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THE SITUATION OF AGRICULTURE IN THE ENLARGED COMMUNITY

Report 1973

PART II - ANALYSIS

COM(73) 1850 final ANNEXES

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The Situation of Agriculture in the Enlarged Community

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A. OVERALL TRADE¹

1. Trade by the original Community with third countries

(a) Imports

Total imports of agricultural and food products

The value of total imports of agricultural and food products in 1972 amounted to 13 984 million u.a., or an increase of about 7.4% over the previous year. This increase resulted mainly from the growth in imports of food products, while imports of oilseeds and of fats and oils fell slightly.

Of the total value of imports of agricultural and food products from third countries, those from the three new member states represent 6.1% in 1972, a percentage which is far below that for all imports (11.3%). On the other hand, the contrary is the case for exports (see under (b)).

Imports of "regulated" products²

The increase in imports of "regulated" products noted in preceding years continued in 1972. In fact, in absolute value, imports of these products rose from 6 528 million u.a. in 1971 to 6 818 million u.a. in 1972, representing an increase of 4.4% between 1971 and 1972.

The growth rate in imports from the industrialised countries continued but in not such a spectacular way as between 1969 and 1971. In fact, they rose from 2 715 million u.a. in 1969 to 3 704 million u.a. in 1971 and to 3 754 million u.a. in 1972, representing an increase of 1.3% between 1971 and 1972 and one of 38.3% since 1969.

¹ See table II A/1.1 to II/1/3.3 of Part III

² "Regulated" products are: pigmeat, cereals, fruit and fresh vegetables, eggs, poultry, wine, rice, milk products, beef and veal, fats and oils, sugar, fish, flax, hemp and hops.

Imports from the USA for which a considerable rise was noted between 1969 and 1971 (+40.8%) fell from 1 766 million u.a. in 1971 to 1 653 million u.a. in 1972, a decrease of 6%, in spite of an increase in our total imports of agricultural and food products¹. Imports from EFTA rose appreciably (783 million u.a. in 1972 compared with 648 million u.a. in 1971, or + 20.8%).

The increase in imports from the developing countries accelerated. In fact, they went up from 2 180 million u.a. in 1971 to 2 321 million u.a. in 1972, an increase of 6.5%.

Imports from the East Bloc countries recorded a further marked rise, going up from 640 million u.a. in 1971 to 740 million u.a. in 1972 or by 16%.

Imports of "non-regulated" agricultural products²

In absolute value, imports of "non-regulated" agricultural products from third countries in 1972 amounted to 7 176 million u.a. Compared with 1971 this represents an increase of 10.4%.

(b) Exports

Total exports of agricultural and food products

Exports of agricultural and food products to third countries have continued to grow throughout the past five years. In 1972 as in 1971 this growth was especially marked, with exports reaching in absolute value 4 668 million u.a. against 4 134 million u.a. in 1971, an increase of 13%. This growth stemmed mainly from developments in exports of food products (which rose from 2 815 million u.a. in 1971 to 3 063 million u.a. in 1972, an increase of 9%, in beverages and tobacco (+24%) and in fats and oils (+5%).

¹Changes in parities that have taken place in the meantime make comparisons difficult.

²See footnote² on the preceding page.

Exports to the three new Member States played an important part (18.7%) in exports of agricultural and food products to third countries in 1972. This percentage in fact compares with one of 13.4% for all exports.

Exports of "regulated" agricultural products

Overall, exports of regulated products have steadily increased. They rose from 1 993 million u.a. in 1969 to 2 395 million u.a. in 1970 and reached 3 062 million u.a. in 1972, an increase of 10% compared with the preceding year.

Since 1969 there has been a sharp increase in exports to the East Bloc countries (117 million u.a. in 1969, 230 million u.a. in 1970, 249 million u.a. in 1971 and 351 million u.a. in 1972, + 41% between 1971 and 1972). The growth in exports of regulated products in 1972 also affected those to the USA (+ 13%), the EFTA countries (+ 10%) and the developing countries (+ 6%).

Exports of "non-regulated" agricultural products

The growth in exports of "non-regulated" agricultural products accelerated, rising from 1 360 million u.a. in 1971 to 1 606 million u.a. in 1972, an increase of 18%. For the industrialised countries, the rise was from 1 012 million u.a. in 1971 to 1 177 million u.a. in 1972, an increase of 16.3% (EFTA: 573 million u.a. in 1971 and 674 million u.a. in 1972, or + 18%; USA 203 million u.a. in 1971 and 219 million u.a. in 1972 or + 8%). With developing countries, exports of non-regulated products developed favourably (from 290 million u.a. in 1971 to 338 million u.a. in 1972, or + 16%). Similarly, exports to the East Bloc countries showed a very sharp increase (55 million u.a. in 1971 to 86 million u.a., or + some 56.4%).

2. Intra-Community trade

In 1972, the value of intra-Community trade continued to increase, both for regulated products (16,9%) and for non-regulated products (30,5%). With regulated products the development of trade affected all sectors, but in particular, wine (+ 35,3%), rice (+ 37,8%), cereals (+ 29,9%) and live pigs and pigmeat (+ 44,4%). The Netherlands (+ 42,8%) and Italy (+ 33,3%) were the countries that contributed decisively to the growth in receipts from other Member States.

In 1971 intra-Community receipts of all agricultural products represented 60% of corresponding imports from outside the Community. In 1972 this percentage reached 67%.

The development of receipts by each of the Member States in relation to total intra-Community receipts was as follows for agricultural products taken as a whole:

	<u>1971</u>	<u>1972</u>
Germany	41.8%	39.7%
France	14.5%	13.2%
Italy	19.3%	21.2%
Netherlands	10.4%	11.4%
BLEU	<u>14.0%</u>	<u>14.5%</u>
EEC	100.0%	100.0%

3. Factors relating to the development of Community trade

(a) The enlarged Community accounts for 33% of world imports of agricultural and food products compared with a percentage of only about 20% for the original Community. It must be noted that the dynamism in the development of imports by the Community of Six has been more marked than that by new Member States.

Certain trends can be noted regarding the structure of trade, on the basis of the situation existing before the implementation of the Treaty by the new Member States in comparison with that of the Community of Six.

Regarding the structure of trade for the different product groups in the three new Member States and in the Community of Six, attention must be drawn to the special circumstances obtaining for milk products and sugar which the United Kingdom has traditionally imported from certain countries of the Commonwealth, which led to the inclusion of special clauses in this context in the Treaty of Accession.

Moreover, it is noted that the ratio between imports of cereals and those of oilseeds and oilcakes gave a relatively higher importance to cereals than to oil products in the three new Member States, directly contrary to that in the Community.

Regarding the structure of trade as a function of the relative importance of different countries or groups of supplier countries, a change can be noted in the relative position of the industrialized countries of the Commonwealth, compared with the existing situation in the Community of Six, which is a consequence of the preferential policy of the United Kingdom.

(b) World markets

The trade situation in 1972 has been very much influenced by developments on world markets.

World markets in 1973 have been characterized by rising prices for nearly all agricultural products. Considerable price rises had already been recorded in 1972 for beef and veal and sugar.

The end of 1972 and especially 1973 were marked by this phenomenon becoming virtually general, mainly as a result of the upward movement in prices for cereals and oilcake. In a general inflationary context this phenomenon was aggravated by the fact that the United States, the decisive supplier of these products on the world market, introduced strict measures to limit exports of feed products.

This led to a realisation on the international level of the consequences of the instability of world markets and their role in the supply of certain countries and certain products (proteins).

Developments in 1973 have thrown into relief, in an especially clear way, the specific characteristics of world markets for agricultural products in their dependence on certain natural phenomena (for example, the decline in Peruvian anchovy catches) and in the role of physiological constraints (for example, in India). To these we must add the repercussions of political decisions taken in the state trading countries and note their influence on the state of world markets as well as the uncertainty they bring to bear on market developments.

(c) The framework for the development of Community trade

This is apparent at several levels within the context created by the world market situation and within the general economic framework of the situation of the internal market of the enlarged Community with the consequences that this enlargement entails for international trade.

First of all, the enlarged Community accepts responsibility in the undertakings made by the Community of Six and undertakes or will undertake negotiations to allow for the transposition of the international obligations of the three new acceding Member States, particularly with regard to GATT. Moreover, the Treaty of Accession contains clauses which, in conjunction with the wider responsibilities of the enlarged Community, constitutes a framework for the development of a certain number of steps already defined or to be defined as the occasion may arise (for example, Protocols no. 16, 17, 18, 22, 23).

A certain number of steps concerning the commercial relations of the enlarged Community have been taken in accordance with the Summit Resolution. Thus, in the sphere of multilateral relations the Community has given its support to the idea of entering into general multilateral negotiations within the framework of GATT, for which purpose the Community has defined its general concept.

According to this the aim of the negotiations on agriculture must be the expansion of trade within stable world markets, while respecting existing agricultural policies, it being understood that the principles and mechanisms of the common agricultural policy are not to be disputed or to constitute an object of negotiation. The best means of achieving this aim would lie in the organisation of a system to regulate world markets by appropriate international arrangements. In the ministerial declaration of the contracting parties of GATT, made in Tokyo during the opening session of these multilateral negotiations, although the need to include the agricultural sector was recognized, it was agreed that the approach to be adopted in this sector would have to take account of the special characteristics and problems peculiar to the sector.

The Summit resolution placed special emphasis on relations with the developing countries which is expressed in general terms in a Chapter of the document entitled "Development of an overall approach to trade in view of the coming multilateral negotiations in GATT" and is taken up again in the agricultural Chapter of that document.

At the regional level this has led to the preparation of a global and balanced approach with regard to the negotiation of agreements with the countries of the Mediterranean basin and of a global concept with a view to the association of the associated African and Malagasy states as well as the independent developing Commonwealth countries in Africa, in the Indian Ocean, in the Pacific Ocean and in the Antilles.

B. AGRICULTURAL MARKETS

- Analytical study

1. Cereals¹

Introduction

The common organization of the cereal market came into force on 1 July 1967².

The cereal season begins on 1 August and ends on 31 July of the following year.

Since 1 February 1973, except for some varieties of cereals in Denmark, compensatory amounts linked to accession have been applied to all cereals and all cereal-based processed products.

Furthermore, the cereal sector is subject to the regulations concerning monetary compensatory amounts.

In 1972, in the enlarged Community, cereal production accounted for 28.0% of final vegetable production and 10.5% of final agricultural production. The proportion of grain production in the original Community as a percentage of final agricultural production was 10.6%.

In 1971, the area sown with cereals corresponded, in the enlarged Community, to 28% of the utilized agricultural area.

On the basis of the 1973 Budget (twelve months), the cereal sector takes 28% of EAGGF expenditure (Guarantee Section), which equals 963 million u.a.

I. Development of the cereals market in the countries of the original Community (1967/68 - 1971/72)

1. Production

Total grain production in the original Community in the period 1967 to 1972 shows a permanent upward trend due solely, as may be seen from the table, to an increase in the yield per hectare

	1967	1968	1969	1970	1971	1972
Area (1 000 hectares)	20.8	21.1	21.2	21.1	21.0	21.0
Yield per hectare (100 kg/ha)	32.9	33.3	33.2	31.9	36.7	37.7
Production (million tonnes)	68.6	70.3	70.4	67.4	77.0	79.3

¹ See Tables II B/1.1 - II B/1.13 of Part III

² Regulation No 120/67/CEE of 13 June 1967, OJ No 117 of 19 June 1967, pages 2269/67.

Production of the different cereals developed as follows:

Products	1967 (in m t)	1972 (in m t)	change (%)
Soft wheat	28.6	32.3	+ 13%
Durum wheat	2.8	3.5	+ 25%
Barley	15.9	17.8	+ 12%
Maize	7.7	13.6	+ 77%
Rye	3.9	3.5	- 10%
Oats	6.8	6.2	- 8.8%

Proportionally, the greatest expansion was recorded for durum wheat and maize; Community production of both these cereals continues to be in deficit.

2. Consumption

In the original Community, grain consumption rose from 74.8 million tons in the 1967/68 season to 78.2 million tons in the 1971/72 season. However, as production expanded at a higher rate, the degree of self-sufficiency increased from 91% to 98% during the same period.

Human consumption increased only very slightly during the above five-year period, while the amounts used for animal feed and industrial utilisation rose by a far from negligible degree. In particular, the utilization of soft wheat showed a steady expansion; in 1971/72 8.6 million tons were used for animal feed, corresponding to a growth of 48% compared with the 1967/68 season (5.8 million tons). In this respect, the granting of a denaturing premium aimed at reducing the wheat surpluses was decisive, while the amount denatured in 1967/68 totalled about one million tons, in 1971/72 4 million tons of denatured wheat was used for animal feed.

Maize consumption in the original Community went up in the period 1967/68 to 1971/72 from 17.7 million tons to 20.7 million tons, the high nutritive value and the favourable price relation of the cereal being determining factors in this development. As a result of the keen demand from the pasta industry, consumption of durum wheat also increased. However, the growth in the production of both maize and hard wheat has exceeded that in consumption, so that the degree of self-sufficiency improved and net imports fell.

On the other hand, the situation appears the opposite in the case of barley. Consumption of this cereal dropped from 15 million tons during the 1967/68 season to 14.4 million tons in the 1971/72 season, a development which, in the light of growing needs for forage cereals, should not be neglected and reveals the necessity of revising the price relations.

3. Trade

In 1968/69, the volume of intra-Community transactions showed a considerable expansion compared with the first season in which the common organisation of the market was applied. During the three following years, intra-Community trade stayed at a more or less constant level but showed another expansion during the 1971/72 season.

The regression in trade with third countries during the period 1967/68 - 1971/72 is due both to the increase in Community harvests and to the steadily expanding volume of trade among the countries of the Community.

II. The present situation on the cereal market in the enlarged Community

- Adaptation of the market of the three acceding countries

1. By accepting the common organization of the grain market, the new Member States also adopted the system of intervention prices and of their derivation.

The derived intervention prices were fixed for soft wheat and barley in the three acceding countries as well as for rye in Denmark, this intervention price for rye corresponding right from the start to the common price level.

Unlike the Community of the Six, regionalization in the new Member States was limited to a small number of derived prices which could be applied in several marketing centres with the same economic characteristics.

Given that the fixed prices in the acceding countries are lower than the common price level, compensatory amounts were introduced both for basic products and for cereal-based processed products, with the exception of rye, maize, miller and sorghum in Denmark; these sums were reduced by 1/6 of the intervention prices on 1 August 1973, in the first stage of adjustment. Thus, the difference between the common prices of soft wheat and barley and those in the new Member States has been reduced to about 37% in the United Kingdom, about 8% in Denmark and about 6% and 13% respectively in Ireland.

The price difference for the other cereals varies between 7% for oats in Denmark and 46% for durum wheat in the UK. At present, however, these differences are only theoretical for some cereals since in the United Kingdom and Ireland, in particular, the development in the market prices depends very largely on the world market where the prices are much higher than the threshold prices for a good range of products. This situation was caused by the massive purchases of wheat and feed cereals (30 million tons) by Russia last year. These import requirements ran parallel to quite high demand in other importing countries, a poor harvest in Australia and the absence of anchovy shoals along the coasts of Peru. The attempt to replace Peruvian production of fishmeal by soya protein caused a further increase in the price of soya beans and, consequently, in the price of cereals and animal feedingstuffs.

- Evolution of market in the enlarged Community

Even though the prospects of a sufficient supply of soya-based products in 1973/74 improved, cereal prices on the world market have continued at a high level. Since the end of July, no import levy has been charged on soft wheat and barley since the CIF prices of these two cereals reached more than 200 dollars per ton and 160 dollars per ton respectively, while in August/September of last year they were 68 dollars per ton and 60 dollars per ton respectively. The situation for maize is a little better; the CIF price exceeded the threshold price between 8 and 23 August only.

