fresh fruit from non-member countries amounted to 4.2 million t, a drop of 6.0% compared with 1980. Citrus fruits were by far the predominant import at 3.0 million t (oranges 1.6; grapefruit 0.43; small citrus fruits 0.67) since apples, which occupied second place, accounted for only 0.53 million t.

Fruit exports to non-member countries were just over 0.8 million t, including 0.23 million t of apples, 0.12 million t of lemons and 0.10 million t of peaches.

Imports of fresh vegetables from non-member countries totalled 1.22 million t and exports 0.36 million t.

Intra-Community trade in fresh fruit and vegetables was also substantial.

Although the quantity of fruit traded within the Community did not equal imports from non-member countries, it nevertheless totalled 2.8 million t. Apples (1.2 million t) were the main product, followed by table grapes (0.44 million t) and pears (0.28 million t).

Intra-Community trade in vegetables, on the other hand, totalled 2.5 million t, approximately twice the quantity imported from non-member countries. Tomatoes were the main product at 0.41 million t.

(1) For 1981 the Community statistics relate to the Community of Ten; the data available on exports at the present do not include the United Kingdom.

5. Prices

a) Common prices

Basic prices and buying-in prices were increased for the 1981/82 marketing year in such a way that the resulting average withdrawal prices at which producer groups buy back their members' unsold produce were 11% higher than in the 1980/81 marketing year for all products except dessert apples (+ 9%) and tomatoes (+ 8%).

In the case of Greece, basic prices and buying-in prices for 1981/82 were fixed by the Council to continue the gradual adjustment required by the Act of Accession. Common prices were introduced in Greece for cauliflowers and apples.

The average increase for 1982/83 was 12% for all products except dessert apples (+ 11%), mandarins (+ 11%) and tomatoes (+ 8%). The Council added aubergines and apricots to the list of products eligible for market intervention as from 1982/83.

Reference prices, which determine the minimum level of entry prices for a number of products imported from non-member countries, were increased on average by 10% between 1980/81 and 1981/82 for cucumbers, tomatoes, table grapes, apples, pears, peaches, cherries and plums. Aubergines and courgettes were added in 1981/82 to the list of products subject to reference prices. In the case of lemons, oranges and mandarins, reference prices remained at the level of the previous marketing year because of the link between movements in the basic and buying-in prices, penetration premiums and the reference prices for these products (see 6(c)).

Between 1981/82 and 1982/83, reference prices were increased by an average of 11%, except in the case of oranges and mandarins, where the increase in the basic and buying-in prices was reflected entirely in the penetration premiums; in the case of lemons and clementines, the increase in agricultural prices adopted by the Council was reflected in their reference prices.

Under the Act of Accession of Greece, the Community fixed Community offer prices for 1982/83 to apply to imports into other Member States from Greece of all products subject to reference prices except aubergines and courgettes.

b) Market prices

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

An analysis of the available figures 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).

As the average prices for the 1980/81 harvest were influenced by a below-average crop, they settled throughout the marketing year above the average level recorded in 1979/80.

For 1981/82 the average price remained higher than in the previous year, but varied from Member State to Member State. The increases were 67% in the Netherlands, 63% in Germany, 142% in Belgium, 86% in France, 34% in Italy and 47% in Greece. The United Kingdom and Denmark do not have meaningful quotations for this product.

The monthly analysis made throughout the marketing year showed that in all Community countries apple prices were nearly always above the basic price.

- Pears (various, quality class I, 60 mm or over / 70 mm or over, according to time of year).

Prices in 1981/82 were up in nearly all Community countries. This marked increase, ranging from 57.3% in France to 13% in Italy, did not affect Germany where there was a drop of 6.3%. Ireland and Denmark do not have meaningful quotations for this product.

The monthly analysis showed that there was a measure of stability in prices.

On all Community markets, they remained above the basic price and sometimes reached the exceptional levels encountered in previous marketing years.

At the beginning of the season, there were some problems in marketing early pears, particularly Williams pears, with producer prices settling in August and September around the basic prices in almost all Community countries.

- Peaches (various, quality class I, 51/61 mm or 61/67 mm according to the time of year).

In 1981, prices were 17.3% lower than in 1980 in Italy, 21.5% higher in France and 50.4% higher in Greece (prices in 1978 and 1979 had sometimes reached twice the basic price). The seasonal pattern was normal, however, and the monthly average was above the basic price with the exception of some early varieties, which reached levels sometimes very near the buying-in price on some producer markets at the beginning of the season.

- Table grapes (various, quality class I).

Grape prices on producer markets in France, Italy and Greece were slightly up on the previous year.

However, French prices moved at a level above the basic price, whereas in Italy only the "Regina dei Vigneti" variety reached prices higher than the basic price in August.

Prices for the "Regina" variety, on the other hand, remained more or less at the basic-price level until early September, falling during that month to the level of the buying-in price on the Chieti and Ascoli Piceno markets.

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

Prices in Italy in 1981 were 11.0% down on the previous year while Greece saw a market rise over 1980.

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

The average annual price for mandarins in Italy was down on 1980/81 by 19.2%, while in Greece the pattern was the same as for oranges.

The monthly quotations did not show major fluctuations, normally being more than 15-19 ECU above the basic price in Greece, while in Italy they were around the basic price at the end of the season on the Catania market.

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

The average annual price for lemons in 1981/82 was slightly higher in Italy than in the previous year, when prices had already been high as a result of stationary production levels.

Prices are still high and throughout the year the monthly averages were above the basic price, especially in Greece; in Italy, quotations in March and April at Catania were sometimes below the buying-in price.

- Cauliflowers (with leaves or trimmed according to time of year, quality class I).

Average annual prices decreased throughout the Community compared with 1980/81, the drop varying from 5.4% in Germany to 16.9% in Belgium. Only in the United Kingdom and Greece were prices up on the previous marketing year.

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

In 1981 prices fell in all the Community countries except Greece. The most marked drops were in Italy (40%), Germany (29.4%) and Ireland (22.3%).

The monthly analysis shows that daily prices sometimes fell below the basic price in France and Italy, particularly during the high season in August and September.

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

c) World prices

The prices of fruit and vegetables - highly perishable products - are established more or less independently on the main markets. There are no real world markets for such products and consequently no world prices.

d) Consumer prices

In view of the large number of varieties, quality classes and sizes of fruit and vegetables, and in view of the wide differences in prices for an apparently identical product from one retailer to another, it is not possible to determine consumer prices for the various products.

6. Outlook

In the case of vegetables - most of which are annuals - the rapid succession of crops and the use of fixed or movable means of weather protection make for flexibility and enable growers to adapt production promptly 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.

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 with the 1977/78 and 1981/82 harvests.

7. Economic aspects of the measures taken

a) Import and export measures

i) Countervailing duties on imports

During the 1981/82 marketing year, countervailing duties were imposed on imports of the following products:

- cucumbers from Spain, Romania, Poland and Bulgaria;
 - tomatoes from Romania, Spain, Albania and Bulgaria;
 - apples from Chile, Argentina and Yugoslavia;
 - pears from Spain;
 - aubergines from Spain
 - table grapes from Spain;
- some varieties of plums from Yugoslavia and Bulgaria.

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

Corrective amounts were applied in 1981/82 to peaches and table grapes exported by Greece to the other nine Member States.

ii) Export refunds

Export refunds were fixed during the 1981/82 marketing year for fresh sweet oranges, fresh mandarins, fresh lemons, table grapes, walnuts in shell, shelled almonds, shelled hazelnuts, peaches, dessert apples and tomatoes.

These refunds, which vary according to 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. Greece was eligible for the same level of refunds as the Community of Nine except in peaches; here the refund was corrected by the price difference recorded when Greece joined.

iii) Protection measures

No measures to restrict imports into the Community during the 1981/82 marketing year were taken.

iv) Apples from the southern hemisphere

Estimated exports from southern hemisphere countries and the price trend for Community apples were such that it was not necessary to ask suppliers in the southern hemisphere to adjust their planned exports to the Community between March and August 1982.

However, the level of prices for apples from Chile and Argentina led to the introduction of countervailing charges on imports of these products.

b) Withdrawals from the market

Intervention during 1981/82 was on a smaller scale than in 1980/81 in the case of apples, pears, oranges, tomatoes and cauliflowers; there was increased intervention in all other products except table grapes, where there have been no withdrawals in two of the last three marketing years.

The quantity of apples withdrawn was 69 506 tonnes, equivalent to 1.38% of Community production. The largest withdrawals were in Italy (40 000 t) but as a proportion of the harvest, Greece saw a higher percentage (8.33% or 25 000 t).

Withdrawals of citrus fruit took place only in Italy and accounted for 85 000 t of oranges, 62 950 t of mandarins and 38 000 t of lemons representing 5.08%, 27.98% and 5.17% respectively of Italian output.

Withdrawals of peaches amounted to 204 000 t (100 000 t in Greece) but this represented only 9.21% of Community production. Withdrawals in Greece accounted for 23% of the harvest. Withdrawals of other products in relation to output were even lower: 0.50% in the case of cauliflowers, 0.53% in the case of tomatoes and 5.58% in the case of pears; in 1981/82 only apples and peaches were withdrawn in Greece.

c) Measures to promote the marketing of Community citrus fruit
Measures to promote the processing of oranges
Measures to assist the marketing of products processed from lemons

The "penetration premiums" (financial compensation to promote the marketing of Community citrus fruits) were fixed at the levels below for 1981/82.

<u>Greece</u>	<u>Other Member States</u>
2.57	12.83 ECU per 100 kg net for oranges of the Moro, Ovale calabrese, Belladonna, Navel, and Valencia late varieties;
2.20	11.01 ECU per 100 kg net for oranges of the Sanguinello variety;
1.45	7.25 ECU per 100 kg net for oranges of the Sanguigno and Biondo comune varieties;
2.20	11.01 ECU per 100 kg net for mandarins;
1.29	6.43 ECU per 100 kg net for clementines;
1.57	7.86 ECU per 100 kg net for lemons.

Compared with 1980/81, 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. 11%. In accordance with the Act of Accession, Greece received only 20% of the premium granted in other Member States.

Pursuant to 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 processors were fixed for 1981/82 at the levels shown in the table below.

Type of product	Minimum price		Financial compensation	
	ECU per 100 kg net		ECU per 100 kg net	
	Greece	Other Member States	Greece	Other Member States
Oranges of the following varieties				
Riondo Comune				
Class I	10.38	12.10	6.40	8.12
Class II	8.52	9.93	4.54	5.95
Class III or mixed	6.72	7.83	2.74	3.85
Oranges of Class III or mixed of the following varieties				
Moro and Tarocco	13.24	15.43	9.26	11.45
Sanguinello	12.28	14.32	8.30	10.34
Sanguigno	10.39	12.11	6.41	8.13

Finally, under the measures adopted to assist the marketing of products processed from lemons, which were applied for the first time in 1977/78, the minimum price to be paid to growers by processors in 1981/82 in both the Community of Nine and in Greece was fixed at 14.79 ECU per 100 kg net and the financial compensation payable to processors at 8.73 ECU per 100 kg net.

d) Price unity

No monetary compensatory amounts were fixed for fresh fruit and vegetables.

e) Budget expenditure

EAGGF Guarantee Section expenditure on fresh fruit and vegetables amounted to 220.9 million EUA in 1981, is provisionally put at 285.0 million EUA in 1982 and estimated at 309 million EUA for 1983, i.e. 2.0%, 2.1% and 2.2% respectively of total EAGGF Guarantee Section expenditure. The figure of 285 million EUA can be broken down into 70 million EUA for refunds, 120 million EUA for intervention, 15 million EUA for penetration premiums in the citrus fruit sector and 80 million EUA for financial compensation to assist the processing of citrus fruit.

B. PROCESSED FRUIT AND VEGETABLES

1. Introduction

Production of processed fruit and vegetables in the Community of Nine (aggregate Greek figures not available) is shown for 1980 and 1981 in the table below.

1 000 t

	1980	1981
Processed products (Community of Nine)		
VEGETABLES	4.760 (*)	4.937 (*)
FRUIT	2.800	2.900

(*) Including preserved tomatoes.

Production of processed vegetables rose slightly in 1981 compared with 1980. This was mainly due to an increase in output of canned products other than tomatoes and of some deep-frozen products.

Production of certain sensitive products in the Community of Ten was as follows:

- a) Tomato concentrates: production fell slightly from 632 000 t (Greece 240 000 t) in 1980 to 621 000 t (Greece 220 000 t) in 1981, a decrease of 1.7%;
- b) Whole peeled tomatoes: production again fell slightly from 1 184 000 t (Greece 40 000 t) to 1 109 000 t (Greece 11 000 t), a decrease of 6.5%;
- c) Tomato juice (CCT Heading No 20.07): production declined from 56 300 t (Greece 15 000 t) in 1980 to 45 000 t (Greece 9 500 t) in 1981, a decrease of 20.1%;
- d) Preserved mushrooms: production rose slightly between 1980 and 1981 from 203 000 t (1) to 217 000 t, Greek production being negligible;
- e) Preserved peaches: production fell slightly again from 286 000 t (Greece 150 000 t) in 1980 to 283 600 t (Greece 130 000 t) in 1981, a decrease of 0.8%;

(1) Changed from last year's figure.

f) Production of orange juice in Italy was 120 000 t (1) in 1980 and 180 000 t in 1981, an increase of 50%; production of lemon juice also went up from 80 000 t (2) in 1980 to 90 000 t in 1981, an increase of 12.5%.

2. Consumption and trade

The trade of the Community of Ten in processed fruit and vegetables is summarized in the aggregate figures in the table below.

1980

	IMPORTS		EXPORTS	
	Tonnes	Mio EUA	Tonnes	Mio EUA
TOTAL	4 275 000	3 100 000	2 610 000	1 850 000
Intra-Com. exc. Greece	2 400 000	1 750 000	2 000 000	1 400 000
Non-member countries	1 875 600	1 350 000	612 000	450 000
of which Greece	218 000		6 000	

1981 (2)

	IMPORTS		EXPORTS	
	Tonnes	Mio EUA	Tonnes	Mio EUA
TOTAL	4 100 000	3 050 000	2 700 000	1 950 000
Intra-Com. (EUR 10)	2 500 000	2 150 000	2 100 000	1 550 000
Non-member countries	1 600 600	900 000	600 000	400 000

The available quantities of tomato concentrate and peeled tomatoes in the Community of Ten remained much the same in 1981 as in 1980, with a slightly buoyant tendency.

The quantity of tomato concentrates available for consumption was 450 000 t in 1980 and the same in 1981.

As the result of the accession of Greece, imports from non-member countries were significantly down on 1980 (from 82 000 t to 28 000 t in 1981). Exports to non-member countries, on the other hand, went up from 140 000 t in 1980 to 240 000 t in 1981 (including 60 000 t exported by Greece, which was not covered by the 1980 figures).

(1) Changed from last year's figure.

(2) Provisional figures

Intra-Community trade rose from 100 000 t in 1980 (without Greece) to 120 000 t in 1981 (Greece included).

Imports of peeled tomatoes were fairly low in 1981 compared with 1980, at around 30 000 t. Exports rose from 75 000 t in 1980 to 89 000 t in 1981. The quantity available for consumption went down slightly from 1 120 000 t in 1980 to 1 000 000 t in 1981. Intra-Community trade increased slightly from 290 000 t in 1980 (without Greece) to 310 000 t in 1981 (including Greece).

In the case of tomato juice, imports again dropped from 15 000 t in 1980 to 10 000 t in 1981 while exports remained fairly low at around 2 000 t.

As a result of the accession of Greece, imports of preserved peaches, which were 154 000 t in 1980, were only 75 000 t in 1981. Exports remain very low, around 10 000 t (Greece included).

The quantity of preserved mushrooms available for consumption increased from 227 000 t in 1980 to 250 000 t in 1981. Imports remained stationary at around 35 000 t. Exports stayed at around 4 500 t.