This situation had considerable repercussions on the markets of the Member States depending to a large extent on imports and for whom the accession compensatory amounts were temporarily suspended in accordance with the regulations of the Act of Accession (according to which a compensatory amount must not be higher than the levy). The result of this situation has been market prices both in the United Kingdom and Ireland, as well as in Italy for wheat and Denmark for some products, greatly exceeding the intervention price level. Even the prospects of a good overall harvest in the Community made no difference.

2. Based on currently available information, grain production in the enlarged Community in 1973 should be more than 104 million tons. The very high level of the preceding year's harvest would thus be exceeded again, by an estimated 1%. This increase is due solely to a further rise in the yields per hectare, since the sown area has generally remained unchanged from the previous year (0.9% less).

However, as regards the different cereals, only wheat shows any stability in the area sown. The areas sown with barley and maize in the 1973 harvest, on the other hand, were again extended; this is not only because of the keen demand for feed grains but also because of the production incentive offered by the high yields per hectare of winter barley and maize in particular.

As in previous years, this extension was in its turn compensated by a decline in the area sown with rye and oats in particular, with the result that, in spite of considerable individual changes, the total sown area has remained more or less constant during the last eight to ten years.

The estimated harvest of durum and soft wheat should be about 2.6% less than last year, this decline being considerable in France where it will be 6.2% (= 1.12 million tons). The rise in prices on the world market and the smaller harvest caused, mainly in Italy, some supply difficulties right from the beginning of the season. These difficulties were not entirely removed although:

- a still unknown quantity of French wheat was exported to Italy (167 700 tons in August 1973 compared with 21 000 tons only in August 1972);
- 200 000 tons of wheat from the stocks of the German, French and Belgian intervention bodies were offered to supply the Italians with food products;
- The Italian intervention body sold to cover the most pressing demand from Southern Italy 107 000 tons of soft wheat from its own stocks and
- an export ban was established on durum wheat from the Community and on flour, groats and wheat meal from Italy.

It is in such situations that the disadvantages of a regionalization of grain prices, which is inadequate and based solely on certain trading patterns, are particularly felt since they hinder a free flow of grain to the deficit regions not tied to regionalization.

Outlook

- Evolution of production

Despite these regional bottlenecks, considerable surpluses of soft wheat will form again in the whole Community during the 1973/74 season, surpluses which will have to be disposed of by exports and denaturing. Estimates by the Commission at the beginning of the season indicate that exports will reach 4.2 million tons (including 1.3 million tons for food aid and flour exports) and that denaturing will take some 9 million tons; any modification in the methods adopted to reduce the surpluses could still involve a bias one way or the other. According to provisional indications, during the first month of the current season some 770 000 tons of soft wheat were denatured in the enlarged Community. It should be noted that the quantity of 732 000 tons denatured in the countries of the original Community greatly exceeded (by 231 000 tons) the figure in August 1972. Consumption of barley in animal feed will also depend to a very large degree on the amount denatured. The accession of the new Member States has not changed the surplus situation for this cereal in the Community since with the United Kingdom and Denmark, two countries have joined with a considerable production of barley of their own. A harvest record is expected in 1973 which will exceed last year by 2% because of the larger growing area. Of the present denaturing premium remains unchanged, the estimated surplus will be 3.5 million tons which can only be marketed by export.

- Evolution of consumption

On the other hand, the accession of the new countries has meant a new increase in the maize requirements of the Community with the result that a further decline in exports of Community grown maize to third countries is forecast for 1973/74.

As in previous years, the enlarged Community, as a whole, will remain a net importer of cereals. For 1973/74, the net import requirements of wheat, barley and maize should be nearly 12 million tons, the wheat imports being mainly quality wheat (soft wheat, rich in gluten, and durum wheat).

- Evolution of prices

3. In 1973/74, the Community grain market will be subject, unlike previous years, to a greater degree to the influences on the world market, since the normal mechanism of price regulation, such as the threshold price and the levy, have no effect in the case of the high prices on the world market.

On the other hand, a levy can be raised on exports so that the Community possesses in this sector of foreign trade an instrument which is adequate and adapted to the new situation and has been used since mid-August 1973. It is very difficult to forecast how long this instrument will be used. Non-covered requirements of wheat seem to exist in the world and were estimated by the International Wheat Council on September 18, 1973 at a maximum of 6 million tons. An equally high price of wheat must therefore be expected for the 1973/74 season and it seems likely that this situation will continue during the 1974/75 season since the reserves of the main exporting countries will fall to a very low level and will have to be built up again.

These high world prices will have repercussions in some regions of the Community and will mean a greater demand for home wheat from regions in which the prices, thanks to a good carryover supply and large harvest, will remain relatively stable at a level lower than the threshold price. An additional incentive to intra-Community exchange will be provided by the higher protein content and the good milling qualities of this year's French harvest in particular. The situation for feed cereals is better balanced although there can be no short term remedy of the Peruvian fishmeal shortage. The United States forecast a 22% increase in supplies of soya beans so that the restrictions planned for exporting soya beans and meal could be lifted.

In the United States, the maize harvest should reach a new record which will exceed the very good results of the previous year by an estimated 3 to 5 million tons and could cover all home requirements and exports in the current season. In the Community too, estimates which are still very much subject to uncertainties presage a record maize harvest.

Although the situation is currently seen in a less pessimistic light, many importing countries are faced with particular problems rising from the high prices, which makes them reluctant to announce their import requirements in order to avoid further increases in market prices and consequently an aggravation of their problems. Unpredicted and surprising cereal demands must therefore be expected at any time with the result that the world market will still be characterised by many uncertain factors which could also influence the Community situation.

Even if, in general, production shows little elasticity to variations in demand, a high level of market prices could certainly provide an incentive to expand production in the Community, in as much as this high level seems assured for some time and any too sudden a fall in prices would be prevented

by maintaining the present guarantees.

The likely cost to EAGGF in the cereal sector is estimated for 1974 at 615 million u.a., which corresponds to 19.6% of the total budget of the Guarantee Section.

2. Rice¹

Introduction

The common organization of the rice market was introduced on 1 September 1967.² The marketing season is from 1 September to 31 August.

Since 1 February 1973 within the framework of the accession of new Member States to the European Communities, rice products have been subject to a system of compensatory amounts.

At the present time, the rice sector is not subject to the general system of monetary compensatory amounts.

Rice production in 1972 represented about 0.22% of the value of the final production of agriculture in the enlarged Community.

Rice is produced only in two of the nine Member States, France and Italy (90%). The rice acreage in the enlarged Community represented 0.2% of the total UAU (utilized agricultural area) in 1971.

According to the 1973 Budget, expenditure in favour of the rice sector represented 20 million u.a., or nearly 0.6% of the expenditure of the EAGGF Guarantee Section.

I. Development of the rice market in the original Community from 1967 to 1972

1. Production

The area sown with rice in the two producer Member States of the Community has increased year by year to reach 201 000 hectares in 1973,³ an expansion of 17.5% or 30 000 hectares since 1967. However, this expansion in area is characterized by a different development in France and Italy (1973/74 compared with 1967/68):

¹ See Tables IIB/2.1 to B/2.8 in Part III

² Regulation No 359/67/CEE of 25 July 1967, OJ No 174 of 31 July 1967, p. 1

³ Provisional figures from the Member States

- expansion in Italy + 48 000 hectares = + 33%
- reduction in France - 8 000 hectares = - 30%

Community production of rice has been affected from one season to another by widely differing yields according to the climatic conditions in the producer regions. So production, expressed in the equivalent of husked rice, has developed as follows:

	<u>Production</u>	<u>Yield</u> 100 kg/ha
1967/68	- 693 000 tons -	40.5
1972/73 ¹	- 601 000 tons -	29.2
1973/74 ²	- 818 000 tons -	39.5

The Community harvest is made up of about 40% of round grain rice and 60% of long grain rice (longer than 5,2 mm).

2. Utilization of rice

Total internal utilization of rice in 1971/72 for the original Community was 693 000 tons of husked rice, subdivided as follows:

- 79% human consumption (as blanched rice)
- 5% seed (as paddy rice)
- 6% animal feed (as broken rice)
- 10% industrial uses (as broken rice)

In 1971/72 consumption of rice had fallen by 10% compared with 1967/68 and per capital consumption from 2.5 in 1967/68 to 2.2 kg in 1971/72.

The degree of self-sufficiency was 112% in 1971/72.

¹ Provisional figures from the Member States

² Forecasts from the Member States

Since long-grain rice produced by the Community does not seem to suit the taste of consumers in the non-producing Member States and since the Community requirements for round rice are low, a quantity of between 125 000 tons and 450 000 tons, depending on the size of the harvest, of Community-produced rice has to be disposed of on the world market, most as commercial exports, the rest under food aid measures.

3. International trade

90% of imports of rice into the original Community were of long-grain rice of sub-tropical origin, total imports having reached some 350 000 tons of husked rice in 1971/72 compared with 305 000 in 1967/68.

As regards exports, it should be noted that these include apart from exports of Community rice those from the non-producing states of blanched rice transformed from husked rice previously imported from third countries.

(in 1 000 tons of husked rice)

	1967/68	1968/69	1969/70	1970/71	1971/72
Commercial exports	287	134	433	435	433
Food aid ¹	-	-	-	-	43

For the 1972/73 season, rice exports (husked value) are estimated at 200 000 tons, of which 2 000 tons food aid.

During the 1972/73 season conditions for international trade were particularly difficult. In fact, after a poor world harvest, especially in South-East Asia, demand for rice, unlike previous seasons, greatly exceeded supplies. For this reason, several large exporting countries (particularly Thailand) had to take measures to restrict exports to guarantee their own home supplies.

¹The opportunity to supply rice as food aid only arose in the 1971/72 season.

The Community rice market was severely affected by the reversed situation on the world market. In order to guarantee home supplies of Community rice and to brake an excessive rise in the price of rice on the Community market, in May 1973 the Commission limited the granting of export certificates for food aid only.

II. Present situation of the rice market in the enlarged Community

1. Adaptation of the market of the three acceding countries to the rice market of the original EEC

As the three acceding States covered their rice requirements at world market prices before 1 February 1973 the compensatory amounts introduced on 1 February 1973 for the various forms of rice reflect the difference between the prices on the world market and the Community prices. Since 1 September 1973 this difference has been 39% for the Community prices of round-grain husked rice and varying from 28% to 43% for the other varieties and qualities.

2. The economic importance of the rice sector in the enlarged Community¹

With the accession of the three new Member States, home utilization of rice (husked but not broken) in the Community will increase in the 1972/73 season from 660 000 tons for the Six to 850 000 tons for the nine Member States.

3. Development of the rice market in the enlarged Community in 1973

From 1 February to 31 August, the new Member States took up to 127 000 tons of husked rice from other Member States.

Since 1 February 1973, the "accession" compensatory amounts have been reduced to the level of the import levy which, because of the considerable rise in prices on the world market, was greatly reduced.

As from August 1973, the new Member States, like the Six original States, have had to import rice at the world market price which was considerably higher than the common threshold prices.

¹ Estimates derived from the forecasts by the Member States for the 1972/73 season.

4. Prospects

The accession of the United Kingdom, Ireland and Denmark to the Community will have the principal effect, in the rice sector, of increasing intra-Community trade. Purchases in 1973/74 by the three new Member States on the Community rice market can be estimated at 76 000 tons, of which 70 000 tons by the United Kingdom.

Total intra-Community trade in the same season is put¹ at 250 000 tons.

The Community surplus of rice in previous seasons has had to be exported with the help of refunds. But in view of the complete reversal of the situation on the world rice market, where prices exceed those fixed for the Community, the export prices of rice will have to bear a levy. It is difficult to forecast the development of supply and prices on the world market. According to the latest available forecasts, the world rice harvest will be good. As some exporting countries and large rice consumers have to build up stocks, which are currently very low, trade and prices for rice cannot be expected to return to normal before the beginning of 1974.

The provisional cost to the Guarantee Section of EAGGF for the rice sector in 1974 is put at 25 million u.a. or 0.8% of the total Budget.

III. Price

- Development of common prices

Since the introduction of the common organization of the rice market on 1 September 1967, the common basic target price has increased by 18% since 1967/68..

- Development of producer prices in national currency

Producer prices for rice were influenced during the seasons 1967/68 to 1972/73 by the following factors:

- size of the harvest;
- export opportunities on the world market;
- development of the fixed intervention price.

¹ Forecasts supplied by the Member States.

In France, producer prices were on average at the intervention price in 1968 (Fr 61.61 or 12.48 u.a./100 kg). In 1971, the average producer price was Fr 67.61. Because of the devaluation of the French franc in 1969, the price of Fr 67.61 represented only 97% of the intervention price. Since 1972, producer prices have continued to rise reaching Fr 107.80 (140% of the intervention price) in June 1973.

In Italy, producer prices have increased steadily since 1969 (Lira 7 846/100 kg on average in 1969). In June 1973, the price was Lira 11 575/100 kg or 132% of the intervention price.

The spectacular rise in producer prices is due to the shortage situation both on the world market and on the Community market in 1973.

- Development of consumer prices

Statistics available for one producer State (Italy) and one non-producer State (Germany) show a steady upward trend in consumer prices.

In 1972, compared with 1968, prices rose by 31.6% in Germany and by 14.7% in the rice producing region of Italy. The development of consumer prices in the two States was as follows:¹

Country	1968	1969	1970	1971	1972
Germany DM/kg	1.90	1.98	2.11	2.37	2.50
Italy Lira/kg Rome	276	278	283	284	294
Milan	251	260	264	278	288

¹Source: Commission of the EC, General Directorate of Agriculture

- Development of the wholesale market prices

Between 1967/68 and 1971/72 inclusive, wholesale market prices in the rice producing zones were maintained at a level between the intervention price and 107% of it. During the 1972/73 season, the difficult situation on the rice market caused prices to rise gradually to reach their highest level in February 1973. (In Italy: Lira 13 350/100 kg for round paddy rice, or 160% of the intervention price).

Following the safeguard measures taken by the Commission in May 1973, prices stabilised from July 1973. In the expectancy of a good Community harvest, wholesale prices gradually fell to reach the level of Lira 9 500/100 kg for round paddy rice in October 1973.

- Development of prices on the world markets

Since the introduction of the common organization of the rice market, two periods stand out in the development of prices on the world market.

The first, between 1967/68 and 1970/71, was marked by a sharp and steady fall in prices, due to the plentiful supplies on the world market.

The second, from 1971/72, has been marked by a considerable rise in prices following the rice shortage situation on the world market.

A study of the CIF import prices since 1 September 1967 by the Commission clearly illustrates this development in prices on the world market. They fell from 15.46 u.a. in 1967/68 to 9.06 in 1970/71, thereafter rising again to reach 20.33 u.a. in 1972/73 per 100 kg of husked rice of standard quality.

3. Sugar¹

Introduction

The common market organization in the sugar sector involving uniformity of prices came into effect on 1 July 1968. The season begins on 1 July and ends on 30 June of the following year. The market organization provides for a system of production quotas including different arrangements for prices and marketing.

The principal aims of the quota system are as follows:

- limitation of total production and financial costs;
- maintenance of production within certain limits, even in regions less suited to the cultivation of sugar beet;
- expansion of production in those regions most suited to this crop - by way of specialisation.

These aims have been largely maintained. At the same time, it can be said that the quota system has not seriously prejudiced the necessary restructuring both of sugar beet cultivation and the sugar industry.

Thus, in the mid-sixties the number of sugar beet producers of the enlarged Community was still around 550 000. Since then this figure has fallen to 400 000. Over the same period the average size of the beet area per farm has risen from about 2.5 ha to about 4.0 ha. In regions with a large number of farms, as in south Germany and Belgium, the average area cultivated per producer went up steadily from 0.5 - 1 ha - 2 ha. In large parts of the north of France, in the south of the Netherlands and in the United Kingdom, where big farms predominate an area under beet cultivation reaching 10 ha per farm can be considered as normal.

¹See Tables IIB/3.1 to IIB/3.8 of Part III

In 1972, sugar beet production in the enlarged Community corresponded to 2.0% of final agricultural production; in 1971/72 the area under sugar beet cultivation represented 1.49% of the utilized agricultural area. The proportion of sugar beet in the final production of the original EEC in 1972 was similarly 2.1%.

At present, from 70 to 75 million tons of sugar beet are processed each year to sugar in the enlarged Community. Sugar factories number 239, belonging to 129 concerns. The proportion of production covered by the major concerns represents between 5 and 10% of Community production. The processing capacity per factory ranges between 1 000 and 11 000 tons of beet in 24 hours. As a general rule, the duration of processing season varies between 70 and 90 days; in Italy it amounts to only 40 days and in the United Kingdom it extends to 120 days. In recent years the decline in the number of concerns (mergers) and factories has led to a steady growth in overall processing capacity, as a result of the extension and modernization of existing factories.

On the basis of the 1973 Budget (12 months), 4.2% of the Guarantee Section of EAGGF are intended for the sugar sector, which would correspond to some 143 million u.a. This expenditure is counterbalanced by receipts of practically the same amount from storage fees and levies on production paid by the sugar manufacturers.

I. Development of the sugar market in the countries constituting the original Community from 1968/69 to 1972/73

1. Production

Between 1968 and 1971 the area under sugar beet remained practically constant at around 1.4 million ha. Increases in the area noted in France were balanced by reductions in Italy. However, high world prices in 1972/73 and 1973/74 encouraged expansion in areas of 5% and 9% respectively. With the exception of Italy, increases were recorded in all the Member States producing sugar beet, and particularly France and the Netherlands.

Yields have continued to increase in recent years. In 1971/72 average yields in the Community had reached a particularly high level. Belgium led with production of 83 quintals of white sugar per ha. and Italy brought up the rear with 44 quintals.

In the French overseas departments climatic conditions led to a decline in cane sugar production. With an overall basic quota of 6 480 000 tons of sugar total production has varied between 6.8 million tons (1968/69) and 8.1 million tons (1971/72). Only in Italy and the French overseas departments has production been lower than the basic quota. The quantity between the basic quota and the maximum quota and hence subject to production levies has varied between a minimum of 690 000 tons (1970/71) and a maximum of 1 285 000 tons (1971/72). Production in excess of the maximum quota and having to be marketed outside the Community at the expense of the producing countries fluctuated between a minimum of 34 000 tons (1968/69) and a maximum of 620 000 tons (1971/72). In 1972/73 the quantity in excess of the maximum quota reached 215 000 tons of which 143 000 tons in France and 63 000 tons in the Netherlands.

2. Consumption

In recent years consumption of sugar for human purposes has increased, on average, by 2% per annum. From 5.93 million tons in 1968/69 it rose to reach the overall basic quota (6.48 million tons). The sharpest increase has been recorded in Italy, where per capita consumption is still appreciably below the Community average.

Consumption of sugar for animal feeding was only of any importance in the early years of the common sugar market organization (300/350 000 tons per annum in 1968/69 and 1969/70). From 1970, taking into account the rise in world prices and the reduction in export refunds, it is almost entirely limited to bee feeding.

As far as the chemical industry is concerned, consumption reached some 54 000 tons in 1972/73.

In recent years the degree of self-sufficiency in the Community of Six has varied between 108 and 128% (total production related to consumption intended for human purposes), mainly as a function of hectare yields.

3. Trade

Since the existence of the common sugar market organization commercial dependence among the Member States has considerably increased. This applies both to sugar in the raw state - deliveries to Italy, for example - and to processed sugar.

At the same time exports to third countries, principally from France, Belgium and Germany, have also shown an appreciable increase. Exports benefiting from Community refunds went up from 581 000 tons in 1968/69 to 931 000 tons in 1972/73. If these tonnages are added to production in excess of the maximum quota, for which the producers have to take responsibility, total exports per season amounted to 0.6 million tons, on average, in the first two seasons and exceeded, again on average, 1.2 million tons in the past two seasons.

Since it has still been possible to export the greater part of Community surpluses available for export in the season during which they were produced, sales to the intervention bodies have been limited to 100 000 to 150 000 tons per annum, i.e. less than 2% of total production. Towards the end of the season these tonnages have been put out to tender either for export or for the internal market.

4. Prices

Minimum prices for sugar beet in the Community were revised, for the first time since 1968/69, by 4% in 1972/73 and thus reached 17.68 u.a. per ton for 16% sugar content in the north of the Community.

In Italy, sugar beet producers enjoyed a higher price as a result of the regionalization of sugar prices, apart from a national subsidy which amounts at present to 1.80 u.a. per ton.

In 1971/72 and 1972/73 sugar prices were increased by around 4% in each season. Up to 1969/70 the sugar beet producers and the sugar factories had had to bear the maximum amount of the production levy for that part of production between the basic quota and the maximum quota. As from 1970/71 the upward movement in world prices brought an appreciable reduction in the costs involved in the disposal of production exceeding the guaranteed quantities, which meant that the actual amount of the production levy fell to 77% of the maximum amount in 1971/72 and was reduced to about half this amount in 1972/73.

In the majority of regions of the Community ex factory prices were equal to or slightly higher than intervention prices.

5. Cost of the market organization

Up to and including 1969/70 Community expenditure on the utilization of sugar surpluses exceeded receipts from the production levies. The reasons for this are the extremely low level of prices then obtaining on the world market, relatively low Community consumption in comparison with the basic quota, and the supplementary undertaking by the Community to pay for surpluses up to the amount of the guaranteed quantities which was fixed, at that time, at 105% of forecast consumption. However, since 1971, all expenditure on the utilization of surpluses has been practically covered by receipts from the production levy. Payment for the storage of sugar is financed a priori by the storage duty paid by the sugar manufacturers.

II. The sugar market in the enlarged Community

The Treaty for the accession of the new Member States and the accompanying act provides for the three new Member States a marketing regulation based on the fundamental characteristics of the common sugar policy. The system of production quotas and producers' participation in marketing losses is thus also applicable, up to 1974/75, in the enlarged Community. The basic quotas for the three new Member States amount to 1.34 million tons. However, as far as the United Kingdom is concerned, the basic quota (900 000 tons) constitutes too the maximum quota, so that the United Kingdom will have to take responsibility itself for disposing of any production in excess of

this quantity on the world market (for example: some 300 000 tons in 1973/74). Moreover, a special regulation has enabled the United Kingdom to import annually 1.77 million tons of raw sugar from the countries and territories covered by the Commonwealth Sugar Agreement. This regulation will allow the sale of this sugar on the United Kingdom market without prejudice to the sale of sugar from other Member States. Stocks of sugar held by the new Member States, which could be admitted, on February 1, 1973 into the common market organization, have been fixed at an adequate level by the Community.

Prices for sugar beet and sugar applicable in the new Member States in 1972/73 corresponded in Denmark and initially, in Ireland, to Community prices while in the United Kingdom they were far lower. This situation was subsequently modified by the change in the relationship between the unit of account and the £ sterling. Prices applicable from February 1, 1973 were 10% lower than the Community prices in Ireland and 20% lower in the United Kingdom. The differences have been compensated by compensatory amounts which, in view of imports from the Commonwealth countries, are not limited by prices on the world market.

In order to brake the rise in consumer prices the United Kingdom has been authorized to grant subsidies on a temporary basis. Moreover, through the effect of the amount of the selling price of raw sugar coming from the Commonwealth, the Council has recognized indirectly a refining margin higher than that observed for the derivation of the intervention price of raw sugar. In this connection the Council has similarly provided for a refining subsidy for raw cane sugar coming from the French overseas departments.

The accession of the new Member States, particularly Great Britain, has brought a significant change in the statistical table for the Community supply situation. While the situation of the original Community was characterized by high export surpluses, the enlarged Community, taking into account the considerable expansion in production noted in recent years, has hardly reached the limit of self-sufficiency. However, if the United Kingdom's import obligations towards the Commonwealth countries are upheld, a quantity of Community sugar more or less corresponding to the tonnage imported under these obligations must continue to be exported to third countries. In 1973/74 production in the enlarged Community after an extension in the area under sugar beet to a total of 1 577 000 ha should even exceed consumption by reaching about 10 million tons, so that taking into account imports of

1.7 million tons, the quantity available for export should vary between 1.8 and 2 million tons. Half of this quantity should comprise sugar from the tranche of production exceeding the maximum quota which has to be exported directly by the producers.

Forecast expenditure by RAGGF in the sugar sector in 1974 can be estimated at 166 million u.a., which is equivalent to 5.3% of the total budget of the Guarantee Section. According to forecasts this expenditure will be covered by receipts from storage duties and the production levies.

III. Development of the world market

The world market situation at the end of the sixties was characterized by persistent surpluses and very low prices. It is true that, on the world level, there was a rapid growth in consumption but production was increasing at a rate at least equal, if not higher. World stocks of sugar at 1 September during these years corresponded to 25 to 30% of consumption. During the three seasons from 1970/71 to 1972/73 inclusive annual world production of sugar was, however, lower than consumption, so that carryforward stocks were rapidly marketed. At 1 September 1973 stocks fell to about 20 per cent of consumption, thus dropping to the absolute minimum level necessary to ensure supplies until the beginning of the new season. According to provisional estimates 1973/74 production will be between 81 and 82 million tons, raw value. Forecasts for consumption give a figure ranging between 80 and 81 million tons. On the basis of these estimates, and taking into account the low level of initial stocks, no appreciable lessening in tension on the world sugar market can yet be predicted in 1973/74.

Since 1968/69 world market prices have risen steadily. The International Sugar Agreement, which came into force in 1969, contributed, during the first two years, by regulating prices and quantities, to the progressive rise in prices. At the end of 1971, however, events occurred, which ended the efficacy of the agreement as a means of price stabilization. Compared with 1968/69 world market prices practically trebled in 1972/73. In September 1973 average

quotations on the Paris exchange for immediate delivery (19.92 u.a./100 kg) reached a level corresponding to about 85% of the intervention price for white sugar in the principal surplus region of the Community. There were only very slightly higher than the intervention price applicable to the United Kingdom for 1973/74.

Efforts made at Geneva to negotiate, within the framework of UNCTAD, a new International Sugar Agreement to come into force on January 1, 1974 have unfortunately not succeeded.

4. Olive oil¹

Introduction

The introduction of the common organization of olive oil was on 10 November 1966.² The oil season is from 1 November to 31 October of the following year.

There are no accession compensatory amounts nor monetary compensatory amounts for this product, for which there is a system of common prices applicable in the enlarged Community.

The production of olive oil represented in 1972 about 0.6% of the value of the final agricultural production in the enlarged Community and also 0.8% in the original Community in 1972.

99% of Community production of olive oil is carried out in Italy, where the value of this product reaches an average 4.7% of the total value of agricultural production, and the remainder in France. This production at present provides only 65% of olive oil requirements in the enlarged Community which, according to some estimates, possesses 190 million olive trees (185 million in Italy and 5 million in France). Since the beginning of the common organization of the olive oil market, it does not seem that the structural importance of olive cultivation in the original Community has substantially changed. The area devoted to olive trees having remained practically constant at about 2 300 000 hectares (about 2 280 000 hectares in Italy and about 44 000 in France), or 2.3% of utilized agricultural area in the enlarged Community.

According to the 1973 Budget (12 months), the olive oil sector represents 317 million u.a. or 9.2% of the expenditure of the EAGGF Guarantee Section. This expenditure is due to the direct aid paid to producers to compensate for the difference between the target producer price and the market (world market) target price.

¹ See Tables IIB/4.1 to IIB/4.8 in Part III

² Regulation No 136/66/CEE of 22.9.1966, OJ No 172 of 30.9.1966, p.3025/66.

I. Development of the olive oil market in the original Community from 1966 to 1972

The difficulties encountered in drawing up the olive oil balance sheets for the seasons in question as well as the analysis of the development of the market were described by the Commission in the report to the Council on 26 September 1972 (doc. R/2022/72 (AGRI 598) End 542).

The drawing up of the olive oil balance sheet in the EEC for the 1971/72 and 1972/73 seasons presents the same difficulties as in the previous seasons.

1. Production

Between 1966/1967 and 1970/1971, the quantity for which subsidies were granted increased from about 350 000 tons to about 440 000 tons, with a peak of some 575 000 tons for the 1967/68 season. Requests for subsidies in the 1971/72 season concerned:

- about 719 000 tons in Italy;
- about 3 400 tons in France.

Up to 30 June 1973, the right to aid was recognized in Italy for 413 000 tons and 5 000 tons were excluded from the right to subsidies. In France, subsidies were granted for 3 371 tons and refused for 57 tons.

As regards production in the 1972/73 season, requests for subsidies concern about 420 000 tons in Italy and about 910 tons in France.

2. Consumption

From 1966/67 an upward trend was recorded for consumption which, nevertheless, remained within apparently normal limits.

The Commission has not yet been able to draw definitive conclusions about the development of consumption since the 1971/72 season.

However, although the development in the price ratio of seed oils and olive oils was not very favourable to the latter, olive oil consumption that season, particularly in Italy, showed some increase which was helped by the very high level of production. Moreover, despite the level of production, net imports reached some 117 000 tons (in the preceding seasons of the common organization of the olive oil market the average net import was about 100 000 tons). Finally, the market situation at the end of the season as well as its developments the following season do not indicate a carryover stock very much larger than that necessary to bridge the two seasons.

There are very few figures yet available for the 1972/73 season; however, the unfavourable development of the seed oil; olive oil price ratio, due to the high prices of the latter, would indicate a fall in consumption of olive oil.

However, this reduction does not seem to have been followed, as in similar situations in previous years, by a corresponding rise in consumption of seed oils.

3. Carryover stocks

The development of prices on the Italian market, as well as the volume of requests for import certificates during the 1972/73 season, indicates that the stocks existing in the Community at the end of the 1971/72 season could have been more than 130 000 tons.

4. International trade

Since the 1966/67 season there has been an upward trend in the volume of olive oil imported into the Community from third countries. The volume increased from about 130 000 tons for the 1966/67 season to about 200 000 tons for the 1970/71 season.

This volume represents the highest figure since the introduction of the single market in the sector. During the 1971/72 season, imports from third countries were about 150 000 tons, a reduction of nearly 15% from the previous period.

This reduction was due to the good conditions of Community production. The producer country supplying most to the EEC was Tunisia (51 000 tons), followed by Spain (46 000 tons) and Morocco (40 000 tons).

Intra-Community trade totalled some 16 000 tons, twice as much as in the previous season. It should be noted, however, that this increase is due exclusively to the re-export of lamp oil from France to Italy.

Exports to third countries during this period totalled about 22 000 tons, of which 16 600 tons from Italy and 5 700 tons from France.

The quantities of olive oil for which import and export certificates were granted in the EEC during the 1972/73 season (until August) totalled 211 000 and 10 000 tons respectively.

Of these quantities, some 80 000 tons were from Spain, 42 000 from Tunisia and 32 000 from Greece and Turkey.

It seems from these figures that the Community's net imports were about 128 000 tons in the 1971/72 season and about 200 000 tons during the first nine months of the 1972/73 season.

II. Present situation of the olive oil market in the enlarged Community

1. Market adaptation by the three acceding countries to the olive oil market

Since olive oil is not produced in the new Member States and their consumption of it is very small, no adaptation measures to the Community regulations were laid down in the Treaty of Accession.

2. Development of the olive oil market in 1973 in the enlarged Community

Crop forecasts are good in Italy and indicate an above average production of oil in this country. On the world market, crop forecasts are good only in Spain and Tunisia. Trade during this same season is expected to be lower than during the 1972/73 season.

For the period 1 February to 31 August 1973, import and export certificates were granted to the United Kingdom and Denmark for 1 557 and 32 tons respectively. No certificates were granted in Ireland.

The provisional cost to EAGGF for the olive oil sector in 1974 is 233 million u.a. (7.4% of the total budget of the Guarantee Section).