It should be noted that two further products have been eligible for processing aid with effect from 1979: Williams pears in syrup (1979) and cherries in syrup (1980).

Aid for the two products, however, is limited to maximum quantities fixed by the Council.

The accession of Greece has also brought Community dried grapes and dried figs into the market.

A production aid system for these products was introduced to cover two marketing years from 1981/82, accompanied by a storage aid scheme and a price guarantee system for the basic product. Production of dried grapes in 1981 was 158 000 t and of dried figs 25 000 t.

3. Prices

World prices for peeled tomatoes and concentrate increased slightly but less than the average rate of inflation in the Community.

In the case of preserved mushrooms, the rules introduced from 1 July 1981 tended to restore balance on the market.

Generally speaking, price levels in the Community for other products did not give rise to any difficulties.

4. Outlook

Production of tomato-based products in 1982 should remain at the same level as in 1981 in view of present policy in fixing aid for products in this sector.

5. Budget expenditure

EAGGF Guarantee Section expenditure on processed fruit and vegetables amounted to 465.2 million ECU in 1980, 420.3 million ECU in 1981 and estimated at 508.5 million ECU for 1982, or 4.5%, 3.9% and 4.3% respectively of total expenditure by the Guarantee Section.

It should be noted that budget expenditures for 1981 and 1982 include the effect of Greek accession.

LIVE PLANTS

One of the features of the ornamental horticulture sector is the great variety of products: cut flowers and greenery, pot plants, bulbs and nursery products. Each of these branches has its own characteristics with regard to both production and marketing.

In view of this diversity, the production statistics are too complicated for carrying out the necessary analysis every year. An idea of the statistical difficulties can be gained by considering, for example, that one hectare used to grow flowers and plants may produce either just one or several crops during a year and that the production system (under cover, either heated or not, or open-air) has a decisive influence on production itself. As regards the value of production, the Commission's staff does not yet have sufficiently detailed figures to allow an analysis of the past year, but an estimate can be made based on the fact that the overall production of this sector represents 3 - 4% of the value of final production in agriculture in the Community.

PRICES

It should be noted that the prices recorded on the main Community markets show major fluctuations during the season and may also vary considerably from one market to another at any given period.

TRADE

Intra-Community trade in 1981 rose by 7.5% (1980: 14.5%); imports from non-member countries over the same period increased by 4.2% (1980: 10.5%) and exports to non-member countries by 10.6% (1980: 9.4%).

Trade by value (EUR 10)

Intra-Community trade	1 234 million ECU (+ 7.5% over 1980)
Imports from non-member countries	249 million ECU (+ 4.2% over 1980)
Exports to non-member countries	375 million ECU (+ 10.6% over 1980)

Exports, at 375 million ECU, exceeded imports at 249 million ECU by 126 million ECU (1980: 100 million ECU).

CONSUMPTION

The level of consumption varies considerably from one Member State to another, depending on the living standards and habits of consumers.

12.HOPS

Community production in 1981 was 46.170 tonnes or 35% of world production, from an area of 26.704 ha. or 29% of total estimated world area under hops. This was an increase of nearly 17% in quantity (5% in area) as compared with 1980, when yields had been below average in the Community (1980: 1.56 T/HA; 1981: 1,73 T/HA - 10 yr. average 1.65 T/HA). The rise in area, after several years of stability following the stabilization programme carried out by the Community and involving grubbing and varietal reconversion, was largely due to the incentive arising from extremely high spot prices recorded in 1980/81 following the small 1980 harvest. This effect was far more marked in the United States, where area expanded by 40% since 1978 (Community - under 6%).

In contrast to preceding years, world beer production appears to have risen only slightly in 1981 (+ 2% approximately; 1974 - 1980: between 3% and 4%), and Community production continued to stagnate overall (fall of 0,4%). Thus the rate of increase for world demand in hops continues to decline (estimate for 1981 + 1,4%; 1979 + 1,8%). In the Community this demand is definitely decreasing, as it has done markedly in the U.S.A. over the past two years, as a result of continued technological improvement in brewery hops utilization and also a gradual reduction in many countries in the bitterness of beer. Together, the U.S.A. and the Community accounted for half of world beer production in 1981, and the previously marked rates of increase in developing and State-trading countries slackened in 1981 due to world-wide recession.

The Community continued to be particularly export-dependent on these countries' brewing requirements: (net estimate 10.600 tonnes in 1980/81: a decrease however of 25% over the previous marketing year).

The year 1981 can be regarded as one of balance on this market, where the slight excess of production over demand was compensated by the fact that stocks before the harvest had been at unaccustomed low levels due to the unsatisfactory 1980 crop. It has to be added, nevertheless, that following the adequate 1981 yield and a slight increase in Community area, stock levels have returned to normal levels, and the very high stocks and large excess area present in the United States have brought about a situation where, in the event of an abundant 1982 harvest, prices on the spot market will fall due to sluggish sales: in the hops sector such a price collapse continues its effects for several years since new contracts are then made at levels comparable with the new spot levels.

But the good balance on the 1982 market itself allowed prices, while falling markedly on the spot market from the extremely high 1980 levels, to settle at levels on both spot and forward contract markets which allowed a generally adequate grower income to be reached in the majority of producer regions. This in turn meant that a minimal income aid only was required, with consequently a slight reduction, for the third year running, in EAGGF expenditure (1981 - 5.9 mio ECU, 1980 - 6.2 million ECU).

MILK AND MILK PRODUCTS

1. Production and utilisation of milk

- a) At the end of 1981 the Community (2) dairy cow numbers stood at 24.8 million. Thus, throughout 1981, a further decrease of 0.8% or 206 000 head took place, in addition to the 1.9% decrease (487 000 head) in 1980. Only in the Netherlands, the United Kingdom and Ireland did cow numbers increase (by 2.2%, 0.8% and 0.6% respectively) whereas decreases were most important, relatively, in Denmark, France and Belgium (by 4.3%, 3.0% and 1.5% respectively). These figures only indirectly reflect the impact of the non-marketing of milk and dairy herd conversion schemes which came to an end in September 1980 and April 1981 respectively. In fact, at the end of 1980 dairy cow numbers had increased both in Germany and Denmark, the two countries in which the utilisation of these schemes had been most important. Hence, the scheme apparently reduced the number of smaller dairy herds but did not eliminate the continued development of bigger and more efficient dairy herds. The decrease in cow numbers in 1981 is, therefore, mainly reflecting the general impact of several economic elements, of which the cautious price policy and the cost development (particularly interest rates) have been the most important. While increasing in relative importance the development of bigger herds was temporarily discouraged.
- b) In 1981, the average annual yield per dairy cow in the Community increased to 4 181 kg, or by 1.8%, which was still above the longer term trend, but significantly below the 2.5% increase in 1980. This moderation of the change in yields reflected the greater stability of the dairy herd in 1981 compared with 1980. However, the average yield in France increased by more than 4% as French cow numbers fell in 1980 by 4.5% and the average statistical yield in Denmark decreased by 2.5% partly because of the 1980 herd increase. In most other member states, the variations fell well within these limits. In 1982, however, the average yield per dairy cow in the Community will increase faster, by more than 2% reflecting a further improvement of the herd structure, the quality of the milking cows and the better feed economy obtained through relatively higher milk prices. Hence, several factors have added to the favourable climatic conditions in 1982.
- c) In spite of decreasing cow numbers the overall increase in milk yields resulted in practically unchanged milk production in the Community in 1981, at the level of 104.4 million tons. The proportion of the milk production sold by farmers to dairies continues to increase and reached 92.2% in 1981 against 91.7% in 1980. The total milk deliveries in 1981 only increased by 0.5% or 460 000 tons, which contributed mainly to a higher production of cheese, condensed milk, whole milk powder and liquid milk products. Thus, the milk production development was mainly orientated towards the potential commercial market, both internal and external, whereas production of intervention products (butter and skimmed milk powder) decreased. This orientation of the production

(1) In this text Community = EEC (10) if no other indication.

was reflected in the development of intervention stocks. Butter stocks (including private aided stocks) fell throughout 1981 by 92 000 tons and those of skimmed milk powder increased slightly by 49 000 tons.

2. Production and consumption of milk products

a) Drinking milk

The overall use of milk in the Community for liquid milk and fresh milk products increased only marginally in 1981, and the consumption of drinking milk remained unchanged. However, the picture showed a certain degree of differentiation as to individual products and member states. Thus, the general tendency of the last 9 years to consume more semi-skimmed milk and less whole milk continued in 1981. The total share of UHT-milk (ultra heat treated) continued to increase. In the United Kingdom, where semi-skimmed milk has not yet been marketed, the decreasing trend in the consumption of whole milk continued in 1981. In the Netherlands, consumption of semi-skimmed milk increased but that of whole milk decreased. In France, total consumption of these two products increased, due to a rapid increase in the consumption of semi-skimmed milk. In Germany, the consumption of both products have been increasing continuously over the last five years.

The total share of UHT milk of the Community consumption of whole and semi-skimmed milk stood at 22% in 1981, compared with 21% in 1980, with highest levels found in France (52%) and Germany (45%).

Consumption of cream and other fresh milk products (yoghurt etc.) continued to increase in 1981, but at a significantly lower rate, reflecting the impact of unemployment and other economic/social difficulties.

b) Butter

Total butter production in the Community (9 member states) decreased by 2.1% in 1981, compared with 1980. This development was due mainly to the increase of milk utilisation for other products (cheese, condensed milk and whole milk powder) in response to increased commercial offtake possibilities, primarily in the international market. However, the internal offtake of butter in the Community once more, as in 1980, decreased slightly and mainly because of a reduction in the quantities sold at reduced prices to the food industry (bakeries, ice cream) and non profit making institutions. General consumer subsidies continued to be applied in the United Kingdom, Denmark, Ireland and Luxembourg, and the total offtake at market prices remained practically unchanged. Against these relatively favourable developments in the internal supply and offtake situation an important decline of almost 70 000 tons took place in Community exports of butter/butteroil in comparison with the 1980 export levels. The main reason for this was the absence of restitutions for exports of butter to U.S.S.R. However, total EEC butter exports in 1981 remained well above exports of 1979, which indicates that the development of other commercial markets continued positively in 1981. In consequence of this buoyant situation which existed almost throughout 1981, the public (intervention) stocks were

practically exhausted at the end of the year and stood at 10 000 tons against 128 000 at the same time in 1980. However, as the butter production is expected to increase significantly in 1982, and the exports may further decrease, a certain, moderate build-up in butterstocks can be expected at the end of 1982.

Normal butter imports in 1981 amounted to 94 000 tons, which is accounted for by the imports into the United Kingdom from New Zealand. Other quantities of butter were imported by other member states from the United States as part of the U.S./New Zealand "butter-deal", but were re-exported after transformation into butteroil on behalf of the New Zealand Dairy Board. Such transit transactions continued also in 1982.

c) Skimmed milk powder

The Community skimmed milk powder production fell by almost 2% in 1981 compared with 1980, or a decrease of 38 000 tons. This decrease is partly due to greater use of skimmed milk in the production of cheese and liquid milk products and/or fresh milk products with a relatively low fat content. The other main uses of liquid skimmed milk for animal feed and liquid skimmed milk for casein production both decreased by 8% and 17% respectively. However, in consequence of the fall in butter production, less skimmed milk was available for powder manufacture.

The manufacture of skimmed milk powder in the Community far exceeds demand at market prices, which rarely amounts to more than 15% of total production. This is the background for the aid given to skimmed milk powder incorporated in animal feed compounds. In 1981, 1.3 million tons or 62% of the production was sold with a price reduction of 45% for calf-milk replacers. Special sales of powder for animal feed at very low prices competitive with soya were not required in 1981, but were reintroduced in July 1982 to limit stock increases. These were particularly due to reduced commercial exports in 1981 and 1982, and a substantial increase in production of the order of 7%, in 1982.

d) Cheese

Community cheese production increased in 1981 by 3.9% and the internal cheese consumption increased by 2.5%. Thus, the upward trend in consumption continued, but at a slower rate. No doubt, one of the main reasons for this continued increase is the availability to the Community consumers of a wide range of cheese types and qualities, including imports of about 100 000 tons of cheese from third countries. On the other hand, the Community is the world's biggest cheese exporter. The increase of these exports in recent years - in 1981 exports increased by 48 000 tons - has decisively influenced the total level of Community production.

e) Whole milk powder

Traditionally, the production of whole milk powder in the Community is linked to the development on the international market. Having increased by more than 60% from 1978 to 1980 the international market

came to stagnation in 1981, and Community production "only" increased by 7%. This stagnation was even more marked in 1982, partly because non-EEC countries are accelerating their production and exports of whole milk powder. EEC production is therefore expected to decrease by some 15% in 1982.

f) Condensed milk

The internal EEC demand for condensed milk is still on the decline. However, EEC production in 1981 increased by 6% or 86 000 tons, mainly in response to international demand. Although the EEC share of the international market has been falling in recent years, a recovery both in quantities exported (+ 30 000 tons) and in market share was recorded in 1981. A further improvement is expected in 1982.

g) Casein

EEC production of casein is based on a system of aids paid for skimmed milk used in the production of casein and caseinates. This is to compensate for the very low import duties bound under GATT. Reflecting a decrease in the level of aids in 1980, the EEC production fell in 1981, by 17%. In order to stabilise the situation the level of aids was again amended in May 1981, in October 1981 and especially in May 1982. The probable result is a slight increase (by some 3 - 5%) of EEC production in 1982.

3. World market situation

- international developments in production and trade -

a) Milk production and policies

Whereas EEC dairy cow numbers continued to decline in 1981 - by 0.8% - the US cow numbers maintained the momentum of increase which started in 1979. The number of dairy cows also increased in Canada, Japan and New Zealand. It seems, that these developments continued also in 1982, although in the EEC the cow numbers tended to stabilise.

In the U.S.S.R. the number of milk cows remained stable through 1980 and 1981, but increased by 0.7% in the first quarter of 1982. Cow numbers decreased in 1981 in Australia, Switzerland and Finland by 2%, 3% and 4% respectively.

It is interesting to note the impact of these movements in cow numbers on the world milk production in 1981. Hence, whereas the total world production of milk increased by only 0.4% compared with 1980 (and 1980 increased by 0.7% compared with 1979), this picture includes a 0.1% decrease in the EEC, a 2.4% decrease in the U.S.S.R. and a 1.5% increase in the rest of the world. In terms of milk quantity, world milk production in 1981 increased by 1 701 000 tons (1) in comparison with 1980. This figure balances with decreases in the U.S.S.R. and the EEC of 2 200 000 tons and 63 000 tons respectively, and an increase of 3 964 000 tons in the rest of the world. The main part of this latter quantity is accounted for by the USA (1 863 800 tons).

(1) Based on preliminary statistics (FAO)

Unfortunately, 1982 did not improve the general situation of the international dairy scene, because those countries which produced less in 1981 (USSR and EEC) started to increase their milk production, while most other countries continued to produce more milk - some significantly more (notably Canada and Australia). However, the rate of increase weakened in the U.S.A. Thus, world milk production in 1982 is likely to increase by 1.5 to 2%, and the "Western World" will probably increase milk production by more than 2%.

In many countries, milk policies are therefore constantly under review in an effort to cope with the economic and commercial consequences of surplus production, stocks and unbalanced price levels.

Below, further comments are given on particular developments in certain countries of special importance.

In the USA the continued increase of milk production and the substantial public stocks of butter, skimmed milk powder and cheese created the background for important changes in the milk policy, voted in the framework of the agricultural policy in the Congress in December 1981. In principle, the current support price of \$ 28.88 per 100 kg. of milk (corresponding to set intervention prices for butter, skimmed milk powder and cheese) should remain in force until October 1982, and be replaced in 1983 and 1984 by certain limited amendments. However, in August 1982, a further limitation of price increases was agreed in Congress.

Basically, the new dairy provisions maintain the price support level at \$ 13.10 per 100 lbs. (= \$ 28.88/100 kg.) for marketing years beginning on October 1, 1982 and 1983. In 1984, the price support level will be based on parity, a concept to link prices to cost developments.