III. Prices

1. The development of the fixed common prices for semi-fine olive oil of 3° acid content (quality type) since the introduction of the common organization was as follows:

(u.a./100 kg)

	1966/67	67/68	68/69	69/70	70/71	71/72	72/73
Producer target price	115.00	115.25	115.25	115.25	115.25	118.75	124.70
Market target price	80.00	80.25	72.10	72.10	72.10	75.60	79.60
Aid	35.00	35.00	43.15	43.15	43.15	43.15	45.10

2. Prices at Bari, the most representative of the production zones during the seasons 1966/67 to 1972/73¹ for the quality type, showed the following development:

	1966/67	67/68	68/69	69/70	70/71	71/72	72/73
Producer price without tax	83.11	78.80	76.66	77.98	75.84	79.90	118.51

It appears from these figures that from the 1966/67 season to the 1971/72 season, prices on this market remained relatively stable. They even exceed the market target prices in every season except 1967/68. Olive oil prices since the 1972/73 season have shown an increase of nearly 50% compared with the previous season. On average, prices on the Bari market for the quality type exceeded the market target price by more than 39 u.a./100 kg.

In fact, the rise in prices since the end of the 1971/72 season, both on the Community market and the world market, was maintained and even accelerated during the 1972/73 season for all classes of oil whose prices exceeded considerably the prices given for this season. This rise, due mainly to the export policy of some third countries, meant that the average producer price at Bari for lamp olive oil 3° (which represents more than 50% of the oil produced in Italy), increased by more than 30 u.a./100 kg compared with the average price for the same quality in the previous season.

3. During the first seasons of the common organization of the olive oil market, world prices were relatively stable. Since the 1971/72 season, prices on the world market showed an upward trend with occasionally sharp increases. Because of this situation, the levy was fixed at zero from March 1972 and, with the exception of virgin oil in small drums from Spain, it remained at zero during the whole of the 1972/73 season.

For the same reason an export levy was introduced in November 1972. This levy represents the difference between the CIF prices on the world market and the market target price, which reached its highest level of 28 u.a./100 kg in March 1973.

¹ Average calculated on eight months (January - August 1973).

5. Oil seeds¹

Introduction

The common organization of the oil seeds market began on 1 July 1967 for rape seeds and on 1 October 1967 for sunflower seeds². The season stretches from 1 July to 30 June of the following year.

With the accession of new Member States to the Community "accession" compensatory amounts were introduced on 1 February 1973 for rape seed and turnip seed harvested in the United Kingdom and Denmark. In Ireland the Community price has applied for these seeds since the accession.

The oilseeds sector is also subject to the general system of monetary compensatory amounts.³ The compensatory amounts were introduced on 12 July 1971 for rape seed and oil. They were withdrawn on 1 February 1972 and replaced on 26 July 1972 by differential amounts which apply to only rape seeds and turnip rape seeds harvested in the enlarged Community.

In 1972 production of oilseeds represented 1.0% of the value of final vegetable production and 0.4% of the value of final agricultural production in the enlarged Community.

According to the 1973 (12 months) Budget, the oilseeds sector represented 2.2% or 75 million u.a. of the expenditure of the EAGGF Guarantee section.

¹ See Tables IIB/5.1 to II B/5.8 in Part III.

² Regulation No 136/66 CEE of 22 September 1966, OJ No 172 of 30.9.1966, p. 3025/66.

³ Regulation No 1471/71 OJ No L154 of 20.7.1971, p.26

Regulation No 189/72 OJ No L 24 of 28.1.1972, p.25

Regulation No 1576/72 OJ No L167 of 25.7.1972, p.21

I. Development of the oil seeds market in the original Community from 1967/68 to 1971/72

1. Production

Production of rape and turnip rape seeds expanded from 578 800 tons in 1967/68 to 917 800 tons in 1971/72. This expansion in production by about two-thirds is due mainly to the increase in acreage from 272 500 ha in 1967/68 to 432 300 ha in 1971/72. This increase was particularly influenced by the price level fixed by the Council on the introduction of the common market organization as well as by the ratio which has developed since then between this price and those of the other agricultural products competing with rape in the crop rotation (wheat, beet).

However, in 1971 the expansion in production was not due, as was the case in previous years, to an increase in acreage but to high yields.

In fact, the yield of rapeseed in 1971 (21.2 quintals/ha) was the highest since 1967. A slight drop in the area sown with rape in France was only partly made up for by an increase in acreage in Germany, with the result that the Community acreage of rape fell slightly.

Production of sunflowerseeds which is low in volume is carried out in the south-west of France and to a lesser degree in Italy. Production has nearly quadrupled from 25 400 tons in 1967/68 to 93 900 tons in 1971/72. During the same period the acreage rose from 14 600 ha to 52 400 ha, and the unit yield from 17.4 quintals/ha to 18.7 quintals/ha.

It was possible to market Community production of oilseeds during the seasons 1967/68 to 1971/72 under normal conditions. The quantity of oilseeds offered to intervention during this period was negligible.

It varied between seasons from 0 - 0.2% of the Community harvest.

2. Consumption

Demand for rape, turnip and sunflower is conditioned by the demand for oil and for rape and sunflower cake. Demand for oil and for rape and sunflower cake is a function, on the one hand, of the total demand for oil and oilcake and, on the other, of the ratio between the prices of rape and sunflower oil and cake and the prices of other oils and oilcakes, bearing in mind the possibilities of substitution. It therefore seems best to draw up two balance sheets, one for oils and the other for rape and sunflower cake.

Oil

The volume of rape oil available rose from 267 000 tons in 1967/68 to 498 000 tons in 1971/72. These available quantities come mainly from milling within the Community, the amount coming from oil imports being negligible (7 000 tons in 1971/72). Thus the quantity of rape oil produced in the Community increased considerably to reach 565 000 tons in 1971/72, compared with 310 000 tons in 1967/68.

Despite the expansion in the production of oil from Community rape seeds from 204 000 tons in 1967/68 to 362 000 tons in 1971/72, oil obtained from imported seeds increased even more, especially during the 1970/71 and 1971/72 seasons. This last figure rose from 106 000 tons in 1967/68 to 203 000 tons in 1971/72 to represent more than a third of the total quantity of rape oil produced in the Community.

The percentage of rape oil consumption to that of vegetable fats other than olive oil rose from 10.2% in 1967/68 to 20% in 1971/72. During the same period, the percentage of EEC production of rape oil from Community seeds to vegetable fats consumption in the Community, excluding olive oil, rose from 7.8% to 14.5%.

The volume of sunflower oil available expanded from 286 000 tons in 1967/68 to 340 000 tons in 1969/70. It then fell to 270 000 tons in 1971/72. Despite the expansion in production of sunflower seeds in the Community, the Community is still mainly dependent on imports in the form of both seeds and oil. The percentage of EEC production of sunflower oil from Community seeds to consumption of vegetable fats in the Community, excluding olive oil, increased from 0.3% in 1967/68 to 1.4% in 1971/72.

Cake

As a proportion of total consumption of cake, for which the Community is greatly in deficit, consumption of rape cake represents only a relatively small part; it rose from 4% in 1967/68 to 6% in 1971/72. The quantity of rape cake available increased from 337 000 tons to 666 000 tons during the same period. However, the Community's net exports total some 60 000 tons of rape cake.

The Community is greatly in deficit for sunflower cake. The quantities available which during the seasons 1967/68 - 1970/71 were around the 400 000 tons mark, were only 311 000 tons in 1971/72.

3. International trade

Within the framework of intra-Community trade in rapeseeds, France is the principal supplier. The main purchasing countries are Italy, Germany and the Netherlands.

Since the introduction of the common market organization, intra-Community trade in rapeseeds has gradually expanded from 64 000 tons in 1967/68 to 304 800 tons in 1971/72. This development is mainly due to Italy whose purchases during the period in question rose from 26 000 tons to 282 000 tons.

However, the decline in purchases by Germany and the Netherlands during the same period was largely compensated by increased production in these countries.

Intra-Community trade in sunflower seeds rose to 7 000 tons in 1967/68 and to 13 200 tons in 1971/72. The principal purchasers of these seeds are Italy and Germany who bought 7 154 and 5 900 tons respectively in 1971/72.

Although the Community rapeseed harvest increased by about two-thirds during this period, imports from third countries of these seeds, which fell from 241 500 tons in 1967/68 to 109 000 tons in 1969/70, showed a considerable expansion during the following seasons to reach 494 500 tons in 1971/72. On the other hand, imports of sunflower seeds, which went up from 201 000 tons in 1967/68 to 282 000 tons in 1968/69, then fell back to 112 500 tons in 1971/72. Exports to third countries of rapeseeds fluctuated between 31 000 and 78 000 tons during the same period. Exports of sunflower seeds are negligible.

II. Present situation of the oil seed market in the enlarged Community

1. Adaptation of the market of the three acceding countries to the oilseed market of the original Community

The compensatory amount for rape and turnip seeds harvested in the United Kingdom was fixed at 6.03 u.a./100 kg, and that for the seeds harvested in Denmark was fixed on 1 February 1973 at 1.38 u.a./100 kg. The amounts fixed were reduced on 1 July 1973 to 1.15 u.a./100 kg for Denmark and to 5.14 u.a./100 kg for the United Kingdom with the result that the price difference compared with Community prices since this date has been 25% for the United Kingdom and 5.5% for Denmark. Since her accession, Ireland, has been applying the common price for rape and turnip seeds. The common price for sunflower seeds which are not cultivated in the three acceding states has been applied since the accession.

2. The importance of the oil industry in the enlarged Community

The oil industry in the enlarged Community comprises some 150 concerns which treat between 9 and 10 million tons of oil seeds per year. The resulting production of oil is of the order of 3 - 3,5 million tons, production of cake varying between 6 - 6,5 million tons. The size of the concerns varies greatly from small family units to factories with an annual capacity of up to 800 000 tons of seed.

3. Development of the oilseed market in the enlarged Community in 1972/73

Production

Production of rape and turnip rape seeds in the enlarged Community, including production of the acceding States, rose to 1 092 000 tons in 1972. Production of sunflower seeds rose to 93 900 tons in 1971, but fell to 91 600 tons in 1972, mainly because of poor yields in France (15.5 quintals/ha).

Disposal of the 1972/73 harvest is proceeding under normal conditions for both rape and sunflower seeds. In the Netherlands, 500 tons of rape seeds were offered for intervention at the beginning of the season.

Consumption

During the first half of the 1972/73 season, the quantity of rape oil available showed a slight reduction in the enlarged Community. Compared with the same period of the preceding season, this figure went from 252 000 tons to 237 000 tons and that for sunflower oil from 150 000 tons to 188 000 tons.

During the same period, the quantity of rape cake available rose from 331 000 tons to 332 000 tons, and that of sunflower cake from 152 000 tons to 167 000 tons.

Trade

During the first half of the 1972/73 season, intra-Community trade in rapeseeds in the original Community declined slightly to 130 636 tons compared with 136 181 tons during the same period of the 1971/72 season. Trade in sunflower seeds, however, expanded slightly during the same period from 5 334 tons to 7 482 tons. During the first half of the 1972/73 season, net imports of rapeseeds from third countries, which had shown a sharp rise during the last few seasons, fell to 179 000 tons compared with 249 000 tons during the same period of the previous season. On the other hand, net imports of sunflower seeds increased during the first half of the 1972/73 season from 66 000 tons to 147 000 tons.

4. Outlook

According to the latest information available, the expansion in production in the enlarged Community seems small in 1973 compared with the preceding years, increasing only from 1 092 200 tons in 1972 to 1 104 200 tons in 1973. This expansion is due mainly to the increase in production and acreage in the United Kingdom and Denmark, while production and acreage in Germany and France fell slightly. Under normal conditions for the disposal of oil and cake, the expansion in the production of rapeseeds should not present any disposal problems. The United Kingdom is a net importer of both rapeseeds (91 000 tons in 1971) and rape cake (109 000 tons in 1971/72). Although Denmark is a net importer of rapeseeds (44 000 tons in 1971/72), she is a net importer of rape cake (82 000 tons in 1971/72).

However, certain measures taken to harmonize legislation in France and Italy could be a serious brake to the disposal of Community production of rape seeds.

III. Prices

- Development of common prices

For the first season of the common market organization, the Council fixed a target price of 20.25 u.a./100 kg for rape and sunflower seeds. This price remained unchanged during the following season for the two types of oil seeds. The target price for rape seeds was raised to 20.85 u.a./100 kg in 1972/73 and to 21.06 u.a./100 kg in 1973/74, and the target price for sunflower seeds to 21.05 u.a./100 kg in 1972/73 to 21.26 u.a./100 kg in 1973/74.

- Development of the producer prices

Since the volume of rape and sunflower seeds offered to intervention was negligible during the seasons since the introduction of the common market organization, the prices obtained by the producers varied between seasons and regions from 0.3 u.a./100 kg above the intervention price to a price even above the target price.

- Development of prices on the world market

Since the introduction of the common market organization, the prices for rapeseeds have shown the following development:

Season	(u.a./100 kg)					
	67/68	68/69	69/70	70/71	71/72	72/73
Average price	10.6	9.8	12.6	14.4	12.7	15.3
Lower limit	9.7	9.2	9.4	13.3	11.4	11.4
Upper limit	12.4	10.7	14.5	16.3	14.5	20.7

Since the 1972/73 season, prices have risen sharply. They increased from 11.4 u.a./100 kg at the beginning of the season to 20.7 u.a./100 kg at the end of this season, and at the beginning of the 1973/74 season they exceeded the level of the target prices. Thus the amount of the subsidy, which equals the difference between the target price and the world market price, became 0.

Prices on the world market as well as the amount of the subsidy for sunflower seeds showed a similar trend during the period in question. It should, however, be noted that offers for sunflower seeds have not been recorded on a regular basis, especially during the last few seasons.

6. Cotton seeds¹

The common organization of the cotton seed market began on 1 August 1972.² The season extends from 1 August to 31 July of the following year. There are no accession compensatory amounts nor monetary compensatory amounts in this sector.

The area sown, which is in Italy only, seems to have steadied at about 3 000 hectares producing some 1 000 tons of seeds.

The common organization of the market comprises the introduction of a subsidy per hectare of area sown and harvested. This subsidy, fixed at 70 u.a./ha in 1971/72, was increased to 80 u.a./ha in 1972/73; it has remained unchanged since then.

In the 1973 (12 months) Budget, this subsidy represents an expenditure of 240 000 u.a. for the Guarantee section of EAGGF.

¹See Table II B/6.1 in Part III.

²Regulation (EEC) No 1516/71 of the Council of 12 July 1971, OJ No L/160 of 17.7.1971, p.1-2.

7. Flax and hemp¹

Introduction

The flax and hemp market was brought under common organization on 29 June 1970.² The trading season lasts from 1 August to 31 July. The market organization does not include accession or currency compensatory amounts. The area sown under textile flax (54,000 ha) represents under 1 % of total farmland in the enlarged Community. This crop is limited to certain regions of Belgium, France and the Netherlands, involving an annual 10 000 to 15.000 growers. The straw flax produced is converted to fibres by some 350 retting and scutching concerns who supply users in the Community and about thirty third countries. Linseed as a by-product of textile flax and a principal product of flaxseed grown as oilseed helps to cover a part, albeit small, of the Community's extensive needs in oil and proteins.

Hemp-growing is currently small. It is mainly confined to France (paper hemp) and Italy (textile hemp).

According to the 1973 Budget (12 months) the flax and hemp sector accounted for 0.3% or 11 million u.a. of the EAGGF Guarantee Section's outgoings.

¹See Tables II.B/7.1 to II.B/7.6 in Part III.

²EEC Regulation No 1308/70 of 29 June 1970, OJ No L 146 of 4.7.1970, p.1, as amended by the Act concerning the conditions of accession and adjustments to the Treaties (OJ No L 73 of 27 March 1972, p. 14).