The percentage of parity which equates to \$ 13.10 on October 1, 1983 will be used to establish the support price for 1984. It is estimated that this will be about 63 percent of parity.

The provisions give the Secretary of Agriculture authority to place an assessment of 50 cents per 100 lbs. on all milk marketed beginning October 1, 1982 as a means of offsetting part of the price support programme. This assessment would be remitted to the Commodity Credit Corporation and would be eliminated when surplus removals fall below 2.3 million tons milk equivalent on an annual basis. The assessment will not be refundable.

The Secretary of Agriculture will also have authority to make a second 50 cent per 100 lbs. adjustment on April 1, 1983 if a production adjustment incentive programme has been established.

Thus, the U.S. administration has succeeded in introducing both a cautious price policy and a levy on production. It remains to be seen to what extent and how quickly the imbalanced situation can be improved. Unfortunately dairy cow replacers are abundant and cull cow prices have not encouraged slaughterings. Current stock levels are also burdensome. At the beginning of July 1982 uncommitted intervention stocks stood at 198 000 tons of butter, 492 000 tons of skimmed milk powder and 346 000 tons of cheese.

Canada:

In spite of the current quota-levy system applied for industrial milk in Canada, and the regional quota system in the liquid milk sector, total milk deliveries increased in 1981 by 2.5% compared with 1980. This increase includes an increase for industrial milk and cream of 3.3% and a 1.0% increase for fluid purposes. Total "cash receipts" per kg. of milk delivered from farms increased nominally by 35%, whereas the average "target" price level increased by 16% from 1980 to 1981. In spite of the quantity restraints imposed through the levy system (over-quota levy equals about 45% of target price) the average prices obtained did not seem to discourage milk producers. From August 1982, the Canadian Government has announced the application to the dairy policy of the national wage and price restraint policy, which primarily will implement ceilings on dairy support prices. The target price set 1 August 1982 at Canadian Dollars 41.02 per hectolitre was 7.8% higher than the corresponding level one year earlier, showing a considerable slow-down in the usual Canadian rate of price increase.

1981 production of individual dairy products in Canada showed 10% increase for butter, 7% decrease for Cheddar, 6% increase for other cheeses, 25% increase for skimmed milk powder and 19% decrease for evaporated milk. These changes partly reflect the increasing export of skimmed milk powder (especially Mexico) and decrease for evaporated milk. The Canadian stocks of butter and skimmed milk powder in July 1982 stood at 34 000 tons and 71 000 tons respectively, slightly higher than a year ago.

New Zealand:

Prices paid to milk producers in New Zealand increased by 15% in the 1981/82 milk year, compared with 1980/81. This represents a certain slow-down of the rate of price increase in recent years. The announcement of the target price for 1982/83 indicates a price level similar to that of 1981/82, but certain increases would nevertheless be expected through 1982/83. Dairy cow numbers are slightly increasing in New Zealand, but total milk deliveries in 1981 were down by 6%, due to climatic conditions and animal health problems in the first half of 1981. In the latter half of 1981, milk production regained momentum and increased by more than 2% during the first half of 1982. Exports from New Zealand in 1981 showed a very differentiated picture, with decreases for skimmed milk powder and casein and increases for cheese and butter/butteroil. In 1982/83 more emphasis has been placed on production of casein, whole milk powder and cheese, at the expense of skimmed milk powder production. The New Zealand-US "butter deal" of 100 000 tons of US intervention butter concluded in 1981 was carried out through final quarter of 1981 and first half of 1982. Transformation of this butter into butteroil has taken place both in Oceania and in the EEC, and the butteroil has been sold on the world market. By mid-1982 the stock situation in New Zealand was relatively normal with the exception of skimmed milk powder stocks, amounting to 50 000 tons more than the level one year earlier.

Australia:

The aim of the Australian dairy policy is to differentiate individual product prices according to obtainable market prices. However, the fixation of such individual guaranteed ("underwritten") prices represented in 1981/82 and 1982/83 (preliminary) 95% of a three year

moving average of gross equalised pool returns for the products concerned, thus implementing a "market signal" in the guaranteed prices. While increasing 1981/82 prices substantially (e.g. butter + 25%, cheese + 55%) 1982/83 price increases have been more moderate: butter + 11.8%, skimmed milk powder + 4.8%, Casein + 3.4%, cheese + 5.7% and whole milk powder + 3.6%. On average, producer prices for all milk in Australia, including liquid milk and fresh products, increased by 16% in 1981/82. The targets set for 1982/83 would indicate a further increase of at least 10%.

Australian milk production has obviously passed the bottom of the long downward trend which started in 1970. Thus, 1981 showed a decrease of 3% compared with 1980, but production through the first half of 1982 increased by 4% on the same period of 1981. The current 1982 and 1983 milk production will mainly depend on the climatic conditions, but could show a higher degree of stability than has been observed through the past decade.

Japan:

The previous high level of increase in Japanese milk production ceased in 1981 with a level only 1.8% up on the 1980 figure, while production stabilised in 1982. This, together with the increase in liquid milk consumption in 1981 and 1982 caused a considerable reduction in the surplus stocks of butter and skimmed milk powder which existed only one year ago. The support prices operative for butter, skimmed milk powder and condensed milk remained unchanged between 1977 and 1982 when the powder and condensed milk prices were increased by 1% and 2% respectively. Imports of cheese into Japan decreased in 1981 by 4.4% to 71 000 tons, mainly because of lower exports from Australia. Imports of skimmed milk powder for animal feed decreased by almost 20 000 tons in 1981 compared with 1980, thus continuing the rate of decrease from 1979.

b) International Trade (1)

i: World market offtake

In terms of total exports, including food aid and exports on concessional terms, the 1981 world market tended to decline for butter and skimmed milk powder, and to stagnate for wholemilk powder and condensed milk whereas cheese exports continued to expand. In fact, butter exports fell by 14%, partly because of a reduction in the U.S.S.R. imports. However, the 1980 butter trade represented an extraordinary high rate of increase, which could not be expected to be repeated year after year. Hence, the 1981 butter trade corresponds fairly well to the 1979 trade level, with similar market shares: 61% to EEC, 39% to other countries. The world trade for skimmed milk powder in 1981 decreased by 9% or 100 000 tons, partly reflecting a decrease in the imports of powder for animal feed and to some extent - as for butter/butteroil - a general slow-down in the market. The cheese market in 1981 expanded by 7%, due in particular to increased exports to the Middle East. The whole milk powder market fell in fact by 7% but relative to the period 1977-1979 at a level of 500 000 - 550 000 tons the market remained in 1981 at the very high level of 750 000 tons.

(1) See Table N. M 13.11

Condensed milk/evaporated milk remained at practically unchanged export levels in 1981. However, the supply - and import pattern changed significantly, as Canadian production and exports, especially to Mexico, decreased. Hence, the EEC regained a certain share of the market.

In price terms, the world market for dairy products in 1981 improved and maintained price levels well above the minimum prices set in the framework of the dairy arrangements in GATT.

ii: EEC exports 1981

EEC lost market shares for butter/butteroil and, to a lesser extent, for skimmed milk powder. The expansion of the world cheese market was entirely due to increased EEC exports. EEC whole milk powder exports remained almost stable, but the EEC share of the total market increased. For condensed milk EEC exports increased - by 30 000 tons - which lifted the EEC market share in a slightly declining, total market.

iii: EEC imports 1981

Statistics show, that the Community imported 114 000 tons of butter in 1981, of which a small part represented butter from the USA, the property of New Zealand, which entered the EEC to be converted to butteroil and re-exported under the inward processing scheme. The normal butter imports in 1981 represented 94 000 tons of New Zealand butter to the United Kingdom in accordance with the special arrangement following the Protocol 18 of the Treaty of Accession. Imports in 1981 represent 14% of the world butter trade. Cheese imports into the Community in 1981 amounted to 99 000 tons, representing 13% of the world cheese trade. Thus, EEC remained the world's second biggest importer of butter, next to the U.S.S.R. and the second biggest importer of cheese, next to the USA.

4 Producer milk prices

- a) The target price for milk was fixed for the 1982/83 milk year, with effect from 20 May 1982, at 26.81 ECU/100 kg. corresponding to an increase of 10.5% on the previous year. Intervention prices for butter, skimmed milk powder and certain Italian cheeses were changed accordingly. The coresponsibility levy for 1982/83 was reduced from 2.5% to 2.0% of the target price, while the previous criteria for reduced levy and exemption from the levy were maintained. However, as a specific measure concerning the particular problems of small milk producers, the Council of Ministers granted an amount of 120 million ECU for distribution between these producers. Further, as a "market signal" concerning the future development of milk production in the Community, the Council also decided the principle of a guarantee threshold to indicate the limit for annual increases of milk deliveries at the fixed level of prices and budgetary costs. For 1982, this limit was established at + 0.5% in comparison with milk deliveries in 1981. As in previous years, there have been important differences between the actual producer prices for milk obtained in the different member states of the Community, chiefly attributable to monetary rates and the connected fixing of national currency rates in relation to the ECU.

Moreover, individual dairies in different regions of the Community differ in their utilisation of milk, their cost situation and their market position.

b) Wholesale and consumer prices

Against the background of economic recession, high unemployment rates etc., it has been a problem for EEC milk producers to pass on the higher target prices to the consumers. National measures concerning prices and wages have furthermore contributed to different trends in market prices, expressed in national currencies.

5. Market Prospects

EEC dairy cow numbers have been stabilising in 1982 and are expected to remain fairly stable in 1983.

This stability indicates a reasonable balance between the number of cows leaving smaller herds and the number entering bigger - and more efficient - herds. Assuming that the price/cost development in the short run will not strongly encourage the transformation of the herd structure, it is reasonable to foresee annual, average yield increases of 1.5 - 2.0% per annum. Compared with the favourable climatic conditions of growth in 1982, the milk deliveries particularly be the case should the Council of Ministers implement price sanctions in 1983 in consequence of the 1982 decision on a guarantee-threshold.

The consumption on the internal EEC market should probably continue to develop, though slowly, at a rate of close to 0.5% per annum. Both the liquid milk market and the cheese consumption are increasing, but at lower rates than in previous years. Butter consumption will decrease at a slower speed and skimmed milk powder utilisation within the Community will probably expand in response to the extended aid-measures for animal feed. The world market trade stagnated in 1981 and tended to decrease in 1982. But the trend of export demand will probably continue to expand due to population developments, continued growth in the wealth of oil producing countries and increasing degree of industrialisation in certain developing countries. The speed of this development could, however, slow down because of international economic difficulties (i.e. international currency developments and balance of payment problems). Thus, the present increase of milk production in the economically developed part of the world, which in 1982 is close to 2% compared with 1981, will tend to increase the international surplus stocks of dairy products in the short run, if dairy policies are not adapted to the potential market.

In the Community, the production and offtake situation in 1982 will probably result in higher public stock levels at the end of the year

However, the overall market balance has been maintained, due to the increased utilisation of internal measures to increase the offtake.

6. Economic effects of common measures

a) Imports

The import levies as foreseen under Article 14 of Regulation (EEC) No 804/68 continue to represent the difference between the threshold price and the lowest free-at-frontier Community offer price. When fixing new prices for the 1982/83 milk-year, the threshold prices were increased. The fixing of import levies has not resulted in imports of milk and dairy products liable to disturb the Community market.

Under the existing trade agreements between the Community and various non-member countries, the minimum prices for the tariff headings were adapted to the increased Community price level.

b) Exports

International market prices remained at more remunerative levels throughout 1981. Export refunds were adapted to maintain these levels and to take account to a certain extent of fluctuations in the value of the US Dollar as price comparison in international trade in dairy products is mainly expressed in the US currency.

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

At the beginning of the milk year 1982/83 (28 May 1982) aids for the use of skimmed milk had been fixed as follows:

- skimmed milk powder for animal feed	62 ECU/100 kg.
- liquid skimmed milk for calf-feed	6.30 ECU/100 kg.
- liquid skimmed milk for feeding other young animals	9.20 ECU/100 kg.
- liquid skimmed milk for the manufacture of casein	6.25 ECU/100 kg.

Compared with 1980 the use of liquid skimmed milk in animal feed in 1981 showed a decrease of 8%; the use of skimmed milk powder increased by 2%, while the quantities of skimmed milk transformed into casein fell by 17%.

d) Storage

Butter

In 1981, only 12 611 tons of butter was bought in by the Intervention Agencies. In the same year, 77 041 tons of intervention butter was sold within the Community in connection with special measures, while 4 741 tons was allocated for food aid, 32 000 tons exported to Poland and 15 568 tons sold at market prices. At the end of 1981, public stocks of butter were sold at market prices. At the end of 1981, public stocks of butter were 9 986 tons. During 1981, private storage aid was granted for 280 635 tons of butter. At the end of 1981, 137 216 tons were still in private storage. Given the low stock levels of intervention butter certain programmes for special sales measures have been modified in 1981 to grant an equivalent aid for market butter; 83 000 tons were sold with aid under these programmes.

Skimmed milk powder

In 1981, 241 937 tons of skimmed milk powder were bought in by the Intervention Agencies, while 194 138 tons were removed from storage, of which 92 346 tons for internal EEC measures and 91 429 tons for food aid.

Italian cheeses, long-keeping cheeses

Private storage aids for certain long-storage cheeses have been applied regularly since 1973. Aid was extended to Provolone from 31 July 1978.

e) Food aid

Since 1970 the Community has supplied a certain part of its food aid in the form of butteroil and skimmed milk powder. The quantities annually set aside for this purpose are 45 000 tons of butteroil and 150 000 tons of skimmed milk powder.

Deliveries are made in accordance with set administrative procedures which become operational from the moment recipients have stated that they are ready to take over the goods.

7. Financial Expenditure

The expenditure of the Guarantee Section of the EAGGF in respect of milk products amounted to 4 752 mill. ECU in 1980 and decreased to 3 343 mill. ECU in 1981. Thus, the part of the Guarantee Section expenditure utilised in the milk sector fell from 42% in 1980 to 30% in 1981. Estimated expenditures for the milk sector in 1982 amounted to about 3 500 mill. ECU.

Receipts from the coresponsibility levy represented 223 mill. ECU in 1980, 479 mill. ECU in 1981 and is estimated at 535 mill. ECU in 1982.

14. BEEF AND VEAL

1. Introduction

Beef and veal production (adult cattle and calves) accounted for about 16% of the value of final agricultural production in 1981.

About 2.45 million farms, or more than half the total in the Community, raise cattle. Since 1975, however, the number of cattle farmers has declined at an average annual rate of 3.7%. Land used for fodder production accounts for about 60% of the Community's UAA, and since cattle rearing is essentially dependent upon land, it is not surprising that most beef and veal is produced in the countries with large areas of pasture.

The Community, accounting for about 15% of world production, is second among world producers ahead of the USSR, but lags well behind the United States.

2. Production

(a) Cattle numbers

Because of the sustained high rate of slaughterings, especially of cows, the cattle stock continued to contract in 1981.

The survey of cattle numbers carried out in December 1981 gave a result of 77.9 million head, including 31.0 million cows, down 0.5% and 0.3% respectively on the previous year.

In December 1981, the number of calves (cattle less than one year old) was slightly up (by about 0.4%) on the December 1980 figure and the number of beef cows stayed at around 6 million head.

The average rate of increase in cattle numbers has fallen sharply in recent years.

(b) Productio of beef and veal

As in 1979 and, above all, in 1980, a large number of animals - both cows and heifers and adult males - went for slaughter in 1981; however, calf slaughterings were again down.

Slaughterings

In 1981 about 21.5 million head of adult cattle were slaughtered, a drop of about 4% compared with 1980; in the first half of 1982 the number of slaughterings of adult cattle declined sharply (by about 9%); slaughterings of cows also fell by about 9%.

Given the trend in numbers of the Community cattle stock, the number of adult cattle marketed in 1982 will probably show a reduction of about 4%.

The number of females (cows and heifers) slaughtered should be down again in the second half of 1982.

Trends in slaughterings of adult cattle and of calves have differed in previous years: up for adult cattle but down for calves.

In 1981 slaughterings of calves, at 6.7 million head, were 4.7% down on the figure for 1980; during the first half of 1982 the number of slaughterings of calves rose by 2% compared to 1981.

Slaughtering coefficient (i.e. the ratio of slaughterings to cattle numbers)

After reaching a peak in 1980 the slaughtering coefficient for adult cattle returned in 1981 to the already high level of 1979. The slaughtering coefficient for calves is continuing to decline.

Average slaughter weight

The average slaughter weight of adult cattle in 1981 (285.9 kg), rose by only 0.5 kg compared with 1980; contrary to the trend recorded in recent years, the average slaughter weight of calves in 1981 (113.5 kg), fell for the first time. This decline in average slaughter weights is probably due mainly to the increase in feed prices in autumn 1980.

Production of beef and veal

Production has been declining ever since the cyclical peak in production in 1980. The net production of beef and veal of 6.9 million t in 1981 showed a fall of 3.8% compared with the 1980 figure.

In 1981 beef production dropped by 3.6% in the Community; in the first half of 1982 it fell by about 8%.

The production of veal was down by 5.4% in 1981 because of a steep fall in slaughterings and a reduction in the average slaughter weight. In the first half of 1982 production of veal rose by about 3% compared with the figure for the first half of 1981.

The production of beef and veal is now increasing at a lower average annual rate than previously in response to the less favourable market conditions.

In recent years, the structure of cattle-raising has undergone far reaching change:

- decline in the number of cattle farmers at the rate of almost 4% per year, mainly through the elimination of small farms,
- a slight increase in the number of animals held per farm.

Thus in December 1981 the average size of cattle herd per farm was over 30 head for the Community, about 6 in Greece, 13 in Italy and 77 in the United Kingdom.

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

- cull cows and young calves (milk production),
- suckler herds and 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 sharp expansion in the organized production of young bulls, young male animals now account for about one third of all adult cattle slaughtered.

3. Consumption

(a) Consumption of beef and veal

Because the economic situation, and with it employment, deteriorated in the Community, with a decline in the rate of growth and a sharp increase in the number of jobless, consumption of beef and veal fell again in 1981.

Despite supplies that were still plentiful, the consumption of beef and veal, at about 6.7 million t, was 3.4% down on the 1981 figure.

Consumption of this product is a function of 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 rose from about 25 kg in the early seventies to about 26 kg towards the end of the seventies. In 1981, per capita consumption was about 24.8 kg, compared with 25.7 kg in 1980, of which 22.0 kg for beef and 2.8 kg for veal.

Per capita consumption had increased until 1973 at an average rate of more than 1% per year. Because of the economic difficulties since then, the rate of increase is now well below 1%.

It has also been noted that in the medium to long term the per capita consumption of beef has been increasing slightly while that of veal has tended to mark time.

- b.) Because population growth slowed down, the overall consumption of beef and veal expanded more slowly from 1975 to 1981 than beforehand, by about 0.8% per year.

There is no reason to expect a reversal of this trend in the near future.

(b) Rate of self-sufficiency

In past years, the Community had had abundant supplies of beef and veal as a result of fairly steady production, import commitments entered into and intervention stocks.

Exceeding 100% in 1974 and 1975, the self-sufficiency rate fell short of 100% in the following three years. From 1979 onwards, it was again 100%. Counting public stocks of intervention meat, the Community has consumed less beef and veal than has been available in recent years.

However, because of the fall in production in 1981 and 1982, public intervention stocks were halved between September 1980 and September 1981. The quantities of intervention meat still in storage in autumn 1982 amounted to some 120 000 t expressed in terms of unboned meat.

4. Trade

Intra-Community trade in beef and veal has been marking time in the last three years at about 1.4 million t. Imports to Greece from the other Member States have increase.

Since 1974, imports of beef and veal from non-member countries have averaged about 0.4 million t:

	379	million	tonnes	in	1977
	415	"	"	"	1978
	412	"	"	"	1979
	356	"	"	"	1980
	364	"	"	"	1981

Many of these imports enter the Community on special terms.

The Community's external trade

	'000 t				
Period	1977	1978	1979	1980	1981
Trade					(p)
<u>Imports</u>					
from non-member countries					
beef and veal	379	415	412	356	364
of which: live animals	46	67	73	59	50
('000 head)	(257)	(385)	(451)	(361)	(310)
fresh or chilled meat	48	62	63	61	55
frozen meat	141	122	141	141	121
preserves	144	164	135	121	138
<u>Exports</u>	152	168	338	642	663
of which: preserves	41	38	70	30	38
Net trade balance	227	247	74	- 286	- 299

(p) provisional.

Exports of beef and veal to non-member countries in 1981 amounted, as in 1980, to around 663 000 t (carcase weight). The Community's external trade surplus in beef and veal stayed the same at nearly 300 000 t in 1981.

The main suppliers of beef and veal to the Community in 1981 were:

- Latin American countries, especially Argentina and Uruguay, supplying around 40% of total imports, and more than 60% of imports of frozen meat;
- East European countries, supplying more than one fifth of total imports and nearly half the imports of live animals, mainly from Poland;
- Australia and New Zealand, supplying about 7% of total imports;
- Yugoslavia, supplying about 20% of imports of live animals and fresh and chilled meat;
- Austria, supplying about 25% of live animals and about 30% of fresh meat;
- lastly, ACP countries (Botswana, Swaziland, Kenya, Madagascar), supplying about 3% of total imports.

The Community's main customers in 1980 were:

- Mediterranean European countries (Spain, Portugal, Yugoslavia), taking about 10% of total exports;
- East European countries, taking more than 36% of total Community exports, the USSR taking more than 15%;
- African countries, particularly Libya and the Maghreb countries, taking about 15% of total exports, especially of live animals;
- Middle East countries, taking about 20% of total exports, with Egypt accounting for nearly 10%.

5. Prices

(a) Common prices

For the 1982/83 marketing year, the guide price for adult cattle was fixed for the whole Community, from 20 May 1982 onwards, at 191.87 ECU/100 kg live weight, and from 6 December 1982 onwards, at 196.29 ECU/100 kg live weight.

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

The Council has also fixed the intervention price at 172.68 ECU and 176.66 ECU/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

After a three-year period of relative stability, Community market prices for adult cattle, expressed in ECU, rose steadily from 130 ECU in autumn 1980 to over 160 ECU/100 kg live weight in autumn 1982.

In 1981 the average Community market price for adult cattle rose by 10.6%, in line with inflation (1). The average prices for adult cattle were running at about 85.1% of the guide price, i.e. at a level a good deal below the Community intervention price.

In September 1982 Community market prices for all qualities of adult cattle were running at about 162.5 ECU/100 kg live weight, i.e. 84.7% of the guide price.

After falling for two consecutive years, the Community market price for calves firmed in 1981 and 1982.

Prices for adult cattle

	ECU/100 kg live weight					%	
Period	1978/79	1979/80	1980/81	1981/82	1982/83	change	
Price	:	:	:	:	:	:	82/83//
	:	:	:	:	:	:	81/82
-----	-----	-----	-----	-----	-----	-----	-----
Guide price	152.29	154.58	160.76	172.82	191.87	+11.-%	:
Intervention price	137.06	139.12	144.68	155.54	172.68	+11.-%	:
Market price	:	:	:	:	:	:	+
- in money terms	130.55	130.65	132.58	149.93	161.95*	+10.5%	:
- as % of guide price	86.1	84.8	83.0	86.1	86.4	:	:
Import price	76.47	82.55	84.75	90.67	92.00*	+2.2%	:
-----	-----	-----	-----	-----	-----	-----	-----

* From April to September 1981.

+ Percentage change compared with the corresponding period of the previous year.

(c) Import prices

The pressure on beef and veal prices recorded in 1979/80 on non-Community markets caused Community free-at-frontier offer prices to rise during the period, by about 10% for live animals and fresh and chilled meat and by about 40% for frozen meat.

(1) In national currencies the increase averaged about 12%.

Since then the trend has been reversed because of the less favourable economic situation and offer prices, especially for frozen meat, expressed in ECU, have remained relatively stable.

(d) Consumer prices

Consumer prices for beef and veal expressed in national currencies have shown an average annual increase of more than 10% over recent years; in 1981 the rate of increase was still about 12%.

This is comparable to the rate of inflation in most of the Member States.

(e) Cost of animal feed

In 1981 the fall of feed grain prices on the world market and the prices of protein-rich products used in animal feed meant that the prices of commercial cattle feed remained relatively stable in the Community at their end-of-1980 level.

6. Outlook

- (a) In 1980 the cattle herd, and in particular the breeding herd, began to be run down and in December 1981, for the second year running, there was a decline in cattle numbers compared with a year previously. The recent pickup in the number of breeding females does not yet indicate that the run-down is over.

It is estimated that in 1982 domestic production of beef and veal will be down again by about 3% compared with the previous year and will amount to only about 6.7 to 6.8 million t.

It may be expected that in 1983 production of beef and veal will increase, by about 1 to 2%.

The consumption of beef and veal, like that of all meats, declined again in 1981 and annual per capita consumption is now only about 25 kg.

As the consumption of beef and veal depends mainly on the economic situation and employment and on the rate of population increase, consumption may not be expected to increase in the Community in coming months.

Given the outlook for production and consumption and the present stock of intervention meat to be disposed of in coming months, the Community market will again be well supplied in this product next year.

Although the degree of self-sufficiency is declining, it will still be near 100% in coming years.

Despite the economic difficulties affecting demand for meat, the market prices of adult cattle are expected to keep rising in coming months.

- (b) The world market in beef and veal stayed weak in 1981, partly because production went on declining in the principal non-member countries farming intensively and in extensive farming countries which are net exporters, and partly because of the economic recession which reduced available household income and lowered demand for meat on the major markets.

As the import needs of traditional importing non-member countries like the United States will probably exceed available supply and because new markets are emerging (Middle East), it may be expected that the prices of beef and veal on the world market will pick up somewhat in 1982/83.

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; it was decided to differentiate some refunds by reference to the category of animal;

- . direct buying in by public intervention agencies:

227 000 tonnes in 1978

330 000 " " 1979

410 000 " " 1980,

280 000 " " 1981,

representing 4.6% of Community beef production.

Up to 1 September 1982, 109 000 t had been bought in, over a quarter less than in the corresponding period of 1981;

- . granting of private storage aid in November 1981, covering an overall quantity of about 27 000 t of hindquarters (with provision for boning and/or export after a minimum period of storage).

- measures to stimulate consumption (sale of intervention meat by intervention agencies for direct consumption, allocation of a certain amount of frozen meat from intervention stocks to industry for processing in the Community, sales of intervention meat at special prices to welfare organizations).

- aid measures:
 - . possibility of granting variable premiums for the slaughter of certain beef cattle (clean cattle); only the United Kingdom has availed itself of this facility;

 - . the grant of a calf premium in Italy, Greece, Ireland and Northern Ireland;

 - . lastly, as an income supplement for producers specializing in quality meat, the grant of a premium for keeping suckler herds, with effect from the 1980/81 marketing year.

- adjustments to the intervention system

As in previous marketing years, the Commission restricted intervention buying to certain categories (male animals) and forms of presentation (carcasses, quarters) by reference to developments, mainly seasonal, in the market situation. In connection with the adjustment of the rules in the beef and veal sector, the Council fixed the Community scale for the classification of adult carcasses and the Commission laid down the provisions for applying the scale and defined the arrangements for recording the market prices of adult carcasses on entry to the slaughterhouse. It was also proposed that from 4 April 1983 intervention buying would be on a common basis, using the Community scale for the classification of adult carcasses. In preparation for this new system, the Commission laid down the rules for recording market prices on the basis of the Community classification scale.

(b) International agreements

In addition to the normal arrangements for importing beef and veal, the Community has entered into undertakings to import large quantities annually on the basis of bilateral and multilateral agreements.

Under the GATT, the Community opens annual tariff quotas for the import of:

- 38 000 head (18 000 on an autonomous basis) of heifers and cows of certain mountain breeds at the rate of 6%, and 5 000 head of certain alpine breeds, other than animals intended for slaughter, at the rate of 4%;
- 50 000 t (in terms of boned meat) of frozen beef and veal, at the rate of 20%.

Under the arrangement for "high-quality" cuts, for 1983 the Community undertook to raise the annual tariff quota for imports from 21 000 t to about 29 800 t of fresh, chilled and frozen beef and veal, at the rate of 20%, as follows :

10 000 t from the United States of America and Canada,
5 000 t from Australia,
12 500 t from Argentina,
2 300 t from Uruguay,

plus a tariff quota for imports of 2 250 t (in terms of boned meat) of frozen buffalo meat from Australia, also at 20%.

Under the ACP/EEC Lomé Convention, special arrangements were introduced for the import of 30 000 t (in terms of boned meat) of beef and veal from Botswana, Swaziland, Kenya and Madagascar. The agreement provides for exemption from customs duties and the reduction of other import charges.

Under the forward estimates for 1982, the Community provided for the possibility of importing:

60 000 t (in terms of unboned meat) of frozen beef and veal for processing;
235 000 (210 000 + 25 000) head of young male cattle for fattening.

Under a trade agreement with Yugoslavia, 50 400 t of fresh or chilled baby beef may be imported annually from that country with a reduced levy.

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

Given the distance by sea, the Community has agreed to the advance fixing of the levy for fresh and chilled meat imported from Argentina and Uruguay.

The levies on frozen meat imported from Romania, Argentina, Uruguay, Australia and New Zealand may also be fixed in advance.

Lastly, there is provision for imports with customs duties bound under GATT, i.e. with no levy or quantitative limit; this applies to pure-bred breeding animals (duty free) and to beef preserves (at the rate of 26%).

As a result of the Council's decision to supply Poland with Community meat on easy terms, in 1981 Poland was sold 55 000 t of frozen beef from intervention stocks as a special price and received 8 000 t as a gift.

8. Budgetary expenditure

EAGGF Guarantee expenditure on beef and veal was 1 436.9 million ECU in 1981; it is provisionally put at 1 415 million ECU for 1982 and estimated at 1 283 million ECU for 1983, i.e. 12.9%, 10.4% and 9.1% respectively of total EAGGF Guarantee Section expenditure. The figure of 1 415 million ECU breaks down into 788 million ECU in refunds and 417 million ECU in intervention expenditure for public and private storage, and 210 million ECU in premiums, mainly the calf premium and the suckler herd premium.

15. PIGMEAT

1. In December 1981 there were in the Community of Ten altogether 78.5 million pigs on about 2.1 million farms.

Production structures followed the same general trends as in previous years: on the one hand, there has been a decrease in the number of farms, particularly those with fewer than 200 pigs or 10 sows; on the other hand, there has been an increase in the average pig herd per farm. The average size of herd continues to vary greatly from one Member State to another: over 250 pigs per farm in the United Kingdom and the Netherlands, about 150 in Denmark, Belgium and Ireland, about 50 in Luxembourg, Germany and France, 17 in Hellas and nine pigs per farm in Italy. The Community average is 37.5 pigs per farm (1981).

In terms of geographical distribution, pig production is still concentrated in the areas bordering the North Sea and the English Channel and in northern Italy.

In 1981 pigmeat accounted for close to 12% by value of gross final agricultural production and about 47% of the total tonnage of meat produced in the Community.

The Community is still the second largest pigmeat producer in the world, after China.

2. Production

On 1 December 1981 there were in the Community of Ten as a whole 78.5 million pigs, including some 8.8 million sows.

Compared with December 1980, the total number of pigs had risen by 0.3% whilst the number of sows had decreased by 0.8%. The results of the surveys of pig numbers at 1 August 1982 showed that potential supplies were slightly down; as compared with August 1981, the total number of pigs was 1.1% smaller and that of sows had fallen by 0.5%.