I. Trend in the flax and hemp sector of the original Community 1970-72

Sowings of textile flax in the original Community rose from 51 700 ha in 1970 to 67 200 in 1971, falling away to 54 000 in 1972. It is to be noted that the areas qualifying for aid totalled 51 772, 65 256 and 52 061 ha in these same years respectively.

The ups and downs that have always characterized flax-growing are due to the serious fluctuations in producer incomes because on the one hand flax is a crop very sensitive to weather conditions, and on the other hand straw prices vary with the highly uneven state of the fibre market.

Since the common organization of this sector does not include guaranteed prices, the areas under flax may be expected to continue variable.

Flax straw production fell from 564 000 tons in 1971 to 477 000 in 1972. There is no trade in it with third countries. Part of the French and Netherlands production goes to Belgium, which processed 82 000 tons of foreign straw in 1971/72 compared with 53 000 tons in 1970/71.

According to the available figures, flax fibre production is likely to have been 96 000 tons in 1972, compared with 116 600 in 1971 and 56 500 in 1970. The fibre yield was respectively 1 830, 1 775 and 1 100 kg per hectare.

The areas of flax grown for linseed oil recognized as qualifying for aid (Germany, France), or applying for aid (Italy), rose from 1 178 ha in 1970 to 2 777 ha in 1971, and flaxseed production rose from about 1 600 tons in 1970 to 3 800 tons in 1971.

In 1972 the acreage was down to 2 280 ha, for a production of 3 600 tons.

Flaxseed production from textile flax having been 35 000 tons in 1970, 39 400 in 1971 and 39 950 in 1972, total output should have risen from 36 600 tons in 1970 to 43 200 in 1971 and 43 550 in 1972.

The area growing paper hemp levelled off at about 4 000 ha while that growing textile hemp dwindled to under 500 ha. The areas qualifying for aid (Germany, France) or applying for aid (Italy) totalled 3 378 ha in 1970/71, 4 810 ha in 1971/72 and 4 276 ha in 1972/73.

During the season 1970/71 the Community imported 31 700 tons of flax fibres and exported 39 300 tons. Imports mainly comprised short fibres while exports were chiefly long fibres.

Owing to the small quantity of hemp produced, exports totalled only 1 800 tons; however, users in the Community of the Six imported 14 900 tons from third countries.

II. Current situation of the flax and hemp market in the enlarged Community

Enlargement of the Community required no other provisions than those of Article 95 of the Act concerning conditions of accession and adjustments to the Treaties, which established criteria for determining aid in the new Member States. These currently grow no flax or hemp. On the other hand, they consume substantial quantities of flax fibres which they obtain from the original Community and third countries. This involves a marked change in volume of both demand for, and trade in, fibres in the enlarged Community as compared with the original one.

According to the available figures, sowings of textile flax dropped in 1973 to the exceptionally low level of 48 000 ha, for a fibre production of 82 500 tons, or an average yield of 1 720 kg per hectare. Fibre exports and internal demand in the enlarged Community for the season 1973/74 should not be very different from what they were in the previous year. Hence to meet the requirements of the enlarged Community (110 000 tons) and of

third countries (24 000 tons) would take a further 134 000 tons. Therefore Community production (82 500 tons) is not enough to cover foreseeable demand.

To bridge the shortfall (51 500 tons) it will be necessary to draw on stocks (estimated at the beginning of the season at 64 000 tons) and import more than in the past.

However, since the world market is hardly able to supply long fibres, the demand for these will have to come from stocks that might therefore be dangerously run down.

III. Prices

The upward trend in the price of long flax fibres since late 1971 has continued. It is accounted for by the shortfall in supply. But in the case of short fibres (tow), especially low-quality, the market situation is not so favourable.

Owing to the world situation in the market for oilseeds, linseed prices in the enlarged Community have reached an exceptionally high level. This favourable price trend for long fibres and flaxseed does not yet seem to have given a boost to textile flax growing, for which crop rotations have to be planned well in advance.

On the other hand the rise in flaxseed prices has already had an impact on the acreage sown. On the basis of figures supplied by the Member States, it rose in 1973 to 2 150 ha in France and 3 450 ha in Italy, or 5 600 for the Community as a whole.

The situation in the paper hemp sector has scarcely changed from a year ago: hemp straw prices as agreed between producers and paper mills have remained unaltered, and the acreages sown have hardly varied. Textile hemp, for which prices are available, is sagging slightly.

IV. Forecasts for the season 1974/75 in accordance with the provisions of Article 4 paragraph 2 of EEC Regulation No 1308/70

Assuming that requirements as well as imports remain stable both in the enlarged Community and in third countries, the Community share of the total textile flax crop in 1974 should be 108 500 tons if no further inroads are to be made on stocks.

Allowing for an average yield of 1 500 kg of fibres per ha, the average sown should be about 72 000 ha compared with 48 000 in 1973.

The areas growing textile hemp should remain much the same as a year ago. But in the case of paper hemp the trend in demand should allow a slight increase in production.

8. Seeds¹

1. The creation of a common market organization in the seeds sector is of recent date; the regulation established by the Council on 26 October 1971 and put into force on 1 May 1972 has been applied since 1 July 1972².

The seed marketing season runs from 1 July to the 30 June following. The market includes legumes grown for seeding (peas, beans, lentils etc.) under the Customs tariff item ex 07.05 and seed grains, spores and fruits under item 12.03, and takes in hybrid maize for sowing (10.05A) and oilseeds and oleaginous fruits intended for sowing (ex 12.01) previously included in the markets for cereals and fats respectively.

There are in this sector no accession or currency compensatory amounts.

2. The Community produces more than 1 million quintals of fodder crop seeds, or 20-25% of world production.

The enlargement of the Community has boosted available supplies by the substantial Danish output, which alone accounts for about 30% of production in the Community of Nine. Overall, the Community is not self-sufficing. It imports seeds from the United States, Canada and certain State-trading countries. For the latter most seed imports take the form of multiplication contracts. Trade with third countries is largely dominated by considerations of quality.

¹See Tables II.B/8.1 to II.B/8.3 in Part III

²EEC Regulation No 2358/71 of 26 October 1971, OJ L 246 of 5.11.1971, p.1

3. For a number of crops, production can only be kept up if some measure of protection is given to ensure a fair income for the growers. The Community regulations provide for the possibility of aid per quintal of seed produced, fixed in advance by the Council and involving a number of "sensitive" species of basic or certified seeds. Aid has been fixed at the same level for the seasons 1972/73 (first year of application) and 1973/74. However, for the 1972/73 season, aid in Denmark was pegged to a slightly lower level (90%) and for the 1973/74 season three new species added to the list of those qualifying for aid: textile flax, French ryegrass and rough-stalked meadow grass. 15 million u.a. were earmarked for such aid in 1973 in the Budget of the EAGGF Guarantee Section. In 1974 its financial incidence is estimated at 15 million u.a., or 0.5% of the section's total expenditure.

Different protection arrangements are provided in the case of hybrid maize used for seed. For each type of hybrid an annual reference price is fixed on the basis of import prices for the last three years. If the supply price free at the frontier plus customs duty (consolidated in GATT at 4% but currently autonomous zero exemption) is lower than the official reference price, a countervailing duty equal to the difference between the two prices is charged. The reference prices fixed in 1972 for the 1972/73 season were maintained unchanged for 1973/74.

4. The experience gained is not enough for analysing the effects of aid, and its consequences at production level.

Some aids were set relatively high to stimulate production of certified seeds of certain species in the Community. Most of those concerned are pluriannual crops, so that the effects of the aid system will only be felt in several years time. Already there has been an increase in the demand for fodder crop seeds for reseeded pastureland.

9. Wine¹

Introduction

Wine production only assumes a prominent role in agriculture in Italy, France, Germany and Luxembourg.

The grape and wine market has been under common organization since 8 May 1970.² The viticultural season runs from 1 September to 31 August.

No accession compensatory amounts are payable in the wine sector.

Table wines are subject to the currency compensatory amount regime. Wine production in 1972 accounted for 5.0% (France 8.4%, Italy 9.2%, Luxembourg 8.3%, Germany 3.5%) by value of the final agricultural output of the enlarged Community. Vineyards in 1970 occupied 2 278 836 ha, or 3.7% of total arable farmland.

The structure of viticulture in the various Community regions varies considerably. In view of widely differing selling prices for wine, the area of a wine-growing concern is not significant for its economic situation.

In the 1973 Budget (12 months) the wine and grape sector represents 0.6% or 20 million u.a. of expenditure by the RAGGF Guarantee Section.

I. Trend in the wine-growing market in the original Community 1970 to 1972

1. Production

Depending on climatic conditions, wine production may be variable. Thus the record production of 154 million hl in 1970 fell to 128 million in 1972. Forecasts for 1973 indicate a figure of about 140 million hl. Generally speaking, yields of 50 to 300 hl/ha are recorded according to the region of the Community concerned.

2. Use

Total internal consumption is between 140 and 150 million hl, about 130 for direct human consumption and about 15 for industrial use. In the event of a surplus, some quantities have been consumed in accordance with Council decisions over and above normal industrial use. Human consumption in the Community is about 65 l per head of population, France and Italy leading with about 105 l per head.

¹ Tables II.B/9.1 to II.B/9.5 in Part III

² EEC Regulation No 816/70 of the Council of 28.4.1970 (OJ No L 99 of 5.5.1970, p.1).

3. International trade

Given that the Community is the biggest grower and at the same time the biggest consumer of wine, international trade is not of very great importance. It accounts for only 3-5% of Community production. The original Community's balance of trade with third countries has until now been more or less evenly balanced, and covered a quantity of about 3 million hl.

II. Current situation of the wine market in the enlarged Community

1. Adaptation of the market of the three acceding countries to that of the original Community

In the wine sector accession compensatory amounts are non-existent because the three new Member States are not big producers. The reference (threshold) prices have therefore applied since 1 February 1973.

2. Economic importance of the grapes and wine sector in the enlarged Community

The accession of the three new Member States has brought no change to the basis of Community production. Their consumption may be estimated at 2.5 million hl. Total consumption in the Community of 140-150 million hl has therefore not been greatly changed.

3. Trend in the wine market in the enlarged Community in 1973

The first results of the wine harvest indicate that it will be a good year both in quantity and quality. On the basis of an estimated harvest of 140 million hl, supply and demand will be in balance during the current season.

Allowing for the requirements of the three new Member States whose traditional supplies have long been derived from certain third countries, imports will be likely to rise to about 4 million hl. Exports may be estimated at about 3 million hl.

In existing conditions of production, consumption and external trade, no surpluses are foreseeable.

4. Outlook

Wine production in the enlarged Community may, as in the original one, be subject to deviations of as much as 25 million hl per annum according to production conditions, and notably weather. However, it is to be noted that there has been a steady upward trend since 1960.

The slight increase in exports over the past few years, especially for quality wines, is likely to continue. Total exports may absorb rather over 3 million hl.

Total domestic consumption will probably continue to follow the slight increase in previous years, particularly in wine for human consumption.

As the average increase in total domestic consumption is decidedly lower, there is undeniably a risk of disequilibrium between total domestic production and consumption in future. The trend might be speeded up if the present high price level continues to offer the grower inducements for planting additional areas.

III. Prices

Guide prices were raised by 11% between 1970/71 and 1973/74. The relevant prices for 1971/72 were unchanged from the preceding period. 1972/73 was marked by a rise of 7% over the previous year. For 1973/74 the guide prices were only raised by 1%. Activating prices for intervention kept pace.

In the seasons previous to 1972/73 the prices paid to the grower for table wines were close to the activating prices.

For that season and the current one they even far exceeded the guide price rates.

Prices of quality wines, which are uncontrolled, have risen notably in recent times to an extent highly favourable to the producer.

World market prices are generally influenced by the trend in the Community, which is by far the biggest producer.

The current situation is one of very high prices, in some cases exceeding the reference prices fixed.

10; Raw tobacco¹

Introduction

Implementation of the common organization of the raw tobacco market dates from 29 April 1970² and the price system was first applied to the 1970 harvest.

Only "leaf tobacco" and "baled tobacco" are regarded as agricultural products.

Community production in 1972 represented 20% of raw tobacco consumption in the enlarged Community. In that same year the total acreage growing this crop was about 69 000 ha. The Community includes 4 producer countries: production in Germany and Belgium is only of minor importance to them (a combined total of 12 000 tons in 1972) whereas for France and Italy it represented a substantial share of total agricultural production (47 000 tons in France and 78 000 in Italy in 1972). Production in the three new Member States is zero. Tobacco production in 1972 accounted for 0.4% of final total production in the original Community.

Tobacco growers enjoy guaranteed prices by a system of deficiency payments taking the form of a premium paid to the buyer.

When the instruments of market organization have become fully effective, a normal disposal of the crop may be expected; during the current initial phase, the situation varies appreciably according to varieties and qualities of the tobacco grown, and in Italy some quantities (7% of production) had to be covered by intervention.

¹See Tables II.B/10.1 to II.B/10.4 in Part III

²EEC Regulations No 727/70 of 21 April 1970, OJ No L 94 of 28.4.1970, p. 1

Hence, because of the chosen system of deficiency payments, the average financial cost of this sector in 1972, 1973 and 1974 accounted for 130 million u.s. of the Budget of the EAGGF Guarantee Section, or 4.5% of its total expenditure.

I. Trend of the raw tobacco market in the original Community 1970 to 1972

1. Production

The expansion of the area growing tobacco recorded in 1971 in the Community of Six continued in 1972. It then totalled 69 700 ha or an increase of 4 000 ha over the year before and 3 700 over 1970.

This favourable short-term situation led to a production of 129 000 tons in 1972, or 19% higher than the year before and 2.6% higher than 1970. Lower yields in 1971 in France and Italy largely account for the big difference between the 1972 and 1971 figures.

However, against the background of the conditions previously described there have been fairly well-marked changes in the case of individual varieties.

In Italy the increased areas in 1972 of the Kentucky (5%), Burley (6%) and Erzegovina (36%) varieties were partly offset by a decrease in the areas of Nostrano (36%) and Xanti Yakà (25%).

After a sizable drop in 1971 due to climatic conditions, French black tobacco production in 1972 returned to the same level as in earlier years, and even rose slightly compared with 1970.

Moreover, while there was in Belgium a very slight decrease in the area cultivated in 1972 compared with 1971 (Philippin 7%) tobacco production fell even more due to a fairly sharp decline in yields (Philippin 11%).

In Germany the increase in area recorded in 1971 in the case of Badischer Geudertheimer and Badischer Burley continued in 1972. Production rose in the same proportions, by 12% and 7% respectively.

2. Marketing of the crops

The available figures on the marketing of the crops in 1970 and 1972 indicate no buying by the intervention authorities in Germany, France and Belgium. In Italy, however, there were substantial purchases of baled tobacco from the 1970 and 1971 harvests. Thus in September 1973 the Italian authority (AIMA) held 7 824 tons of baled tobacco from the 1970 harvest, of which 32% Burley and 39% Xanti-Yakà. For the 1971 harvest, its purchases as at 30 September 1973 were provisionally estimated at 6 887 tons, of which 18% Burley and 54% Xanti-Yakà. The possibility of further intervention buying in the next few months is not ruled out in the case of the 1971 and 1972 harvests.

The available information on marketing of the 1972 harvest is fragmentary, as deliveries of tobacco are proceeding.

Raw tobacco becomes an industrial product once it is processed by the tobacco manufacturing industry (cigars, cigarettes, pipe tobacco). It follows that the market organization does not yet affect the end consumer: raw material cost at the manufactured tobacco stage becomes almost negligible compared with the end price due to the very high rate of taxation.

3. International trade

Intra-Community trade in 1970-72 rose steadily from 27 000 tons to about 42 000.

It should be recalled that intra-Community trade during these years actually only concerned 11 000 - 23 000 tons of home-grown tobacco from Italy and to a lesser extent France. Hence a considerable proportion of total intra-Community trade concerned tobacco grown in third countries and in due course re-exported to other Member States.

II. Current situation of the raw tobacco market in the enlarged Community

1. Adaptation of the market of the three acceding countries to that of the original Community

There are no accession compensatory payments, since the three new Member States are not tobacco growers.