In 1981 the Community of Ten produced 10.3 million t of pigmeat, 1.4% more than in 1980. In 1982 the quantities of pigmeat produced by the Community slaughterhouses will be about 0.2% up on 1981. For the first six months of the year, production will be 0.9% down but it will increase by 1.2% in the second half of the year.

Although the increase in total pig numbers, and in the number of breeding sows in particular, has lost some momentum, gross home production increased in 1981. This was due mainly to a further increase in the productivity of breeding herds, thanks to improved feeding techniques and the use of stock of better genetic quality. In some countries, improved organization at farm level has also helped to raise productivity.

3. Consumption

In 1981, pigmeat consumption in the Community of Ten as a whole was slightly down on 1980 (10.7 million t in 1980 and 10.06 million t in 1981). Per capita consumption dropped from 37.2 kg to 37.0 kg.

				1981	
:	:	Internal consumption	kg/	Degree of	
:	:	('000 tonnes)	inhabitant	self-sufficiency	
:	:	:	:	%	

:	:	EUR 10	10 058	37.0	101.6
:	:	BLEU	421	41.2	155.1
:	:	Denmark	259	50.6	386.1
:	:	Germany	3 574	57.9	86.2
:	:	France	2 137	39.6	83.6
:	:	Greece	183	18.8	84.0
:	:	Ireland	112	32.6	124.1
:	:	Italy	1 367	24.0	77.6
:	:	Netherlands	594	41.7	236.7
:	:	United	:	:	:
:	:	Kingdom	1 411	25.1	67.7
=====					

Germany, with a per capita consumption of 58 kg, remains the largest consumer of pigmeat in the Community; domestic consumption in Germany accounts for 35.5% of the Community total.

In 1981 the balance between gross home production and consumption corresponded to a degree of self-sufficiency of 101.6%, slightly higher than in the preceding years.

Denmark still has the highest degree of self-sufficiency in the Community: 386% (compared with 328% in 1980). The figure has also risen slightly in France, Italy, the United Kingdom and Ireland; it has fallen slightly in the BLEU, Germany and the Netherlands.

4. Trade

The import-export balance in the various Member States is as follows for 1981 (all intra-Community and extra-Community trade):

1981

				1981		Percentage change 1981/80	
		Net imports	Net exports	Net imports	Net exports		
BLEU			260 200			- 0.3	
Denmark			736 000			+ 10.3	
Germany	388 000			+ 20.4			
France	343 400			- 0.7			
Greece	34 200			+ 185.0			
Ireland	400				
Italy	275 000			- 31.2			
Netherlands			861 000			+ 7.9	
United Kingdom	634 900			- 7.1			

In 1981, the quantity of pigmeat products traded between the Member States amounted to 2.22 million t, 0.9% less than in 1980 (2.24 million t). Between 1979 and 1980 intra-Community trade had increased by 4.0%.

In trade with non-member countries in 1981, imports were 218 000 t and exports 354 000 t.

The Community's trade balance with non-member countries shows a surplus, with net exports of 136 000 t. The Community's imports from non-member countries were 12.5% down on 1980, whilst its exports to these countries increased by 41.0%.

The breakdown by type of product imported or exported in 1981 is given in the following table:

	<u>Imports from non-member countries</u>	<u>Exports to non-member countries</u>
- live pigs	22.8 %	0.1 %
- fresh and salted meat	35.2 %	49.8 %
- lard	8.7 %	6.7 %
- offal	25.4 %	6.6 %
- prepared and preserved meats	7.9 %	36.8 %

A comparison with previous years reveals that fresh meat now accounts for a large percentage of trade, particularly where Community exports are concerned. Exports of fresh meat exceeded imports and reached a high level thanks to the sale of specific cuts to the Japanese market and special deliveries of pig carcasses to Poland. The Community is still a net exporter of products processed from pigmeat.

As regards imports, the percentage accounted for by live pigs has increased whilst that accounted for lard has decreased. In relative terms, imports of other products have remained the same.

As in the past, certain East European countries (the German Democratic Republic, Hungary, Poland and Romania) were the main suppliers of live pigs and fresh meat.

The other main supplier countries were :

- the United States of America (mainly offal);
- China (boned meat);
- Sweden (mainly cuts and offal);
- Canada (cuts, offal and back-fat).

The EEC continued to export to, inter-alia :

- the United States (preserves);
- Japan (cuts and preserves);
- certain non-member countries in Europe, including Sweden (cuts and offal).

Incomplete returns for 1982 show a decrease in exports and an increase in imports as compared with 1981, but the balance will remain positive. The decline in Community exports (particularly those of fresh meat) has resulted from the closure of the American and Japanese markets to fresh meat from Denmark because of the outbreak of foot-and-mouth disease in that country. The disease has also been reported in one important supplier country, the German Democratic Republic, and affected Community imports from that country from April 1982 onwards.

5. Prices

(a) Common prices

- Basic price

Management of the Community pigmeat market depends on the basic price, which is fixed annually for the period 1 November - 31 October and applies to Class II pig 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 level of the basic price for 1980/81 (1 November 1980 - 31 October) was 158.72 ECU/kg; the basic price for 1981/82 is 176.18 ECU/100 kg.

Given the trend in production costs as a whole and the economic situation, the new basic price applicable from 1 November 1982 to 31 October 1983 has been fixed at 194.68 ECU/100 kg of pig carcasses (+ 10.5%).

- Sluice-gate prices

The sluice-gate prices, which are fixed every quarter, are considered to be normal world market offer prices at the Community frontier, at which products from non-member countries may enter without undercutting the price levels aimed at by Community market regulations. The sluice-gate prices depend on the world market price for feed grain. In 1981/82 (August 1981-July 1982) the sluice-gate prices remained at the same level as in 1980/81 (+ 0.6%).

(b) Market prices

At the beginning of 1981, the price for pig carcasses on representative markets stood at 136 ECU/100 kg and remained at this level for the first six months of the year, necessitating the resumption of intervention measures in the form of private storage aid between 25 May and 11 July 1981. The price picked up strongly in the second half of the year, rising to 171 ECU/100 kg in December 1981.

In 1982 prices fell to 150 ECU/100 kg in April, following the seasonal cycle which is characteristic of the pigmeat market. From May onwards, the Community market price began to rise, with the help of further aid for private storage between 31 March and 23 July 1982.

Pig carcass prices

	ECU/100 kg of pig carcass				
	1.11.78:	1.11.79:	1.11.80:	1.11.81:	1.11.82:
	31.10.79:	31.10.80:	31.10.81:	31.10.82:	31.10.83:
: <u>Basic price</u>	:	:	:	:	:
: absolute value	: 148.22	: 150.44	: 158.72	: 176.18	: 194.68
: percentage change	: 100.00	: 101.49	: 107.08	: 118.86	: 131.35
: <u>Market price</u>	:	:	:	:	:
: absolute value	: 129.00	: 133.67	: 140.21	: 161.29	:
: percentage change	: 100.00	: 103.62	: 108.67	: 125.03	:
: as % of basic	:	:	:	:	:
: price	: 87.03	: 88.84	: 88.34	: 91.55	:
: <u>Sluice-gate price</u>	:	:	:	:	:
: absolute value	: 87.04	: 110.11	: 131.54	: 132.33	:
: percentage change	: 100.00	: 126.50	: 151.13	: 152.03	:

(c) Prices in non-member countries

Of the "market economy" non-member countries, the USA is the biggest pigmeat producer.

US pig prices remained relatively stable throughout 1981 but were rather unsatisfactory from the producers' point of view, although a temporary improvement was seen in the second half of the year.

In 1982, on the other hand, prices have risen by about 20%, as a result of a considerable reduction in pig numbers. A similar trend has been seen on the pigmeat market in Canada and Japan.

The other countries producing pigmeat on a large scale include the East European countries with State-run economies. Pigmeat production in these countries is known to have declined, which has probably led to higher prices.

(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.

Beginning in the second half of 1981, the rise in producer prices for pig carcasses on the representative markets has caused consumer prices for pigmeat to rise also, although to a lesser extent, since marketing margins have been greatly narrowed in order to maintain the same level of consumption.

6. Production costs

In 1981 feed prices on the Community market remained relatively steady except for slight fluctuations at national level due to the economic and financial situation in individual Member States.

Production costs other than feed represent between 25% and 35% of the total production costs of pig carcasses. As in previous years, these costs have been influenced by the general level of inflation and the high interest rates charged by banks in the Member States.

7. Outlook

In 1982 it is unlikely that the volume of production will show any significant change as compared with 1981. The results of the survey of pig numbers do not indicate any upturn in pigmeat production in the Community for the time being, although the trend in average producer prices has been satisfactory in most production regions.

Given the current economic situation in the Community, an increase in overall meat consumption is unlikely; it is possible, however, that the consumer may tend to opt for pigmeat rather than the more expensive meats.

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

(a) Levies and refunds

Under the system for trade with non-member countries, levies and

(where appropriate) additional amounts may be charged on imports and refunds may be granted on exports.

The levies followed the trend in world and Community prices for feed grain, resulting in a lowering of the sluice-gate price and an increase in the levies from May 1981 onwards.

After being suspended in August 1981, additional amounts were reintroduced for certain products and countries of origin with effect from January 1982.

the export refunds for fresh pigmeat were increased with effect from April 1982 because of the situation on the market, where prices had gradually declined in the course of 1981. The refunds on processed products have remained unchanged since April 1981.

(b) Intervention

From 31 March to 23 July 1982 market support measures in the form of private storage aid had to be introduced. The quantities involved were about 71 500 t. The effect was a marked stabilization of market prices.

9. Budgetary expenditure

EAGGF Guarantee Section expenditure on pigmeat in 1981 was of the order of 155 million ECU, including 133 million ECU spend on export refunds and 22 million ECU on private storage aid.

Total expenditure in 1981 was 33.6% up on 1980.

For 1982, provision has been made for 159 million ECU, i.e. 121 million ECU for export refunds and 38 million ECU for private storage aid.

16. EGGS

1. Introduction

The relative value of egg production in the Community may be gauged from recent estimates:

	<u>1980</u>	<u>1981</u>
Eggs/livestock products	6.0%	6.2%
Eggs/total agricultural production	3.4%	3.5%

National figures indicate that undertakings with more than 10 000 layers at present account for more than 50% of production in most Member States and up to 75% in the United Kingdom and the Netherlands. Greece and Luxembourg, which account for about 3% of Community production, are the only countries where production is still relatively unconcentrated.

According to FAO and USDA statistics, the Community is the third largest egg producer in the world, after China and the United States, and the second largest exporter after the United States. In 1981 it accounted for 14% of world production and 20% of world exports.

2. Production, consumption and trade

In 1981 Community egg production (4.16 million t) increased by 2.3% compared with the previous year. On the basis of data indicating that layer chick placings rose by around 4% in 1981 and fell slightly during the first seven months of 1982, it is to be expected that Community supply will increase by nearly 3% in 1982.

This growth, which can be observed in most Member States with the exception of Belgium and Luxembourg, produced a serious crisis on the egg market, comparable to that of the early seventies, after Easter 1982.

Consumption increased slightly from 3.78 million t in 1980 to 3.82 million t in 1981. In view of the plentiful supply in 1982 consumption can be expected to rise by about a further 1.5%. In some Member States, however, there is a tendency for consumption to stagnate or even decline. Extensive advertising campaigns have been unable to halt this trend.

Intra-Community trade remained at practically the same level as in 1980, involving one-eighth of production. Two-thirds of this trade, mostly from the Netherlands, Belgium and France, is in the direction of Germany. In 1981 the United Kingdom was the second biggest buyer. Accession has not yet had a significant effect on trade with Greece.

(1) See Tables M.16.1 to M.16.6.

The restrictions on free trade introduced by the United Kingdom on 1 September 1981 in connection with new national arrangements for combating Newcastle disease have reduced deliveries to the United Kingdom since the end of 1981. In accordance with the judgement of the Court of Justice on the subject in July 1982, the United Kingdom is obliged, under Article 171 of the Treaty, to take the necessary steps to enable trade to be resumed while safeguarding the health status of the poultry flock.

A new case of restrictions on free trade between Member States was added to the list during the serious crisis months of 1982, when Italy applied systematic health checks which caused a sharp drop in imports from the other Member States.

Trade with non-member countries in 1981 exceeded 150 000 t, including 121 000 t of exports and 36 000 t of imports. In spite of reduced refunds exports increased, in particular to North Africa and the Middle East. The growth of sales to non-member countries was speeded up in 1981 by the reduced supply in certain other traditional exporting countries. This favourable trend continued in 1982 and is not confined to eggs for consumption but extends to hatching eggs, mostly for the production of table fowl. Imports of eggs in shell have for several months involved only small quantities imported under inward processing arrangements (for re-export after processing), while imports of hatching eggs (turkeys) have increased considerably.

3. Prices

The fall in market prices since spring 1982 has put an end to the cyclical upturn recorded since the end of 1979. In addition to the appreciable growth in supply, this sharp fall was accompanied by the seasonal decline in demand accentuated by the drop in consumers' incomes.

The fall in prices, which reached 45% between January and July 1982, affected all Member States with the exception of Denmark and Greece.

In some regions of the Community, prices were for several months less than the cost of feeding layers. Even after the slight upturn recorded since late summer, prices are still well below costs in most of the major producing regions.

Consumer prices, which had risen in 1981 in all Member States, generally fell in line with market prices in 1982, but to a lesser extent and with a time-lag of several weeks.

4. Outlook

The cyclical fall in prices has already led to a reduction in layer placings in several Member States, in particular Belgium, Italy, the

Netherlands, Germany and the United Kingdom. On the assumption that this trend will continue and spread to other countries, production can be expected to slow down towards the end of 1982 and the beginning of 1983.

Since consumption within the Community is apparently stagnating and there is currently surplus production of around 3 - 4%, the future price trend will continue to depend largely on the world market. Even though export prospects seem fairly good, it will be possible to restore some balance to the egg market in 1983 only if a policy of curbing production is strictly pursued.

5. Measures taken under the common organization of the market

- (a) Sluice-gate prices were reduced from 1 August 1981, in line with the trend in feed grain prices on the world market. Levies, which are based essentially on the difference between feed grain prices in the Community and on the world market, followed a contrary trend.
- (b) Refunds on eggs in shell, which were reduced to 13 ECU/100 kg from 9 April 1981, were raised to 15 ECU on 1 May 1982, 17 ECU on 1 August and 18 ECU on 1 November in view of the Community market situation, together with refunds on egg products.

Refunds on hatching eggs were increased slightly from 1 August 1982.

- (c) In December 1981 the Commission adopted a new Regulation on the advance fixing of refunds, repealing Regulation 2043/75, providing for the Member States to supply monthly information on the advance fixing of refunds in the egg sector and fixing rates of advance fixing securities.
- (d) In 1982 the Council continued its examination of the Commission proposal for altering the marketing standards for eggs, but was unable to reach agreement. The changes proposed in March 1980 comprise in particular measures to improve consumer information.

6. Budgetary expenditure

Expenditure by the Guarantee Section of the EAGGF on eggs, all of which is for refunds, amounted to 18.1 million ECU in 1981 (0.15% of total expenditure by the Guarantee Section). The figure entered in the budget for 1982 is 22 million ECU and the estimate for 1983 is 23 million ECU.

17. POULTRYMEAT (1)

1. Introduction

The relative value of poultrymeat production is still fairly similar to that of eggs, i.e. together about 14% of livestock production and 8% of total agricultural production. The figures relating to poultrymeat are:

	<u>1980</u>	<u>1981</u>
Poultrymeat/livestock products	7.5%	7.8%
Poultrymeat/total agricultural production	4.2%	4.5%

Poultrymeat production is still characterized by concentration and by various forms of vertical and horizontal integration. The degree of concentration, particularly in the chicken sector, is greater than in the egg sector, since in the northern countries of the EEC more than 90% of production is accounted for by holdings with more than 10 000 birds. However, concentration is less marked in France, Italy and Belgium, where traditional forms of production and marketing (drawn chickens) are still fairly important. This is also true of Greece, which accounts for about 3% of Community production.