Community regulations concerning raw tobacco apply directly to the enlarged Community as a whole.

2. Economic importance of the raw tobacco sector in the enlarged Community

In 1972 the Community of Six, with an output of 120 000 tons of baled tobacco and 300 000 tons of imports, represents about 420 000 tons consumption. United Kingdom imports are in the order of 140 000 tons; if the imports of the other acceding countries (+ 20 000 tons) be added, and in the absence of any production in the three, net imports total about 460 000 tons and apparent consumption about 580 000 tons. Thus the rate of self-sufficiency falls from 30% in the original Community to 20% in the enlarged Community.

World-wide, assuming a production of 4.7 million tons, the following comparisons may be made:

	<u>EUROPE</u> <u>OF 6</u>	<u>EUROPE</u> <u>OF 9</u>
Production as % of world production	2.5%	2.5%
Consumption as % of world consumption (= production)	8.0%	12.0%
Net imports as % of world imports	33.0%	55.0%

In the case of imports from the United States, the world's leading exporters with 280 000 tons, nearly one half go to the enlarged Community and the latter's imports comprise about 1/3 rd American tobaccos. It should also be remembered that preference systems in connection with association agreements potentially cover 200-230 000 tons of Greek and Turkish tobaccos, and 30 000 tons from associated African States, of which 50% from East Africa.

Due to United Kingdom legislation prohibiting additives in cigarettes, itself bound up with the taxation system, the English-type 100% flue-cured cigarette tobacco has kept its dominance of the United Kingdom market. Imports of other types amount to less than 5% of total imports. The situation is slightly different in the other new Member States, notably Denmark, for which Brazil and Indonesia are substantial suppliers of cigarette and pipe tobacco. However, the chief market is the United Kingdom, and the possibilities for supplies of Community flue-cured tobaccos to British industry are exceedingly small.

Nevertheless it may be postulated that United Kingdom legislation, already amended in 1970 for tax purposes in the case of synthetic tobacco, may evolve towards a lifting of the ban on additives, thus enabling cigarettes of American-type mixtures to be marketed. For the Community production this would afford real sales opportunities for Burley tobacco. But it has to be added that the British tobacco manufacturers do not believe there will be any swift change on the domestic market as a result of introducing American-type cigarettes.

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It must be borne in mind that fiscal harmonization in respect of cigarettes is not unrelated to the marketing possibilities for raw tobaccos according to variety, type, quality and price.

The estimated cost to EAGGF for the tobacco sector in 1974 is 141 million u.a., or 4.5% of the Guarantee Section's total Budget.

3. Outlook

A review of the raw tobacco market for 1973, just like a forecast of its trend, remains difficult to arrive at, as the established system and the economics of the sector only produce their effects two or three years after the harvest. Nevertheless it may be assumed that production will be at roughly the same level as in 1970 and 1972, with, however, reduced sowings of certain varieties of oriental-type tobacco, offset by increases for other varieties in greater demand on the market.

However, it is to be anticipated that smaller quantities of the 1972 crop will be offered to the intervention authorities, and to be hoped that exports will tend to go up during the next few months.

III. Prices

The prices fixed for the 1972 crop have undergone, compared with the 1970 and 1971 crops, selective increases resulting in an average rise of 5%. Those for the 1973 crop are 1% up on the year before except for two varieties, for which they are unchanged (Xanti-Yakè and Burley).

Following the Council decisions of last May in the monetary sphere, intervention prices, derived intervention prices and bounties have been raised 1% in Italy.

II. Fruits and vegetables

Introduction

The fresh fruit and vegetables market underwent a first step towards a common organization in 1962,² on the basis of a gradual liberalization of intra-Community trade through standardization, and the establishment of certain rules for imports from third countries.

On 1 January 1967 the common organization of the fresh fruit and vegetables market became fully operational,³ and thereafter underwent only changes of form and not substance.

In view of the geographical dispersion and diversity of products it is in general difficult to talk about a marketing campaign for fruit and vegetables, and the timescale of production has to be examined product by product, some seasons being comparatively short (peaches, cherries, etc.) while others are practically spread out over the whole year (apples, lemons).

There are accession compensatory amounts in the case of apples and pears and of cauliflowers and tomatoes, but no currency compensatory amount has been fixed for fresh fruit and vegetables.

On the basis of 1971 statistics for the original Community, fruit and vegetable growing and other horticultural crops occupied 3.9% of used farmland, and 6.4% of land cultivated for uses other than permanent leys and grazing.

Production of fresh fruit and vegetables (including the portion intended for processing) represented in 1972 about 10.4% by value of final production in agriculture for the original Community, and 27.7% of end production of plant crops.

The market for processed products based on fruit and vegetables was placed under common organization on 1 July 1968.⁴ This retained the various regimes of the Member States vis-à-vis third countries, and for a limited range of products provided for refunds to cover the difference between intra-Community prices and world trade prices.

In the 1973 Budget (12 months) the fruit and vegetables sector represented 1.9% of the EAGGF Guarantee Section's expenditure, with a total in the order of 64 million u.s.

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

² Regulation No 23 -OJ No 30 of 30.4.1962, p. 965/62

³ Regulation No 158/CEE/66 of 25.10.1966 - OJ No 142 of 27.10.1966, p.3284/66

⁴ Regulation No 159/CEE/66 of 25.10.1966 - OJ No 192 of 27.10.1966, p.3286/66

Regulation No 865/CEE/68 of 28.6.1968 - OJ No L 153 of 1.7.1968, p.8

Trend in the fruit and vegetables market of the original Community
1967-1972

1. Production

Commercial fruit production, which amounted in 1967 to 14 620 000 tons, fluctuated from 1968 to 1971 from 15 400 000 tons to nearly 16 000 000 tons, and in 1972 fell back to 14 149 000 tons due to a fairly drastic drop in each Member State because of bad weather.

This situation compared with 1971 is attributable to a drop in apple production of about 9% (4 631 000 tons in 1972 compared with 5 121 000 tons in 1971) and in pear production of about 13% (2 192 000 tons in 1972 against 2 502 000 tons in 1971). Citrus fruit production was 2 474 000 tons in 1972, against 2 558 000 tons in 1971, or a drop of 3.3%.

Commercial vegetable production fluctuated from 1967 to 1972 between 19 300 000 tons and 20 930 000 tons (1970), with no pronounced upward or downward trend. In 1972 it amounted to 19 590 000 tons, corresponding to a drop of about 3% compared with the year before.

Cauliflower production in 1972 was 1 267 000 tons, the same figure as in 1971; for tomatoes, however, the 1972 production of 1 043 000 tons was about 9% down on the previous year's figures.

2. Use of production

Market balance-sheets for the most sensitive products show the internal pattern of consumption (quantities sold by professional growers, balance of stocks, and balance of external trade) as follows:

1970/71	Cauli- flowers	Toma- atoes	Apples	Pears	Pe- aches	Fresh Grapes	Oranges
Sales by professional growers (1 000 tons)	1 227	4 349	4 949	2 051	1 417	1 176	1 161
Internal market consumption (1 000 tons)	1 162	4 514	5 000	2 000	1 439	1 202	2 636
comprising:							
-market losses	7%	10%	9%	7%	13%	9%	6%
-industrial uses	-	-	17%	-	-	-	-
-quantities for food purposes	93%	89%	74%	88%	87%	91%	94%
-fresh products	92%	47%	61%	83%	83%	87%	89%
-for processing	1%	42%	13%	5%	4%	4%	5%

(Source: S.O.E.C.)

For all products, i. e. including home garden produce, canned products and juices, per capita consumption in 1971/72 was 108.9 Kg in the case of vegetables and 74.4 Kg in the case of fruit, which represents roughly the average consumption for the past six years.

In 1971/72, as in previous years, the degree of self-sufficiency was very high - 87% in the case of fruit (but only 52% for citrus fruit) including canned produce and juices, and nearly 100% in the case of vegetables. For processed products only, the figure was 76% for fruits and 99% for vegetables.

The 1972/73 season saw some temporary gluts of fresh products, giving rise under the Community system of market stabilization to some withdrawals. These were, however, for all products very far short of the ones that had to be made in the 1971/72 season.

Furthermore, to obviate surpluses of apples, pears and peaches the Community established in 1969 a programme of incentives for grubbing up orchards,¹ for implementation by 1 April 1973. Although the figures for Italy are still incomplete, this exercise took in nearly 82 000 ha, of which 65% apple orchards.

3. International trade

Total imports of fresh fruit from third countries, after falling off slightly in 1971 rose by about 10% in 1972; in the case of vegetables imports climbed during 1972 by about 11% after having remained stationary since 1969.

Exports of fresh fruits to third countries rose by about 10% in 1971 and 1972. Vegetable exports rose by approximately 12% in 1972 whereas in 1971 they had stayed at the same level as in 1970.

For manufactured products based on fruit and vegetables there is a growth in international trade, particularly marked in intra-Community trade, which was liberalized from 1968 on. However, imports from third countries of certain sensitive products rose more steeply.

¹ Regulation (CEE) No 2517/69 of 9.12.1969, OJ No L 318 of 18.12.1969, p. 15

II. Current situation of the fruit and vegetable market in the enlarged Community

1. Adaptation of the market of the three acceding countries to the fruit and vegetable market of the original Community

Accession compensatory amounts have been set for apples, pears, cauliflowers and tomatoes.

The amounts and the period for which they are payable vary from one new Member State to another, allowing for the conditions in each prior to accession.

The basic rate of compensation for trade between new Member States and the Community as originally constituted represents in relation to the mean basic price fixed for the season 1973/74:

in the case of Denmark: 49% for pears, 39% for apples, 143% for tomatoes and 111% for cauliflowers;

in the case of Ireland: 86% for apples, and 65% for tomatoes;

in the case of the United Kingdom: 58% for pears and 80% for apples.

As regards processed products, with the exception of a few of these, the three new Member States share of trade with the original Community is comparatively small both for imports and exports and no notable changes are anticipated in the immediate future.

2. Economic importance of the fruit and vegetable sector in the enlarged Community

The lack of overall statistics does not allow any accurate assessment of the situation of this sector in the enlarged Community.

Nevertheless, for the main products, commercial production in the three new Member States may be estimated at about: apples: 525 000 tons, pears: 75 000 tons, cauliflowers: 300-330 000 tons, tomatoes: 130 000 tons.

In the case of peaches, fresh grapes and citrus fruit, production in the new Member States is negligible or non-existent.

3. Market trend in the enlarged Community in 1973

In 1973 the situation of the fruit and vegetables market was fairly favourable.

Disregarding tomatoes, for which withdrawals of about 35 000 tons have been made because of particularly favourable climatic conditions for ripening, with a consequent heavy crop over a very short period, withdrawals of other products have been minor and in some cases of insignificant importance, totalling at the end of September about 692 tons of cauliflowers, 20 735 tons of peaches, 3 884 tons of pears and 181 tons of apples.

4. Outlook

Disregarding seasonal factors sometimes involving marked variations, a certain stability of market gardening and fruit production might be expected, although in the case of fruit possible new plantings might in the fairly near future wipe out the favourable effect of grubblings.

In the case of citrus fruit, especially oranges and small fruit, it may be hoped that the gradual implementation of the plan for restructuring citrus fruit-growing¹ and the effect of penetration premia¹ will favour the marketing of Italian production throughout the enlarged Community.

In the case of processed products with a base of fruit and vegetables, the imminent establishment of a unified regime for imports from third countries and the measures proposed for avoiding serious disruption, notably floor prices, minimum prices, direct aids for canned pineapple, should do something towards stabilizing the sector.

The EAGGF Guarantee section's estimated expenditure for the fruit and vegetables sector in the 1974 Budget is 68 million u.a. or 2.2% of the total.

III. Prices

- Trend of common prices

As regards fruit and vegetables Community basic and purchasing prices are fixed yearly for the principal products.

The prices, frequently varying from month to month, determine the withdrawal prices at which producer groups buy back their members' unsold produce.

Globally the withdrawal prices, which give a more accurate idea of the intervention cost, rose between 1967/68 and 1971/72 at about 3.5% per

¹ Regulation No 2511/69 of 9.12.1969, OJ No L 318 of 18.12.1969, p.1

annum, varying however according to period and product.

In 1972/73 the average increase in withdrawal prices was \pm 5% compared with 1971/72 and in 1973/74 about 7.5% compared with 1972/73, except in the case of pears, where it was only 5%.

- Trend of producer prices

It may be noted that:

- last season's prices were highest
- except for apples, there was a fairly steady increase year-by-year
- marked differences occur during the same season on the various

Community markets.

- Trend of consumer prices

In a sector with such a large number of different products with notable price variations for each from one market to another during the same season, it is not easy to sum up the situation of consumer prices in a single figure for each Member State. Comparisons of such figures with one another are also hazardous when it is known that the indices are not calculated in a uniform way.

However, it may be inferred that the consumer price index for fruit and vegetables is lower than the corresponding one for all foodstuffs and beverages.

- Price trend on world markets

There are not properly speaking any world markets for fresh fruit and vegetables, the prices of which are established more or less independently on the principal existing markets.

For this reason, and to curb competition with Community products of products from third countries, certain temporary measures have been taken in the context of the reference price system and the preference given in the case of citrus fruits to certain countries of the Mediterranean basin.

For the 1972/73 season, compensatory taxes have been charged on peaches from Greece and oranges from Spain and tariff preference temporarily withdrawn from Spain for its exports of small citrus fruit and oranges, and from Turkey for its exports of small citrus fruit.

For the 1973/74 season compensatory taxes have already been charged on cucumbers and tomatoes from Bulgaria and Romania.

For processed products, the order of magnitude of prices on world markets is as follows:

Skinned tomatoes	17 - 23 u.a./100 kg
Tomato juice	17 -- 223 u.a./100 kg
Canned peaches	26 -- 34 u.a./100 kg
Natural orange juice	26 - 34 u.a./100 kg
Concentrated orange juice and lemon juice	From 40 to over 150 u.a./100 kg according to strength of concentration.

Tomato concentrates, owing to a bad harvest in 1972 and increased demand, now command prices in excess of 500 dollars a ton instead of 250 as a year or two ago.

12. Hops¹

Common organization of the hop markets is of recent date; decided by Council on 26 July 1971² and entering into force on 7 August 1971, it was first applied to the 1971 harvest.

The Community regulations currently cover 21 varieties of hop in the enlarged Community; they provide for a system of certificates of origin, which is now being finalized, aids to producer groups and a system of acreage grants.

There are no accession or monetary compensatory amounts. Hop production only accounts for 0.15% by value of final agricultural production in the enlarged Community.

According to the 1973 Budget (12 months) the hops sector represents 5.5 million u.a. or 0.16% of expenditure by the EAGGF Guarantee Section.

1. Production

The areas growing hops in the enlarged Community, after remaining comparatively stationary until 1963 (18-19 000 ha), rose to 27 500 ha in 1972, or an increase of almost 50% over the past decade. The increase was particularly marked during 1971 and 1972 when it amounted to about 12% per annum. The increased annual acreage is almost entirely accounted for by German hop-growers, for whom it rose from 15 000 ha in 1971 to 18 200 in 1972. In France (1 100 ha in 1971, 1 200 in 1972) and Belgium (1 000 ha in 1971, 1 100 in 1972) there was little change. In the United Kingdom, the second biggest Community producer, there was a slight decrease from 7 200 ha in 1971 to 6 900 in 1972. The figure for Ireland is only slightly over 50 ha. In Italy, Netherlands, Luxembourg and Denmark there is no commercial hop growing.

¹ See Tables II.B/12.1 and II.B/12.2 of Part III

² EEC Regulation No 1696/71 of 26 July 1971, OJ L 175 of 8.8.71, p.1

In 1971 and 1972 hop yields were very low. While there was a slight increase in 1972 for the original Community it was lower than the 1971 figure for the enlarged Community. Of course, it should be borne in mind that new plantings are not yet in full production. The average yield in 1972 was 1 650 kg/ha for the enlarged Community and 1800 kg/ha for the original Community (or an increase of 50 kg/ha compared with 1971).