In 1981, with 15% of world production, the Community was, after the USA, the world's second largest producer, for both total poultrymeat production and chickens and turkeys. It has become the largest exporter (34% of world exports), ahead of the USA.

2. Production, consumption and trade

In 1981, total Community poultrymeat production (4.18 million t) increased by 3.8%. The largest increase was in France and the Netherlands (+ 9.0%), while production fell in Ireland (- 10%) and remained unchanged in the United Kingdom and in Italy.

The rate of increase for chickens (+ 4.8%) and ducks (+ 6%) was more marked than for turkeys (+ 1%). The information at present available indicates that the increase is continuing in 1982 at an even higher rate for chickens (+ 8%) thanks to a sharper increase in the main exporting country (France) and in most of the other Member States. In Germany and the Netherlands, however, chick placings during the first seven months of 1982 were the same as in the previous year or slightly down. This was the result of an unsatisfactory market for frozen chicken in Germany, where demand has been falling since 1979. There is a marked increase in turkey production in all Community countries.

The increase in consumption slowed down in 1982 (+ 0.6%). Per capita consumption came to a standstill or even fell in four Member States (Germany, France, Italy and Ireland) because of the general economic

(1) See Tables M.17.1 to M.17.5.

situation which discourages meat consumption. Housewives are buying more cuts and prepared products, especially turkey. In France, for example, purchases were down for chickens (- 1.7%), but up for turkeys (+ 7.3%) and ducks (+ 3.2%) (figures for the first half of 1982).

Intra-Community trade increased slightly in 1981 as regards slaughtered poultry, while trade in live birds fell. The restrictions on free trade adopted by the United Kingdom following the introduction of new veterinary control measures on 1 September 1981 apply to both livestock and poultrymeat and have reduced turkey deliveries. In the case of chickens, however, Denmark has taken the place of France and the Netherlands.

Exports to non-member countries in 1981 reached a total of 467 000 t, mainly chickens (430 000 t) for the Middle East and the Soviet Union, despite the reduced funds. In 1982 the trend is less favourable because the growth in demand is less marked in some importing non-member countries and because competition, especially from Brazil, has increased. In the first eight months of 1982 the volume of exports was the same as in the previous year. Exports of chickens to non-member countries now represent about 15% of Community production (36% in the case of France, the Community's main exporter).

Imports represent less than 2% of consumption. They comprise mainly geese and ducks from East European countries (31 000 t in 1981). Imports of turkeymeat and of poultrymeat preparations fell by 400 t and 6 000 t respectively in 1981 as a result of increased offer prices for the imported products. Such imports, particularly those from the United States, picked up somewhat in 1982.

3. Prices

Generally speaking, market prices for chickens increased in 1981 except in the BLEU. The situation is less uniform in 1982 with, in particular, a marked fall in the price of frozen chicken in Germany and the Netherlands. The serious crisis which began at the end of 1981 was aggravated in those two Member States in summer 1982 by a press and television campaign which cast doubt on the quality of frozen products and caused major difficulties for slaughterers and producers.

The price of chickens was also pushed down by the fall in the price of cull hens, slaughterings of which were stepped up because of the crisis on the egg market.

Consumer prices followed market prices for 1981. They are still more attractive than those for other types of meat. In 1982 frozen chickens could not be marketed in Germany without big price reductions.

4. Outlook

The present crisis on the market in frozen chicken is increasingly affecting the regions which produce principally for export. In view of the unfavourable demand situation on the internal and world markets, the tendency for Community production to keep rising steeply could lead to a crisis throughout the Community. This could be prevented by a prudent production policy.

The outlook for turkeys, as opposed to that for chickens, will depend first of all on the market trend within the Community, since demand on the world market is still limited. The increase in production in 1982 can be explained by increased sales of cuts in the countries where consumption is high (France, Italy and the United Kingdom), while in the countries where per capita consumption is low (Germany in particular), the increase seems to be explained by improved competitiveness with other poultry (geese).

5. Measures taken under the common organization of the market

- (a) Following the trend in feed grain prices on the world market, sluice-gate prices were reduced from August 1981 to August 1982, while the levies reflecting the difference between prices for Community feed grain and world market prices were increased.
- (b) In the light of recent marketing trends, the CCT subheading for boned or boneless cuts (02.02 B I) was divided into three (turkeys, geese and other poultry) and a new subheading "goose or duck paletots" was created with effect from 1 August 1982.
- (c) In view of the Community market situation and the conditions of competition on the world market, refunds for chickens were increased several times in the course of 1982, rising from 13.5 ECU/100 kg on 9 April 1981 to 20.5 ECU on 20 September 1982. The refunds for some other products were adjusted during the same period, and refunds were introduced for boned cuts of turkeys and other poultry with effects from 1 August 1982.
- (d) The surveillance system for the advance fixing of refunds introduced in January 1980 and extended on several occasions until the end of 1981 was incorporated into the new Regulation on advance fixing in the eggs and poultrymeat sector with effect from 1 January 1982.
- (e) National measures for controlling the water content of frozen cocks, hens and chickens were adopted in most Member States in 1981.

6. Budgetary expenditure

Being limited to refunds, expenditure by the Guarantee Section of the EAGGF on poultrymeat fell from 68 million ECU in 1980 to 65.8 million ECU in 1981 (equivalent to 0.6% of total EAGGF Guarantee Section expenditure), thanks to the fall in the amount of the refunds.

Expenditure provisionally stands at 85 million ECU in 1982 and is estimated at 102 million ECU for 1983.

18. SILKWORMS

The rearing of silkworms, which is practised in Greece and Italy and on a small scale for research purposes in France, accounts for a tiny part only of Community agriculture and of world sericulture.

According to the FAO, world production of raw silk (including waste) in 1981 was 68 000 t compared with only 67 000 t in 1980 and 60 000 t in 1979.

Silkworm rearing is virtually an Asian monopoly: China (37 000 t), Japan (16 000 t) and North and South Korea together account for 90% of world production. Community production on the other hand is falling continually since the rise in rearing costs is not adequately offset.

In 1981 8 640 boxes were used compared with 11 100 in 1980 (-22%). Cocoon production was 224 000 kg compared with 308 000 kg in 1980 (-27%).

For 1981/82 the amount of aid was fixed at 85 ECU per box (64.03 ECU in Greece) compared with 71.21 ECU in 1980/81, a rise of 19.3%.

Expenditure by the EAGGF Guarantee Section

19. SHEEPMEAT (AND GOATMEAT)

1. Introduction

- Sheepmeat and goatmeat account for about 2% by value of the Community's final agricultural production. Sheep are raised for meat on approximately 600 000 farms in the Community. Thirty eight percent of all Community sheep are in the United Kingdom, 23% in France, 16% in Italy and 15% in Greece. These four Member States therefore have 92% of the Community flock. Sheepmeat accounts for about 20% by value of the production of all types of meat in Greece, and about 13% in the United Kingdom, France and Italy (for the Community as a whole, the figure is about 4%).
- The regional distribution of sheep is such that there is a concentration in the areas covered by Directive 75/268/EEC on mountain and hill farming and farming in certain less-favopured areas. The regions with the highest density of sheep are Scotland and Wales, with more than 150 head/ha, and the remainder of the United Kingdom, Greece, Western Central France and Sardinia, with between 50 and 150.
- The Community, with its output of 700 000 tonnes, is the world's second largest producer, accounting for about 12% of its sheepmeat and goatmeat.
- It comes after the USSR (with 800 000 t) and before Australia and New Zealand (600 000 t each), China (400 000 t), and Turkey (300 000 t).
- The common organization of the market in sheepmeat and goatmeat came into effect on 20 October 1980 (Regulation (EEC) No 1837/80 of 27 June 1980).

The structure of the organization is as follows:

- A price, premium and intervention system

a) The basic price

The Council fixes for each marketing year a basic price for fresh sheep carcasses, taking into account the situation on the market, the prospects for development and sheepmeat production costs in the Community. The price is adjusted weekly to take account of normal seasonal variations on the Community sheepmeat market.

b) The reference prices

For each marketing year the Council fixes regional reference prices.

Region 1: Italy; Region 2: France; Region 4: Benelux, Denmark and the Federal Republic of Germany; Region 4: Ireland; Region 5: Great Britain; Region 6: Northern Ireland; Region 7: Greece.

For the first year the reference prices were fixed on the basis of the market prices recorded on the representative market or markets of each region concerned during 1979 or, in the regions where special conditions obtained in 1979, on the basis of the market prices forecast for 1980.

For subsequent years, the reference prices are to be fixed taking account of the objective of aligning reference prices in order to achieve a single Community reference price by the convergence of national reference prices in annual steps over four years.

c) Premiums for producers

A loss of income is calculated each year at the end of the marketing year in the light of the market price trend in each region concerned.

This loss of income represents the difference between the reference price and the market price for the current marketing year.

The difference is multiplied by the tonnage of sheepmeat produced in each region concerned.

The total amount for each region is divided by the number of ewes in that region. The result is the amount of the premium payable per ewe in each region (for Region 3 the calculation is made for each Member State making up the region).

An advance of 50% of the estimated amount payable per ewe may be paid to producers at the beginning of the marketing year. Moreover, at the request of those concerned, the amount of the premium per ewe in Regions 1 and 7 may be equal to that determined in Region 2 where beneficiaries have shown to the satisfaction of the competent authority that the lambs born of these ewes will not be slaughtered before two months of age.

d) Intervention measures

If the Community market price is lower than 90% of the basic price and is likely to remain so, private storage aid may be granted.

Where, during the period 15 July to 15 December of each year, the Community market price is equal to or less than a seasonally adjusted intervention price corresponding to 85% of the seasonally adjusted basic price and at the same time the price recorded on the representative markets of a given region is equal to or less than the seasonally adjusted intervention price or, as the case may be, the seasonally adjusted derived intervention price (Region 4) purchases by the intervention agencies are, at the request of one or more Member States, made for the Member State or States in question.

However, should a serious situation arise on the market, a decision to make those purchases may be taken by the Commission in respect of another period of the year.

e) Variable slaughter premium

In those regions where intervention purchases are not made, the Member State or States concerned may pay a variable slaughter premium for sheep when the prices recorded on the representative market or markets of the Member State or States concerned are below a "guide level", corresponding to 85% of the basic price. The guide level is seasonally adjusted in the same way as the basic price.

The amount of this premium is equal to the difference between the seasonally adjusted guide level and the market price recorded in the Member State or States concerned.

The necessary measures are taken to ensure that, in the event of payment of the premium, an amount equivalent to that premium is charged for live sheep and goats and sheepmeat and goatmeat leaving the territory of the Member State concerned (1).

The total amount of this premium granted is deducted from the total amount to be granted in the region as the premium for producers.

- Trade with non-Community countries

a) Voluntary restraint agreements

The Community has signed voluntary restraint agreements with 12 non-member countries: Argentina, Australia, Austria, Bulgaria, Czechoslovakia, Hungary, Iceland, New Zealand, Poland, Romania, Uruguay and Yugoslavia.

These countries have undertaken to limit their exports to the quantities negotiated with the Community and to observe the customary form of presentation (live animals, frozen meat, chilled meat).

Where the agreed quantities are exceeded, the Community reserves the right to suspend imports.

The Community has undertaken to limit to a maximum of 10% ad valorem the levy on imports from those countries of products covered by the agreements.

In view of the new conditions obtaining on the Community market as a result of the establishment of the common organization, non-Community countries having concluded voluntary restraint agreements have agreed to ensure that their exports to particular market areas, defined as being sensitive (2),

(1) As a temporary measure, until the end of the 1982/83 marketing year, this measure will not apply to exports to non-Community countries.

(2) The Council has recognized France and Ireland as "sensitive areas".

will be subject to administrative restrictions preventing any change in traditional trade flows to those markets.

b) Unilateral quotas

The Community grants on a unilateral basis the same tariff concessions to other non-Community countries which have not yet entered into negotiations with the Community, in particular Chile and Spain. However, it limits imports to the traditional quantities.

c) Refunds

Provision has been made for granting export refunds but the detailed rules for their application have not yet been laid down.

2. Production

a) Sheep numbers

- The number of sheep in the Community, growing almost continuously (1) since 1972, stood at 57.3 million head on 31 December 1981, including 38.7 million ewes. The rate of increase, at 2.9%, was much higher in 1981 than the 1% in 1980, but it varied considerably among Member States with numbers rising steeply by 7.3% in France, 3.9% in the United Kingdom, 3.4% in Italy and 2.3% in Ireland. In the latter case the decline in numbers recorded in recent years was thus reversed. In the other Member States, however, the number of sheep declined considerably (by between 4% and 8%).

- The number of goats in the Community fell slightly, by 1.1%.

b) Production of sheepmeat and goatmeat

In 1981, production of sheepmeat and goatmeat in the ten-country Community (gross domestic production - 698 000 t) fell by 3.2%. The fall was accounted for by two Member States only - the United Kingdom (- 6.7%) and the Netherlands (- 16%). It should be noted that this drop followed particularly high rates of increase in 1980, of 18.4% and 25% respectively.

In the other Member States production was static (Greece) or rose slightly (the remainder).

Community production of sheepmeat and goatmeat tends to run in cycles, but the long-term trend has been upwards since 1970. Thus, for the period from 1973 to 1980 the annual rate of increase was 3.5%.

(1) The only exception was 1975. It should be noted that the annual rate of increase from 1973 to 1980 was 1.2%.

3. Consumption

In 1981 consumption of sheepmeat and goatmeat, at 918 000 tonnes (1), fell sharply (5%) as a result of the steep fall in the United Kingdom (10%) and an appreciable one in some other Member States (Belgium, Ireland, Germany).

The Community's consumption also runs in cycles. The long-term trend, however, is one of little change.

Average annual consumption per head in the Community is around 3.3 kg. Greece accounts for the heaviest consumption with 14 kg per head per year followed by Ireland (7.8 kg), the United Kingdom (7.5 kg), France (4 kg), the BLEU (2 kg) and Italy 1.7 kg).

The long-term trend in consumption per head is upward in all Member States, except Ireland and the United Kingdom where it is falling (although there has been a recovery in the United Kingdom since the establishment of the common organization of the market).

4. Trade

a) Non-member countries

In 1981, imports from non-member countries into the Community of Nine were 218 000 tonnes of actual products. This was a fall, accounted for mainly by New Zealand (the other non-Community countries having maintained their exports at approximately the same levels). New Zealand exported around 20 000 t less than in 1981 (principally to the United Kingdom).

b) Intra-Community trade

In 1981 intra-Community trade was 80 000 tonnes. The United Kingdom, with 35 600 t, provided 45% and France, with 49 400 tonnes, received 62% of intra-Community trade. Trade contracted sharply compared with 1981 (-17%) following a sharp fall in exports from Germany (4 700 t compared with 11 600 t in 1980), the BLEU (2 500 t compared with 6 500 t) and the Netherlands (15 000 t compared with 20 000 t). Exports from the United Kingdom fell slightly (from 39 600 t to 35 600 t). Exports from Ireland, on the other hand, rose (from 16 400 t to 18 000 t).

5. Prices

a) Common prices

For the 1982/83 marketing year:

- the basic price was fixed, for the Community as a whole, at 409.82 ECU/100 kg (carcase weight), an increase of 10.5% on 1981/82;

(1) Including 5 for industrial users.

(2) About 235 000 t carcase weight equivalent.

- the intervention price was fixed at 348.35 ECU/100 kg (+ 10.5%) and the derived intervention price (Ireland) at 329.57 ECU/100 kg (+ 10.5%),
- the reference prices were fixed as follows:

<u>Region</u>	<u>ECU/100 kg</u>	<u>Percentage variation compared with 1980/81 marketing year</u>
1. (Italy)	427.64	+ 8.25
2. (France)	409.82	+ 10.5
3. (Benelux)		
(Denmark)	392.00	+ 13.1
(Germany)		
4. (Ireland)	389.04	+ 13.5
5. (Great Britain)	378.94	+ 15.2
6. (Northern Ireland)	378.94	+ 15.2
7. (Greece)	427.64	+ 15.3

b) Market prices

In 1981, the average price for the Community of Ten was 354.65 ECU/100 kg.