In 1972 total production for the enlarged Community was 858 000 metric cwt¹ an increase of 18 000 over the year before (+8.6%) and 16 000 over 1970 (or +1.9%). In the original Community the increase was 120 000 tons compared with 1971, or + 21% (almost entirely accounted for by Germany).

2. Hop consumption

Practically the whole crop is used by the brewing industry (less than 1% is used for the manufacture of pharmaceuticals).

Beer production in the Community of Nine rose by 11% from 210 305 000 hl in 1971 to 212 818 000 in 1972. The demand for hops fell by 4.8% from 715 037 metric cwt in 1971 to 680 121 tons in 1972 owing to the reduced quantity of hops used for beer-brewing.

3. International trade

With 45% of world production, the Community is the world's leading producer and exporter. For the sector as a whole, it supplies 50% of world exports. The volume of trade in this sector is attributable to considerations of quality and variety, mainly bound up with Germany's central position in trade in these products. The Community mainly exports aromatic varieties and imports varieties rich in bitters.

¹ 1 metric cwt = 50 kg.

4. Prices

The Community regulations make no provision for guaranteed prices or market outlets. It allows free play to the market forces, Community and world-wide, and only provides for the possibility of an acreage grant to safeguard producers against falling incomes as may be decided retroactively by the Council.

During the first year of implementation this aid was granted to 10 varieties grown in the 1971 harvest.

About 85% of production is sold under forward contracts. In the United Kingdom this applies to the whole crop.

For the 1972 harvest hop prices under forward contracts in the original Community remained generally at the same level as the year before. Prices of the varieties grown in the United Kingdom rose very steeply in the case of the two last harvests (about 12-15% in 1971 and 20-25% in 1972). While their starting level was below that of the original Community, they are now far above the continental level.

The price of hops sold otherwise than by forward contract rose steeply in 1971 and fell back in 1972 to about the same level as in 1970.

The ratio of non-contractual to contractual prices which was 168: 100 in 1971 inside the Community, fell to 103: 100 in 1972.

Receipts per hectare are a function of yield and price. In 1972 there was in general a slight fall compared with 1971. This is true of all varieties except Northern Brewer, Fuggley and Bullien.

In the enlarged Community in 1972 total receipts from the old plantings were 3 327 u.a./ha. This is 68 u.a. lower than in 1971 and 149 lower than the average for 1969-71. In the original Community

1972 receipts are 3 308 m.a./ha (still on the basis of old plantings) or 150 u.a. less than in 1971 and 367 less than the 1969-71 average. Receipts of the varieties grown in the United Kingdom were 3 042 u.a. or 62 u.a. more than in 1971 and 269 u.a. above the 1969-71 average. EAGGF's estimated cost for the hops sector for 1974 is 8 million u.a. (0.25% of its Guarantee Section's total Budget).

5. Outlook

Experience is still insufficient and even a balance-sheet, notably of supplies, remains difficult to establish.

Nevertheless an estimate of the demand for hops based on steady rise in beer production worldwide (3% per annum) would give the following figures:

<u>World</u>	<u>Harvest</u>	
	<u>1972</u>	<u>1973</u>
Production of beer (million hl)	680	700 ¹
Demand for hops (million metric cwt)	2 124	2 200 ¹
Production of hops (million metric cwt)	1 918 ²	2 089 ³
Shortfall ('000 metric cwt)	206	111
Area ('000 ha)	75 ²	78 ³
Yield (metric cwt/ha)	25.6 ²	26.8 ³

While world production of hops in 1973 was 2 089 million metric cwt, the demand for 1973 may be estimated at 2 200 million metric cwt, i.e. a difference of 110 000 metric cwt, that might be made good in one of the three following ways:

- an extra acreage of 4 000 ha, making a total of 82 000 ha, provided the yield remains at 26.8 metric cwt/ha;

¹ Estimate
² 1971 harvest
³ 1973 harvest

- an increased yield of 28.2 metric cwt/ha provided the area remains the same;
- an increased yield of 26.8 to 28.2 metric cwt/ha together with an increased area of up to 4 000 ha.

The increase in area in the Community, for each of the last two years, chiefly in Germany, might cause a world glut of hops.

To this is added the fact that for some time hops prices on the free market, about 20% of the total marketed, have fallen by about 50%. This might have a serious impact on prices under the new contracts to be concluded for the coming years, causing lower receipts per hectare. This might induce the Member States to ask for acreage aids for more varieties and at higher rates.

13. Milk and dairy products¹

Introduction

Implementation of the common organization of the milk and dairy products market dates from 29 July 1968² and was supplemented on 29 June 1971 in respect of milk for human consumption, with effect from 1 April 1972³.

The season runs from 1 April to 30 March.

Since 1 February 1973 there have been accession compensatory amounts for butter and other dairy products, depending on their percentage butyric matter content. There is no accession compensatory amount for powdered skimmed milk nor for the nitrogenous products incorporated in other dairy products. For these there exist common prices applicable to the enlarged Community.

In addition the dairy sector is subject to the general system of currency compensatory amounts.

Milk production in 1972 represented 32% by value of final animal production and 19% by value of total final production in both the enlarged and the original Community. The areas growing green fodder plus permanent grassland, totald 57.3% of total arable farmland in the enlarged Community in 1971.

In 1971 nearly one half of farms in the enlarged Community, i.e.

2.7 million units, produced milk. The Community average number of milk cows per herd was about 10, the two extremes being 5 in Italy and 34 in the United Kingdom. About 30% of dairy cows are distributed in herds of less than 10, the two extremes being 45% in Germany and 29% in the United Kingdom.

According to the 1973 Budget (12 months) the dairy sector accounted for 1 483 million u.a. or 43.2% of the expenditure of the EAGGF Guarantee Section.

¹ See Tables II.B/13.1 to II.B/13.10 of Part III

² Regulation CEE 804/68 of 27 June 1968, OJ L 148 of 26.6.1968, p. 13

³ Regulation CEE 1411/71 of 29 June 1971, OJ L 148 of 3.7.1971, p. 4

I. Trend in the milk and dairy products market of the original Community 1968-1972

1. Introduction

Analysis of the period 1968-72 is particularly difficult since aside from serious statistical deficiencies¹ the economic trend was twofold: a drop in production from 1968 to 1971 and an upward movement in 1972, confirmed in 1973.

- the number of dairy cows went from 22.1 million in 1968 to 21.2 million in 1971 and 21.4 million in 1972,
- yields however went from 3 283 kg in 1968 to 3 442 kg in 1972, an increase of 4.8%,
- milk production therefore rose from 72.8 million tons in 1968 to 73.7 million in 1972, an average rise of 1.8%,
- milk deliveries to dairies also continued to rise, from 77% to 80%, or 58.9 million tons in 1972 compared with 55.8 million in 1968; this rise more than kept pace with the increase in milk production. However, it is pointed out that deliveries declined from 1968 to 1971 and then recovered again.

2. Consumption of whole milk:

This is as follows (1972):

(a) milk for domestic consumption	23.1%
(b) butter	} 38.8% ²
(c) powdered skim milk	
(d) cheese	18.7%
(e) condensed milk	3.5%
(f) powdered whole milk	2.0%
(g) milk for feeding livestock	12.8%
(h) miscellaneous	1.1%
(i) total	100.-%

¹Notably the reestimate of the French dairy cow population
²Calculated on the basis of butyric fats

- milk for human consumption; total human consumption of whole milk went from 16.3 million tons in 1968 to 15 million in 1971, a drop of 8% corresponding to a reduced per capita consumption of 78.1 kg in 1971 compared with 87.6 kg in 1968.
- butter; butter production in the Community varied with milk production; it fell from 1 403 000 tons in 1968 to 1 236 000 tons in 1971, to rise to 1 378 000 tons in 1972. Total consumption at market prices went from 1 150 000 tons in 1968 to 1 070 000 tons in 1972, or a fall of 6.5%, per capita consumption from 6.2 kg to 5.5 kg (whereas per capita consumption of margarine remained stationary and that of table oil continued to rise from 9.2 kg/per head in 1968-69 to 10.1 kg in 1970-71).

Butter production exceeded domestic consumption at market prices (including refrigerated butter sold at cut prices) as follows:

<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	(in '000 tons)
253	157	137	181	308	

All three possibilities for marketing production, including drawing in stocks, had to be utilized:

- selling on the domestic market at greatly reduced rates averaging about 80% of the normal price,
- stepping up commercial exports
- special international selling campaigns and food aids.

	(in '000 tons)				
	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Promotion of domestic consumption	21	56	112	15	35
Commercial exports	101	89	130	182	56
International campaigns and food aid	0	16	61	14	23
Changes in stocks	+131	+ 3	- 171	- 25	+197

As at 31 December 1972, butter stocks in the original Community totalled 303 000 tons.

- Powdered skim milk: production went from 1 318 000 tons in 1968 to 1 150 000 in 1971 and 1 357 000 in 1972. Total consumption went from 963 000 tons in 1968 to 1 238 000 in 1972, a rise of 29% attributable to cutprice sales. This was made possible by curtailing exports while at the same time providing increased food aid and running down stocks. In view of the comparative world shortage of powdered milk, imports could not be boosted:

	(in '000 tons)				
	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Imports	21	21	11	4	1
Exports	242	91	209	94	37
Food aid	0	0	25	47	56
Changes in stocks	+ 134	+123	+ 269	- 70	+ 27

As at 31 December 1972 intervention stocks of powdered skim milk in the Community were no longer greater than 49 000 tons.

- Cheese¹: Community cheese production went from 1 904 000 tons in 1968 to 2 319 000 tons in 1972, an increase of 22%. But over the same period total consumption rose by 23% (2 277 000 tons instead of 1 855 000 tons), so that the EEC's net export balance fell slightly from 49 000 tons in 1968 to 41 000 tons in 1972. Per capita consumption went from 10 kg to 12 kg. This balance conceals a brisk international trade in cheese, gross imports averaging about 80 000 tons per annum and exports about 120 000 tons.
- Condensed milk: the EEC's condensed milk production went from 1 159 000 tons in 1968 to 1 122 000 tons in 1972, a drop of 3.2%, while consumption rose from 731 000 tons in 1968 to 750 000 tons in 1972 or +2.6%; per capita consumption went from 4.3 kg to 3.9 kg. The Community has practically no imports of condensed milk; hence its exports fell from 428 500 tons in 1968 to 371 900 tons in 1972, or - 13.2%.

¹Including cream cheese

- Powdered whole milk¹ while production is relatively small, it is rising steeply (189 000 tons in 1968 and 273 000 tons in 1972, or + 44%). However, although consumption is rising (163 000 tons in 1972 against 130 900 tons in 1968 or + 25%) it is not keeping pace with production, hence increased exports from 60 900 tons in 1968 to 110 000 tons in 1972 (+ 81%), but this poses no serious problems because the world market can easily absorb the increase.
- Casein: Casein production in the Community is up by 36% (1968: 30 000 tons, 1972: 41 000 tons); consumption lags slightly behind (+ 33%, or 46 700 tons in 1972 and 35 000 tons in 1968). The net import balance has risen slightly (16 000 tons in 1972). The casein market in 1972 seems to have reached a better equilibrium of supply and demand. In 1969, 1970 and 1971 a strong domestic demand (50 000 tons) was met by an increase in gross imports (33 000 tons in 1969 and 1970).

3. International trade

Converting all dairy products to milk equivalent, the surplus of deliveries to dairies over consumption at market prices may be said to have risen from 4.5 million tons in 1968 to 8 million in 1972; i.e. it has almost doubled. The surplus varied on the one hand, according to changes in milk and dairy product prices, and on the other, discounting climatic conditions, according to protein feedstuff prices which owing to currency movements became highly attractive to Europe's milk producers.

Exports to third countries in the case of milk products other than butter and powdered skim milk represented about 3.7 to 4.5 million tons of milk-equivalent in 1968-70 and rose slightly in 1971-72. The situation of butter and powdered skim milk is rather a residual one in that under the intervention system practised the milk surplus that could not be disposed of on the Community market in the form of various dairy products has been used for the manufacture of butter and powdered skim milk.

¹Including powdered partly-skimmed milk.

In the case of the latter, it must be pointed out that the increase in available supplies has been drastically reduced by means of a much greater use of skim milk in the dairy industry. On the other hand the butter situation is rather different: the increased production has encountered difficulties in finding external outlets, and stocks at 31 December 1972 amounted to 303 000 tons.

Whereas intra-Community trade rose from 59 900 tons in 1968 to 123 400 tons in 1972, extra-Community trade varied from 106 000 tons to 79 000 tons.

II. Current situation of the milk and dairy products market in the enlarged Community:

1. Adaptation of the markets of the three acceding countries to the milk and dairy product market of the original Community

There are no accession compensatory amounts for powdered skim milk. In the case of Denmark, some minimum compensatory amounts for dairy products of minor economic importance have been abolished (notably for canned milk),

For more important products the accession compensatory amounts were reduced by 1/6th with effect from 14 May 1973.

2. Economic importance of the dairy sector in the enlarged Community¹

In 1973 the dairy cow population of the enlarged Community is estimated at 28 million, producing 98 million tons of milk. Supply to dairies is estimated at about 82 million tons, the rate for the three acceding countries (91%) being higher than that for the original Community (80%).

In 1973 the enlarged Community should produce about 1 000 000 tons of butter (Original Community: 1.48 million tons), 2.6 million tons of cheese (original Community: 2.2 million tons) and 1.84 million tons of powdered skim milk (original Community: 1.50 million tons). It should consume 1.35 million tons of butter,² 2.6 million tons of cheese and 1.5 million tons of powdered skim milk. The net external trade balance would therefore be

¹ Estimates for 1973

² Including consumption of refrigerated and cutprice butter

300 000 tons¹ of butter, about 50 000 tons of cheese and 270 000 tons of powdered skim milk. The butter stock as at 31 December 1973 is estimated at about 265 000 tons, and that of powdered skim milk at about 150 000 tons.

In the enlarged Community there are 11 500 firms processing and putting up milk for marketing. Rather over half are in Italy. The annual average quantity of milk processed per firm varies from 1 500 tons in Italy to 55 000 tons in Luxembourg. There is a varying but widespread trend in all the Member States towards structural improvement and concentration of dairy concerns. EAGGF has encouraged this trend since 1964.

3. Trend in the dairy market in the enlarged Community in 1973

During the first half year 1973 an increase in the order of 3 to 4% was recorded in milk production in the enlarged Community, compared with 1972.

Owing to higher protein prices from May onwards, this increase is unlikely to continue, and milk production may be expected to rise during 1973 by about 2-3 million tons (+ 3.7%).

As regards the trend in consumption of dairy products in the enlarged Community, it will not be markedly different from that observed in previous years in the Community of Six. However, the proposed reduction under Protocol No 18 in imports of New Zealand butters and cheese will enable a larger quantity of domestic production to be absorbed in future years.

In the case of butter, the steep price rise in the United Kingdom in 1971-72, causing a drop of about 20% in consumption, has been partly offset by a direct consumer aid of 10 u.a./10 kg from 14 May 1973. This measure should bring the United Kingdom's butter consumption back to the level of 1970.

¹ i.e. 400 000 tons of exports, including special measures and food aid, and 150 000 tons of imports

Exports of dairy products other than butter and powdered skim milk may be estimated at about 5 million tons milk-equivalent.

Commercial exports of butter for 1973 may be estimated at about 300 000 tons, of which 200 000 by way of an exceptional sale to USSR.

The supply of dried skim milk on the world market has been reduced by drought in the Southern Hemisphere and a big cut in production in the United States; demand on the other hand has risen, probably owing to higher prices for other proteins.

The Community would be able to export in 1973 relatively big quantities of dried skim milk, but the possibility for its use within the Community for pig and poultry-feeding, and the uncertainty surrounding imports of soya and above all fish meal, have induced the Commission to pay particular heed to the export trend so as to obviate a difficult situation in the winter.