The average price for the Community of Nine was 330.3 ECU/100 kg, an increase of 14.7% on 1980. The trend was satisfactory, therefore (1). There were appreciable differences, however, between Member States. The rise was smaller than average in France (+ 10.6% in FF and + 6.7% in ECU), and higher than average in the United Kingdom (+ 20%), Germany (+ 22% in DM and + 25.6% in ECU) and Ireland (+ 21.4% in IRL and + 17.6% in ECU).

6. Outlook

On the basis of data provided by the Member States, the following can be expected for 1982:

a) a further rise in the numbers of sheep and goats in the Community, but a lower rate than in 1981

(by 1.6% on average for the Community as a whole). There will be increases in some Member States only, and by differing amounts: thus, the rise is expected to be high again in Italy (2.9%), Ireland (2.4%) and the United Kingdom (2.2%). In the other Member States the numbers of sheep are expected to remain fairly stable.

b) a slight increase in Community production (1.5%)

Due to the foreseeable increase in the United Kingdom, Italy and Ireland, the total expected production is 710 000 t (+ 10 000 t). In the other Member States production should remain more or less static.

(1) Since 1973 the Community average price has fallen only twice, in 1978 (2%) and in 1980 (10.8%).

c) a sharp increase in Community consumption (5.7%)

Due to an appreciable increase in the United Kingdom (10%) as a result of increased imports from New Zealand (1), together with a return to an upward trend in consumption in the other Member States (except Greece), the total expected is 970 000 t (up 52 000 t).

d) an increase in the Community's deficit

the balance has been as follows (the ten countries):

	<u>Deficit (consumption less production) (tonnes)</u>	<u>Self-sufficiency rate (%)</u>
1978	271 000	70.2
1979	288 000	69.3
1980	236 000	75.3
1981	220 000	76.0
1982	260 000	73.2

e) a rise in imports from non-member countries

Under voluntary restraint agreements concluded with non-member countries, the Community may import from them a maximum of 319 500 t (2) (expressed as carcase weight equivalent) of live animals and sheepmeat. In 1982 exports from the majority of non-member countries are expected to come close to the agreed limits, especially in the case of New Zealand (limit: 245 500 t). Total Community imports are thus expected to be of the order of 285 000 t in 1982 (3), an increase of 50 000 t (21%) on 1981.

(1) Exports to the Community (October 1981 to July 1982) in tonnes, product weight:

	<u>total</u>	of which	<u>United Kingdom</u>
1980/81	168 500		143 600
1981/82	208 400		184 000
Percentage change	+ 24		+ 28

(Source: New Zealand).

(2) To which must be added 2 290 t granted under unilateral quotas for non-member countries which have not concluded agreements.

(3) In carcase weight equivalent.

For 1982, therefore, the Community supply balance is estimated as follows:

Gross domestic production	:	710 000 t
Total consumption	:	970 000 t
Consumption/production deficit	:	260 000 t
Import/export deficit	:	280 000 t
- imports from non-member countries	:	285 000 t
- exports to non-member countries	:	5 000 t
- changes in stocks:	:	+ 20 000 t

For 1982 it is likely that :

- i) - imports from non-member countries will rise appreciably (back to their 1979 level);
 - ii) - exports to non-member countries will continue to follow the trend since 1973.
- f) an increase of about 5% of the Community average of market prices:

that is, less of an increase than agreed for the basic price for 1982/83 (10.5%). This increase applies to all the Member States.

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

a) Variable premium in the United Kingdom

The variable premium for the 1981/82 marketing year was 113.5 million ECU, compared with 78 million ECU for 1980/81 (20 October to 4 April). This amount represents an (arithmetic) mean premium of 35.96 ECU/100 kg, or 12.6% of the average market price in the United Kingdom for 1981/82.

This average premium reflects quite different seasonal situations, however. Thus, the variable premium declined between April 1981 (20% of the market price) and June 1981 (when it bottomed out at 10% of the market price), then rose until August 1981 (maximum 64% of the market price), declined again, reaching zero at the end of November 1981 and remaining practically nil until the end of the 1981/82 marketing year. This was due to the combined seasonal variations in guide level and the market price, which are the basis for calculating the premium.

The likely total variable premium for 1982/83 is 147 million ECU.

b) Premiums per ewe

The amounts of the premium per ewe for 1981/82 were:

Ireland : 1.9335 ECU per ewe
United Kingdom : 0.6916 ECU per ewe.

The expenditure chargeable to the EAGGF for this premium was:

3.4 million ECU for Ireland,
9.35 million ECU for the United Kingdom (1).

For 1980/81, 1.3 million ECU were paid for Ireland (0.772 ECU/ewe) and 15 million ECU for the United Kingdom (1.098 ECU/ewe).

The foreseeable amounts of the premium for 1982/83 are:

France	:	3.874 ECU per ewe
Denmark	:	4.888 ECU per ewe
Netherlands	:	9.435 ECU per ewe
Luxembourg	:	13.961 ECU per ewe
Belgium	:	13.961 ECU per ewe
Germany	:	7.766 ECU per ewe
Ireland	:	8.757 ECU per ewe
Great Britain	:	4.526 ECU per ewe
Northern Ireland	:	13.578 ECU per ewe.

On this basis the Member States can immediately pay an advance of 50% (2).

The foreseeable expenditure chargeable to the EAGGF for this premium is 131 million ECU.

On these bases, the total cost of the premiums for each marketing year will be as follows:

1980/81 (five and a half months)	94.3 million ECU
1981/82 (126.3 million ECU)
1982/83 (estimate)	293.- (3) million ECU

From these totals should be deducted the amounts of the variable premium recovered on departure from Great Britain (from the United Kingdom until the end of the 1981/82 marketing year), i.e., about 20 million ECU for 1981/82 (and probably also for 1982/83).

- (1) An advance of 30.6 million ECU was granted to United Kingdom producers at the beginning of 1981/82 (2.27 ECU per ewe being then paid) in anticipation of a sharper fall in price than was actually recorded at the end of the marketing year. Consequently, 21.2 million ECU was deducted from the amounts payable for 1982/83.
- (2) That is, per head: France: FF 12; Denmark: DKR 20; Netherlands: HFL 13; Belgium and Luxembourg: BFR/LFR 300; Germany: DM 10; Ireland: IRL 3; United Kingdom: UKL 1.4; Northern Ireland: UKL 4.2.
- (3) This also takes account of foreseeable expenditure in Greece and Italy for ewes giving birth to lambs slaughtered after the age of two months.

c) Intervention

No intervention in 1981 or in 1982 (market prices in France, the only Member State where intervention purchasing was agreed upon for 1982/83, were above the intervention price).

d) Refunds

No refunds in 1981 or 1982. The Community has in any case not yet adopted implementing rules.

e) Management of voluntary restraint agreements

The machinery of the agreements worked well in 1982. So far, no non-member country has exceeded the limits set, but a number of them did ask for some of the quantities for 1983 to be brought forward to 1982 (there being provision for this under the agreements). In view of the situation on the market, the Commission was unable to consider any of these requests.

II. Products not subject to common market organization

20.a. AGRICULTURAL ALCOHOL

1. Introduction

The situation in this sector has stabilized somewhat.

2. Production

Production of agricultural alcohol in the Community is relatively stable. The rise on the previous year is insignificant.

Production of vinous alcohol, although slightly down on the previous year, remained high.

Production of molasses alcohol continued to fluctuate around 3 000 000 hl.

Production of other types of agricultural alcohol did not undergo any significant change.

The only new factor was the production of a significant quantity, in France, of so-called "liberalized alcohol" (alcool libéré) which can only be sold on the markets of non-member countries or on those of other Member States.

3. Consumption

Consumption is continuing to fall very slightly.

4. Prices

In markets where prices are free the prices of molasses alcohol have only partially followed raw material prices downwards.

5. Trade

Trade has expanded, especially trade in French liberalized alcohol, but not without threatening to disturb the markets in the United Kingdom, the Netherlands, Germany, Belgium ...

6. Outlook

Stability is more apparent than real. The Community's new responsibilities in the vinous alcohol sector create uncertainty for the activities of the monopolies.

7. Expenditure

For the record, unchanged.

In future, however, the Community's financial liability will replace national liability where it is a matter of disposing of vinous alcohol obtained under compulsory distillation arrangements.

20b POTATOES (1)

1. Introduction

No common organization of the market yet exists for potatoes. A proposal was presented by the Commission to the Council on 23 January 1976 covering the whole range of fresh and processed products.

It provides for :

- marketing standards;
- measures to encourage the formation of producer groups;
- the support measures required to keep the market stable;
- a system of trade with non-member countries incorporating 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 organization. The marketing of seed potatoes is subject to a Council Directive (5).

2. Production

According to FAO statistics, the world harvest in 1981 was 256 621 t. The Community, with 33 885 t, grew about 13% of the world total. The average yield per hectare in the EEC is almost double the world average. The value of potato production represented 2.2% of the value of final agricultural production in the Community. Available statistics indicate that 2.4 million holdings (in the enlarged Community) grew potatoes. At national level the production structure is very variable, the average crop area per farm being 5.7 ha in the United Kingdom and about 0.4 ha in France and Italy.

(1) See tables.

(2) Regulation (EEC) No 2727/75 of 29/10/1975, OJ L 281 of 1.11.1975.

(3) Council Regulation (EEC) No 1117/78 of 22.5.1978, OJ L 142 of 30.5.1978.

(4) Council Regulation (EEC) No 516/77 of 14.3.1977, OJ L 73 of 21.3.1977.

(5) Consolidated version of the Council Directive of 14.6.1966, OJ No 66 of 8.6.1966, p. 35.

Since 1951-55 the total area under potatoes in the EEC has dropped by about 68%: from 3 512 000 ha in 1951-55 to 1 133 000 ha in 1981. Because of the increase in yields per hectare, however, production has fallen by only 45% (from 61 957 000 t in 1951-55 to 33 885 000 t in 1981).

The Community is basically self-sufficient but there have been supply problems following very dry years.

The area under new potatoes fell in 1981 (111 000 ha as against 123 000 ha in 1980), but production remained at just over 2 million t. There continues to be a shortfall, about 450 000 t being imported into the Community every year.

The area under seed potatoes in the EEC dropped from 105 000 ha in 1980 to 98 282 ha in 1981. About 2.7 million t are harvested, mainly in the Netherlands, the United Kingdom, France and Germany.

Processed products (crisps, instant potato, chips, etc) are also important in the potato sector. About 4 million t of fresh potatoes are processed annually in the EEC. Some varieties are particularly suited to processing and are grown mainly under contracts between farmers and the processing industry. Development has been very rapid and conditions are right for the further expansion of some products in the near future.

3. Consumption

Potatoes are used mainly unprocessed as foodstuffs and to a lesser extent for feeding animals. The quantities turned by the processing industry into products for human consumption represent about 20% of total human consumption.

(a) Human consumption

Per capita consumption of fresh potatoes is levelling off. After a sharp drop in 1976/77 as a result of the shortage caused by the drought in 1976 (69.6 kg per head), it climbed to 78.8 kg in 1978/79 but fell back to 78.1 kg in 1979/80. In 1980/81 per capita consumption fell still further to 76 kg.

(b) Animal consumption

The quantities fed to livestock may range from 3 million t to 7 million t, depending on the volume of the harvest. In 1980/81 it was 4 199 000 t: 2 093 000 t in Germany; 150 000 t in France, 220 000 t in Italy; 495 000 t in the Netherlands; 834 000 t in the United Kingdom; 405 000 t in Ireland, etc.

(c) Products processed for human consumption

Consumption of products processed from potatoes (about 4 million t in 1979) continues to increase.

Consumption of certain products such as deep-frozen pre-cooked products should increase still further.

4. Trade

Intra-Community trade in potatoes absorbs only about 6% of total production, although for seed potatoes and new potatoes the figure is between 12% and 15%. The net exporters 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 large-scale import-export trade.

The structure of Community trade in processed products is similar to that of trade in unprocessed products. The Netherlands and France are exporting countries and the others are importers.

Trade with non-EEC countries is mainly in seed potatoes and new potatoes. Seed potatoes are exported to South America, Africa and Asia and new potatoes are imported from the countries round the Mediterranean.

5. Prices

Prices are very unstable, varying from year to year. Because of the inelasticity of demand, plentiful harvests tend to force down prices. Prices may also be affected by other factors such as the weather or unexpected exports to countries with shortages.

In 1981/82, prices started at higher levels than in the previous year because of the poor harvests in the United Kingdom and France.

At Rotterdam 8.35 EUA/100 kg on 18 September 1981 for Bintje + 50 mm (6.20 EUA in 1980); at Arras 8.17 EUA/100 kg for Bintje + 40 mm (4.87 in 1980).

Prices showed little change until after Christmas but towards the end of January they began to rise because of the demand from the processing industry in the United Kingdom.

At Rotterdam 14.27 EUA/100 kg on 25 January 1982 for Bintje + 50 mm (8.02 EUA/100 kg in 1981); at Arras 9.07 EUA/100 kg for Bintje + 40 mm (5.81 EUA in 1981). It should be mentioned that the size preferred by the processing industry is + 50 mm.

Prices continued to rise in February, March and April, reaching their highest level at the beginning of May: at Rotterdam 26.75 EUA/100 kg on 3 May 1982 for Bintje + 50 mm (11.93 EUA in 1980); at Arras 24.21 EUA/100 kg for Bintje + 40 mm (11.00 EUA in 1981).

In 1981/82 Community demand helped to keep market prices high. Exports to the United Kingdom were considerable: by 28 May 1982, 304 176 t had been exported to the United Kingdom as compared with 21 748 t in 1980/81.

Another factor which helped to maintain Community prices was the strong demand from the food-processing industry.

Exports to non-EEC countries were rather disappointing.

On the New York futures market the price for round white-fleshed varieties varied from 21.08 EUA/100 kg on 14 September 1981 to 16.80 EUA on 22 March.

The 1981/82 marketing year was also satisfactory for Community producers of new potatoes. There is a close link between the market for ware potatoes and that for new potatoes and if prices are high for the farmer, the latter will follow the same trend, and vice-versa in the event of a surplus, when low prices for ware potatoes will have a negative effect on the prices for new potatoes.

The market for ware potatoes also influences the market for seed potatoes.

Prices for new potatoes also vary according to origin and variety. Seed potatoes for which a monopoly is held are dearer than free varieties.

6. Outlook

The 1981/82 marketing year was satisfactory in most Community countries but provisional figures indicate a further slight decrease in the area under potatoes in the Community: 1 123 000 ha in 1982 as compared with 1 133 000 ha in 1981 (- 0.8%).

First indications are that the harvest will be similar to that of 1981. The harvest should be somewhat smaller in Denmark, Italy and (perhaps) Germany, whilst elsewhere in the Community crops would seem to have been satisfactory. Prices on the Rotterdam market started at lower levels than last year: 6.40 EUA/100 kg for Bintje + 35 mm (7.64 EUA in 1981). The same applied at Arras: 8.01 EUA/100 kg for Bintje + 40 mm (8.17 EUA in 1981).

7. Economic aspects

The situation of the market did not give rise to any intervention measures in the Community in 1981/82.

20.c. HONEY

1. Introduction

There is no common organization of the market for honey. The only general charge on imports is a 27% customs duty, which is reduced to 25% for most developing countries and Malta, 18.9% for Turkey and nil for ACP countries. The 36 least advanced developing countries are exempted from customs duties.

2. Production, consumption and trade

In 1980/81 the Community produced 44 000 t of honey and imported 112 000 t. Germany, France and Greece were responsible for 80% of production. It is only in Germany and Greece that consumption exceeds 1 kg per head per year.

Germany is the biggest importer (60% of the Ten's imports), followed by the United Kingdom (15%). The Community is only 30% self-sufficient, but the situation varies widely among the Member States. The Community divides between countries which depend on imports for most of their needs and those - Greece, France and Denmark - with a high degree of self-sufficiency. Greece is the only net exporter, directing most of its exports to the other Member States.

France increases its degree of self-sufficiency by applying a licence system to imports from certain countries and, like Italy, by applying bilateral quotas in trade with state-trading countries.

Common measures to assist bee-keeping

In April 1981 the Council introduced a system of aid for bee-keeping. The aid consists of a specific contribution to associations of bee-keepers recognized by the Member States and has been fixed at 1 ECU per marketing year per hive in production. Associations can use the aid to purchase feeding sugar and for general programmes for improving honey production, technology and marketing. Training programmes, disease control and breeding projects are required if there is to be a long-term improvement in the sector.

The aid system covers three marketing years: 1981/82, 1982/83 and 1983/84.

EAGGF Guarantee Section expenditure is estimated at 5 million ECU per year.

C. Survey of certain groups of sectors

21. FEEDINGSTUFFS

1. Supply and consumption of raw materials for feedingstuffs in 1981

In 1981, the supply of raw materials created no major problems. There was again a tendency to use more cereal substitutes, mainly manioc and corn gluten feed, on account of their favourable prices, principally at the expense of the quantities of maize used in feedingstuffs.

2. Industrial production of compound feedingstuffs and animal feeding requirements

In 1981, the growth in the industrial production of compound feedingstuffs slowed down: production rose by only 1% compared with 1980, whereas growth during the period from 1973 to 1980 was more than 4% annually. There are various reasons for this, in particular the trend of demand and a shift in what is meant by compound feedingstuffs. It should be noted that total demand from the cattle sector declined in 1981 by about 1 000 000 FU compared with 1980, while this sector had been responsible for the biggest growth in compound feedingstuffs production in previous years. The increase in demand in 1981 from the poultry and pig sectors (up 1.4m FU) nevertheless made up for the reduction in the cattle sector.

The rate of penetration of compound feedingstuffs in relation to overall demand in FU is one criterion to use in tracing the trend of compound feedingstuffs production. The table below sets out the trend since 1973 as regards demand in FU, production of compound feedingstuffs and the rate of penetration of compound feedingstuffs by livestock sector for the Community of Nine. Figures for Greece, both as regards demand and the production of compound feedingstuffs, are not available.

Overall demand in FU and production of compound feedingstuffs

Year	Cattle			Pigs			Poultry		
	Overall demand : 1000 UF	Production of compound feeding-stuffs : 1000 T	%	Overall demand : 1000 UF	Production of compound feeding-stuffs : 1000 T	%	Overall demand : 1000 UF	Production of compound feeding-stuffs : 1000 T	%
1973	172.945	16.860	9,75	42.463	21.400	50,40	27.108	18.250	67,32
1974	175.247	16.040	9,15	43.281	22.090	51,03	26.891	17.740	65,97
1975	171.780	17.460	10,16	42.131	21.250	50,43	26.776	17.160	64,09
1976	171.353	22.030	12,86	42.743	22.600	52,87	27.061	18.250	67,44
1977	170.789	22.950	13,44	44.110	23.690	53,71	27.321	18.300	66,99
1978	171.819	24.570	14,30	46.410	25.000	53,87	28.133	19.090	67,86
1979	172.139	28.014	16,27	48.270	26.580	55,07	28.473	19.989	70,20
1980	170.119	27.981	16,45	49.850	27.019	54,20	29.174	20.676	70,87
1981	169.125	28.342	16,76	50.340	26.759	53,16	30.127	21.279	70,63

The rate of cover of requirements by compound feedingstuffs in the cattle sector, which was only 9.75% in 1973, was 16.76% in 1981, still slightly up on the previous year. In the poultry sector the rate of cover appeared to be stagnating, but at the high level of 70.63%, and in the pig sector it even appeared to be falling.

Moreover, as regards what is meant by the term "compound feedingstuffs", statistics on industrial production make no distinction between compound (complete) feedingstuffs, protein and other concentrates, mineral compounds, etc. Over the years concentrated supplements seem gradually to have given way to complete feedingstuffs. This change in the nature of the feedingstuffs declared, which is now slowing down, partly explains the growth of production in the past and the slackening recorded now.

Lastly, the criteria for reporting statistics differ according to the Member State and over the last ten years some establishments have lost the obligation to report.

These various factors are not quantifiable but they must be taken into account when interpreting the statistics.

3. Short term outlook

- World coarse grain production is forecast to rise again in 1982 to 795 million, 7 million more than in 1981. The area planted is estimated to have reached a record level, and yield to have been only slightly below that of last year.

It is forecast that the United States will have another bumper crop, reflecting chiefly a further rise in the output of maize, notwithstanding the 10% area reduction programme introduced by the Government in a effort to stem the growth in supplies.

Prospects in the EEC are generally good, with lager harvests of common wheat and barley resulting in a slight increase in output in Western Europe.

- World trade in coarse grains for 1981/82 is estimated at about 100 million, nearly 4 million below the peak of 1980/81. A downward trend can be recognized in the forecasts for the United States, the Community, Eastern Europe and Latin America.

Imports into the USSR are estimated at a record of 25 million, almost one quarter of world trade in coarse grains. Larger purchases of coarse grains are also expected for Spain. In the Community, greater use of domestically produced feed, rising imports of grain substitutes and some decline in animal numbers have reduced import requirements for maize and other products for animal feed such as copra, fishmeal and cottonseed cakes.

- Stocks of coarse grains: The preliminary estimate of 1982 coarse grain production indicates that new supplies in 1982/83 could exceed effective demand for current consumption for the second year in succession, resulting in a further increase in carryovers at the end of the season. These are presently forecast to reach a record 149 million, exceeding last year's level by 22 million. The increase is expected to be almost entirely due to a further accumulation of holdings of maize in the United States.
- Prices for coarse grains show a downward tendency in the most important producing countries such as the United States and Argentina, mainly because of a bumper crop of maize and soya in the United States.

In real terms, prices are the lowest for more than 20 years. EEC maximum export refunds for barley rose considerably in response to the decline in prices on international markets.

- Taking into account these developments and the forecast of a moderate growth of the demand for feedingstuffs, the market supply in 1982 can be easily satisfied and will not cause any difficulties. There is no foreseeable important increase in the production of compound feed, so that the growth rate will remain moderate (1% to 2%).

MEAT

1. Introduction

Production of all types of meat accounts for 34% of final agricultural output, thus representing the most important activity of EC agriculture. Its importance is underlined by the fact that 60% of the cereals used are fed to animals mainly for the production of meat compared to only 25% of cereals going to human consumption.

2. Production

The patterns of meat production are however different from product to product and the two types beef/sheep and pigmeat/poultry should be distinguished for three reasons:

- frequency of reproduction
- dependance upon soil (roughage fodder) or
- other farming activities (milk production).

The higher the rates of reproduction per annum (100 chicks/hen 17 piglets/sow 1-2 lambs/sheep 1 calf/cow) and the less the dependance upon soil, the more division of labour and industry-like methods of production have been spread. This development has been accompanied by various forms of production coordination between farmers, feed compounders, breeders, slaughterhouses and processing firms, above all in the poultry industry, but to a great extent in the pigmeat industry as well.

Because of the faster reproduction used for production planning and the less dependance upon natural production conditions, supply of pigmeat and poultry meat can better adapt to the evolution of demand, thus avoiding more and more big annual fluctuations: production cycles are in these sectors either inexistant (poultry) or less pronounced (pigmeat), showing regular rates of growth rather than ups and downs.

It should not be forgotten, however, that Community beef and sheep meat production has, since 1973, on average, shown about the same annual rates of growth as those observed for the two other important types of meat. Productivity gains in terms of increasing output per female animal are therefore at least as important in these sectors.

In 1981, pigmeat and poultry together accounted for nearly 60% of total EEC meat production, and are likely to expand their share in 1982. It seems that beef production growth rates are going to slow down, linked to a small decrease of the number of dairy cows in recent years, whereas sheepmeat production already shows a declining tendency in the long term, although new upswings might be observed for both sectors in 1983.

3. Consumption

The general tendencies of production for pigmeat and poultry are to a great extent sustained by the evolution of demand, which in general is more in favour of these types of meat. This can be seen from the rates of growth of per capita consumption during the 70's on average reaching 2.3% and 2.7% p.a. for poultry and pigmeat but 0.4% and 0.9% only for sheep and beef respectively. Besides, per capita consumption of pigmeat and poultry has, during 1973-1980, increased in all Member States (with the exception of UK for pigmeat), but fallen in the case of sheep and beef in several Member States (beef: Italy, UFBL, Denmark; sheep: UK, Ireland, Denmark). Furthermore, the drop of total meat consumption in 1981 following the economic recession did negatively affect above all beef and sheep consumption. The general reason for the consumer preferences for certain types of meat is above all its price, the attractiveness of pigmeat and poultry in this respect being due to lower costs of production (feed and labour costs). Present meat consumption levels are certainly hampered by the state of the economy, and it is thus unlikely that either 1982 or 1983 will see a significant rise in demand for meat. Only in case of abundant supplies, as for poultry and sheep in 1982, consumption will be kept up, but at the account of dropping market prices as observed for certain types of poultry.

4. Trade

Intra-Community trade for the various types of meat depends primarily on the differences in self-supply for the individual Member States and thus to different degrees of concentration of production and/or consumption. Intra-Community trade is more important in pigmeat and beef, corresponding to 20% of total EC consumption, than in sheepmeat (10%) and poultry (8%).

Whereas for beef and pigmeat this higher degree indicates more equal levels of consumption (beef: 23 - 33 kg in all the big countries) and/or some specialisation in production for specific types of meat (bacon; store cattle; high quality beef), for sheep as well as for poultry there is a high production level in the main consuming countries (F, UK, IT). Besides, the recently introduced market organisation for sheepmeat has not yet changed significantly the rather low level of intra EEC trade. After some 20 years since the foundation of EEC, the level of intra EEC trade in general now tends to stabilize at around one sixth of total consumption, following some expansion after the enlargement in 1973.

Regarding trade with third countries, recent years have shown a steady tendency to a rather balanced situation with the EEC becoming a net meat exporter for the first time in 1981. This was due to rising exports for poultrymeat, stable exports for pigmeat and the cyclical surplus situation in 1980/81 for beef, with at the same time lower imports of sheepmeat and horsemeat. For 1982, one might expect a more or less balanced situation for total meat, with continuing high export levels for poultry meat, lower exports for pigmeat and probably a balanced situation for beef. It has to be emphasised, however, that the EEC has not only become a major exporter in poultry, beef and pigmeat, opening up new markets in the Middle East (poultry, beef) and the Far East (pigmeat), but also supplying formerly traditional regions (Eastern Europe - poultry, pork, beef) as a result of their recent agro-economic difficulties. It still holds true that the EEC is also amongst the biggest world importers for both beef and sheepmeat, having concluded for these products a number of preferential agreements not only with industrialized countries like Australia and New Zealand, but also with developing countries of Africa and South America.

23. OILS AND FATS

1. Introduction

The oils and fats sector includes:

- vegetable oils and fats which, in view of the structural differences of the market, must be subdivided into olive oil and other oils;
- oils and fats of land animals which must also be subdivided into butter on the one hand and lard and fat on the other;
- oils and fats of sea creatures.

The above oils and fats are the basic raw material but may be consumed in their unprocessed state or as prepared oils and fats, such as margarine; they may be used as animal feedingstuffs, for human consumption or for technical purposes. They may be incorporated in other products. The various basic products can also replace one another to a large extent, depending on their ultimate use. The form of ultimate use varies considerably in the Community. For example, oils and fats are consumed principally in the form of butter and margarine in the northern countries, whereas in France and Italy liquid vegetable oils account for the largest share in the consumption of oils and fats.

The proportions of the various categories in total human consumption vary only slightly from year to year. The tabel below shows the quantities of the different categories of oils and fats consumed in 1980 and the proportion of each category in relation to the total consumption.

Tabel I

Apparent human consumption of each category of oils and fats in terms of quantity and as a percentage of total human consumption

<u>Community of Nine</u>	1980	1 000 t
	<u>Quantity</u>	<u>Percentage</u>
1. Vegetable oils and fats	3.855	55
2. Oils and fats of land animals	1.345	19
3. Oils and fats of sea creatures	390	6
4. Butter	1.398	20
Total	<u>6.988</u>	<u>100</u>

Different policies are applied for each category of product in the Community. In the vegetable oils sector all oilseeds can enter the Community duty-free. Oils are subject to duties ranging from 10% to 15% but lower rates of duty or zero rating are applied to imports of oils from associate countries, which account for up to 70% of oils imported as such.

The prices of vegetable oils in the Community tend, therefore, to be at world market levels, except in the case of olive oil. Similarly, oils and fats of sea creatures and land animals are subject to relatively low import duties. In the case of butter and olive oil, however, support prices are fixed in the Community and imports are subject to a levy. This diversity of policies for the various products, which are naturally interchangeable, obviously affects consumption.

2. Production

The factors determining production of the different groups of oils and fats in the Community vary for each category.

Soya accounts for about 64% of the quantity of oilseeds crushed in the Community. It is processed mainly into oilcake, which accounts for 80% of its volume. Soya oil is a secondary product which, with 2 000 000 t in 1980, accounts for not less than 40% of Community vegetable oil requirements. Between 35% and 40% of our consumption of vegetable oils comes from other oilseeds crushed in the Community, the remainder being imported in the form of oil. Of the total quantity of seeds crushed (16 400 000 t) in 1980, about 15% were of Community origin.

According to official statistics, the production of vegetable oils in the EEC, not including olive oil, was 3 911 000 t in 1980.

Production of olive oil is normally between 600 000 t and 800 000 t per year in the Community. Since olive trees are perennials, production does not depend on demand but principally on weather conditions.

Production of oils and fats of land animals - mainly lard and tallow - is almost 1 800 000 per year. These fats are a by-product of slaughtering, and consequently in this category production is determined principally by animal numbers and the demand for meat.

Production of oils and fats of sea creatures is carried on principally in Denmark, although the United Kingdom and Germany also contribute to Community production, which is between 125 000 t and 140 000 t per year.

Production of butter in the Community is determined by cownumbers, milk yield and demand for milk products other than butter. The EEC is more than self-sufficient in butter, demand for which is stagnating or falling. Here again, therefore, demand is not the only factor determining production.

In 1981 1 444 000 t of butter were produced compared with 1 503 000 t in 1980.

3. Consumption

The level of consumption of oils and fats in the Community is determined, as elsewhere, by the following factors:

- absolute population level and rate of growth;
- absolute level of incomes and income trend;
- price and availability of the product;
- level of consumption reached.

In the Community the population is increasing slowly. The level of economic development, although high compared with a large part of the world, has been relatively stagnant in recent years.

Per capita consumption of oils and fats (with the exception of butter) increased from 20 kg/head in 1977 to 21 kg/head in 1980.

Apparent human consumption of oils and fats of land animals has remained fairly stable, at around 5 kg/head, since 1975. Consumption of oils and fats of sea creatures appears to have increased from 368 000 t in 1975 to 390 000 t in 1980.

The Community produces more butter than it consumes. Nevertheless, it imports around 90 000 t per year as a result of international commitments entered into by the Community in 1973 with New Zealand. Butter is exported partly as food aid and partly at world market prices, with the exporter in the latter case receiving a refund.

5. Prices

As stated above, prices in the oils and fats sector show a tendency to remain at the world market level for all products except olive oil and butter, for which prices are fixed in the Community.

The table below gives the price of soya oil on the Rotterdam market; this is the polit price for vegetable oils, lard, tallow and oils of sea creatures.

Table II

Selected oil prices on the Rotterdam market (USD/t).

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Soya oil (Netherlands)	575	607	662	598	507
Lard	618	626	716	647	610
Tallow (United States)	421	483	595	487	471
Fish oil (all origins)	472	451	450	450	413