Exports should reach about 200 000 tons.

Milk deliveries to dairies will exceed by 7-8 million tons Community consumption at market prices.

4. Outlook

In the enlarged Community milk production may vary by as much as 4 million tons per annum according to production conditions, i.e. the target price for milk, climatic conditions and price levels of imported proteins for feeding livestock. Most of these imports come from the United States at world market prices.

Traditional exports of dairy products other than butter and powdered skim milk are capable of absorbing about 4 million tons.

Exports of butter and powdered skim milk under normal conditions of supply and demand and world market availabilities may be estimated at 80 000 to 160 000 tons of powdered skim milk and 40 to 80 000 tons of butter.

In all, exports may absorb about 5-6 million tons of milk-equivalent. To this may be added 1 million tons intended for food aid.

Should the 1973 situation continue and consumption follow the same trend as in previous years, the surplus of milk production over consumption at market prices could vary between 7 and 8 million tons, or about 8% of production.

Other long-term factors may help to swell the milk surplus:

- the inevitable increase in productivity per cow due to the progress of genetic selection and to the spread of rational feeding methods. In this respect, it is pointed out that average milk yield per cow at the present time in the enlarged Community is 3 600 kg; in the Netherlands it is already about 4 500 kg;
- the foreseeable switch in Italy from veal to beef production, which makes for an increase in the Community's meat output.

This trend will reduce consumption of powdered skim milk.

The EAGGF estimate of the cost of dairy sector in 1974 is 1 578 million u.a., or 50.3% of the Guarantee Section's Budget.

III. Prices

- Trend in common prices: all the common prices of dairy products were frozen from 1965-69 to 1971-72. In the latter year, the indicative price was increased by an average 5.8% compared with previous years. Thereafter prices rose from one year to the next by 8% in 1972-73 and 5.5% in 1973-74. By derogation the Council applied a corrective factor to the intervention price of powdered skim milk in the Member States which had revalued their currencies (Germany and Benelux). The effect of this corresponded to lowering the milk price by 1.5%.
- Trend in producer prices in national currency: during 1968-71, despite the drop in production recorded up to 1971, producer prices in all Member States rose only slightly. In subsequent years, as the common prices rose, producer prices also increased (between 3.0 and 6.0% in 1971-73), though still less steeply than in other sectors of the economy or in production costs. Failure to implement a Community price policy in the domestic consumption area caused producer prices to vary from one country to another.
- Trend in consumer prices: consumer prices in general for dairy products underwent throughout the period concerned an upward trend that was not so steep for food products as a whole. But in parallel with the strong inflationary pressures since 1970 in all Member States, the consumer price index for these products rose notably. The index has in all Member States been going up considerably ever since at rates of 20-30%.
- Trend in the wholesale market prices in national currency: These have in the various Member States more or less kept pace with common intervention prices and consumer prices. However, there have been some cyclical disruption of the market, particularly for processed products, at periods of reduced supply; this had no marked effect on consumer prices.

- Trend in world market prices: World butter prices remained constant at about 30 u.a./100 kg up to the last quarter of 1970. They then rose. The steepest rise was recorded in 1971 when prices went up from 44 to 130 u.a./100 kg. This level was maintained until the end of 1972 when they dropped by 50%. In the early part of 1973 the prices stood at about 60 u.a./100 kg.

In the case of powdered skim milk, world prices experienced a lull up to early 1970, at about 12-13 u.a./100 kg. They then rose to 30 u.a./100 kg in the latter part of 1970 to reach a maximum of 70 u.a./100 kg in 1971.

To cope with the danger of a shortage on the internal market, an export tax was introduced in the period October 1971-June 1972. Prices fell after the first quarter of 1971 until this year, when they ran at about 40-45 u.a./100 kg. World prices of other products (cheese, condensed milk, powdered whole milk, etc.) tended to move in parallel with those for butter and powdered skim milk.

14. Beef and veal¹

Introduction

The common organization of the markets in the bovine meat sector dates from 29 July 1968.²

The marketing season starts on the first Monday in April and ends on the first Tuesday of the following year.

Since 1 February 1973 there have been accession compensatory amounts between the Member States of the original Community and Denmark on the one hand, and the United Kingdom and Ireland on the other, depending on the guide prices fixed in both cases. There is an accession compensatory amount only for products subject to levies, i.e. livestock and fresh refrigerated, frozen, salted or pickled, or smoked meats. There is none for other meat preparations and preserves, "pure beef and veal", offal and suet.

In addition, the bovine meat sector is subject to the general regime of currency compensatory amounts.

Production of beef and veal in 1972 represented 27.0% by value of final animal production and 16.3% by value of total final production in the enlarged Community. These percentages are respectively 26.7% and 15.6% in the original Community.

Areas under green fodder crops and for permanent grazing accounted for 53.3% of total arable farmland in the enlarged Community in 1971.

The number of farms with dairy herds in 1971 in the enlarged Community totalled 2.7 million, while the number of those with store cattle was only 0.5 million. These farms are located in France, United Kingdom, Ireland and Italy.

¹See Tables II.B/14.1 - II.B/14.12 of Part III

²EEC Regulation No 805/68 of 27 June 1968; OJ No L 148 of 28.6.1968, p. 24

The Community average number of fatstock cows per herd was about 10, i.e. the same as for dairy cattle. However, the average size of fatstock herds is slightly bigger than that of dairy herds in France and Ireland, and much smaller in the United Kingdom (on average 14 fatstock against 34 milch cows).

According to the 1973 Budget (12 months) the beef and veal sector represented 0.17%, or 6 million u.a., of the expenditure by the EAGGF Guarantee Section.

I. Market trend for bovine meat in the original Community 1968-1972

1. Production

Analysis of the period 1968-72 shows an increase in beef production up to 1971 and a net drop in 1972. Veal production followed a similar trend.

The production trend varied from one Member State to another: in Germany, it rose by 10.5% between 1968-69 and 1971-72, while in Italy it declined by 12.2%.

The increase in Germany's output is certainly due to a better use of bullocks, which are fattened to the age of 18 to 20 months instead of being slaughtered for veal.

The decline in the production figures in 1972 corresponded to culling in on the bovine population recorded at the end of 1972.

- In December 1972 the total was 51.665 million head, a drop of 1.7% compared with 1968. During 1972 there had been an increase of 967 000 head, or 1.9% over 1971.

- total number of cows (dairy and fatstock) amounted to 21 959 million head, a sharp decline from 1968 but an increase of 309 000 head, or 1.4%, in 1972 compared with 1971;
- the number of yearling and older heifers was down 1.4% compared with 1968, and remained practically stationary in 1971 and 1972;
- the number of calves under 1 year old had risen by 500 000 head, or 4.4% compared with 1968; this increase was fairly constant throughout the reference period;
- the number of fatstock of one year and over had also risen by 4.4%, or 213 000 head, compared with 1968, an increase that had been steadily maintained since 1968 except for a drop in 1971.

Analysis of the trend in livestock, a particularly favourable one in 1972 for calves and fatstock, indicates sounder prospects for production in 1973-74 than in 1972-73.

2. Consumption

Beef and veal consumption rose by only 3.9% between 1968 and 1971-72, at a steady rate in all Community countries. However, in 1972-73, there was a drop in total consumption due primarily to a lower per capita consumption especially in Germany and France, where already in 1971-72 corresponding figures were 21.5 kg and 20.6 kg respectively, compared with 21.1 kg and 21.1 kg in 1970-71.

The Community's self-sufficiency remained fairly stationary from 1968-69 to 1971-72 (+ 89%), but fell to 85% in 1972-73 for the enlarged Community.

3. International trade

- Intra-Community trade in beef and veal remained at the same levels in 1969 and 1970; it rose by more than 15% in 1971 and a further 15% in 1972. These rises were due to increased trade in specific

qualities of meat between France and the Netherlands on the one hand and Germany and Italy on the other,

Insofar as trade between the new Member States and the original Six in 1971 and 1972 could be considered as intra-Community trade, it should be stressed that intra-Community trade in the enlarged EEC is almost twice as big as in the original one. Denmark, and especially Ireland, as exporters, and the United Kingdom as an importing country, are chiefly responsible.

- Imports of beef and veal from third countries hardly varied from 1969 to 1971, whether in quantity or in the composition of the list of supplier countries. On the other hand the original Community's imports in 1972 increased by over one-half or 307 000 tons. This no doubt attributable to the very high price levels inside the Community in 1972 and the steps taken during the latter half year to put a curb on internal prices.

Enlargement of the Community has not meant any great increase in total imports from third countries.

Nevertheless, their make-up will be totally altered, with a substantial reduction in veal imports, store cattle, beef fresh or refrigerated, and a big increase in frozen meat.

Frozen meat imports, which covered 35% of the total shortfall in supply of the original Community, cover nearly 60% in the enlarged Community. This comprises 50% from South America and 10% from Oceania.

- Exports to third countries barely varied from 1969-71; they declined sharply, however, in 1972.

During the period 1968-73, international trade in beef and veal evinced a steadily growing imbalance of supply and demand. The final result was the generalized shortages of 1972 and 1973.

The operative factors were a rise in consumption and a drop in production.

Countries that were normally importers, like the EEC, the United States and, to a lesser extent, Japan and Spain, have a growing demand, while traditionally self-sufficient countries, like the USSR and some other East bloc countries, have started to import. But production has followed the rise in demand to a limited extent only. Thus the export availabilities in the big South American producer countries have not kept pace with the growing demand. Only the countries of Oceania have considerably stepped up output as well as their production potential.

The impact of all these factors on the structure of world trade has impelled some countries to take measures to promote imports or increase exports.

Thus, the Community has partly suspended its import-charges and the United States has suspended its import quotas in the latter half of 1972 and the whole year 1973. On the other hand, Argentina and Uruguay, with a view to increasing their exports, have taken steps to cut internal consumption and thereby increase export availabilities.

4. Market support measures

(a) Levies

- In the case of fully grown bovines, the 100% levy was applied for 36 weeks in 1968-69, 19 weeks in 1969-70, 18 weeks in 1970-71 and 11 weeks in 1971-72.

During all the rest of the time the levy was fixed at a percentage of the full rate,

It has been 0 for fully-grown bovines and fresh beef from the end of January 1972, and for frozen meat from February 1972.

- In the case of calves, the 100% levy has almost never been applied, the last time being in early 1971. Since 12th September 1971 it has been 0.

- Following the implementation of international agreements in the beef sector, cuts in the levy applicable to certain imports from Austria and Denmark (livestock for industrial use) and Yugoslavia (baby beef) have been made. These agreements have had a fairly strong impact in 1969 and 1970, but since 1972 there has been a general import regime even more favourable than that resulting from application of the individual arrangements.

(b) Interventions

Intervention measures in the bovine sector apply only to fully-grown animals and beef. During the season 1968-69, intervention buying took place in Germany (8 922 tons), France (17 159 tons) and Belgium (44 tons).

In 1969-70 7 383 tons were purchased, in Germany only. Since then there has been no intervention buying.

Application of the "permanent" intervention measures introduced in 1973 is liable to modify this situation.

(c) Refunds

Exports refunds in the bovine meat sector have generally been on a comparatively small scale.

5. Import regime for frozen meat

Total imports of frozen meat remained very stable from 1969-71 and nearly doubled in 1972. They were subject to 4 different regimes:

- 22 000 tons of unboned meat, increased to 28 600 tons in 1972, regardless of quality or destination and without levy, under the GATT quota;
- 35 402 to 62 982 tons expressed in terms of unboned meat, intended for canned products containing no other ingredients than beef and jelly, imported without levies;
- 102 701 to 126 631 tons, expressed in terms of unboned meat, intended for products other than the above mentioned canned goods, imported under the annual and quarterly balances, with partial or total suspension of levy;
- 11 734 (1969) to 196 812 (1972) tons imported under normal application of the prevailing rate of levy. In 1972 it was often very low or zero, owing to the so-called "shortage measures" taken at the time.

II. Current situation of the beef and veal market in the enlarged Community

1. Adaptation of the markets of the three acceding countries to the beef and veal market of the original Community

Denmark adopted, with effect from 1 February 1973, the common prices fixed for fully grown cattle and calves. Since then there have therefore been no customs duties between Denmark and the countries of the Community of Six.

The United Kingdom and Ireland adopted the same guide price; consequently there have been no accession compensatory amounts between them, and only one between them and the original Community and Denmark.

The price difference expressed as the accession compensatory amount was 22.5% of the common guide price on 1 February 1973; it has been down to 18.8% since 14 May 1973.

2. Economic importance of beef in the enlarged Community

At the beginning of 1973 the total cattle population of the enlarged Community was 74 191 000 head, of which 30 029 000 cows (dairy cows and fatstock).

The number of cows rose by 764 000 head in 1972 or 2.6%. The positive trend in numbers of calves less than one year old and store cattle is almost equal to that recorded in the original Community.

The increased cattle in 1972 corresponds to a substantial drop in production in 1972-73 in all the acceding States, especially Ireland.

In 1972-73, beef and veal production in the enlarged Community was 5 146 000 tons, a decline of 10.3% compared with 1971-72; on the other hand consumption was 6 080 000 tons or a decline of 4.5% for the same period. The shortfall in 1972-73 of beef and veal in the enlarged Community was 934 000 tons or practically the same as in the original Community.

3. Market trend for beef and veal in the enlarged Community 1973

Up to mid-September 1973 the beef and veal market was influenced by the existence of "shortage" regulations aimed at lowering by 50% customs duties in intra-Community trade and in dealings with third countries and suspending accession compensatory amounts and levies. Currency compensatory amounts had undergone readjustments for the "shortage" regulations.

The effects of the shortage were such that prices in the acceding countries moved more quickly towards those of the existing Community countries, and that intra-Community trade and imports from third countries rose.

Reintroduction of the normal import dues caused some difficulties in readjusting to the new situation, especially in Ireland.

The trend of slaughterings in 1973 was fairly irregular, with a very sharp decrease in the first half year and a very steep rise in the second;

Since 30 July 1973 the permanent intervention system has become operational. It consists in purchases at fixed prices of beef and veal from within the Community, and derived from certain categories of fully grown animals, at any time and irrespective of the price level on the internal market. Subsequently purchases have been made in Germany and France.

The Community regulations provide that applications for premia for conversion to meat production of dairy herds and for the development of specialized livestock-raising for meat production may be lodged from 1 October 1973 with the competent authorities in each Member State. It is proposed that this procedure be continued to the end of 1974. It will only begin to make its effects felt from then on.

4. Outlook

The start of 1973 was characterized by a very high market price level both inside and outside the Community. The price trend during the latter half of 1973 and early 1974 is likely to reflect directly the prospective upward trend in production.

In view of the results of the census of the cattle population it is logical to expect the big drop in production in 1972/73 to be followed by a strong rally in 1973/74, so that supplies to the beef and veal market will be more balanced next year than this.

The increase in domestic production will probably be mainly confined to Germany, France and the Netherlands; moreover the steep decline in calf slaughterings in 1972 and 1973 will probably be arrested in 1974 owing to greater supplies of new-born calves.

The drop in consumption since 1971/72 due to very high price levels will be followed by a more normal trend as recorded in preceding years. On the basis of forecasts of a rise in Community production of +10% to 12% in 1973/74 over the year before, and an increase in Community consumption of +2 to +4%, the probable shortfall in 1973/74 should remain within a range of 550 000 to 750 000 tons, which will have to be covered by imports from third countries; over half this quantity would consist of frozen meat imports.

It is also probable that intra-Community trade in beef and veal might amount to nearly 1 million tons due to heavy demands in Italy, Germany and the United Kingdom and surpluses in Ireland, France and Denmark.

The estimated cost to the EAGGF for the beef and veal sector in 1974 is 20 million u.s. or 0.65% of the total Budget of its Guarantee Section.

III. Prices

Trend in common prices

All common prices of beef and veal were frozen from 1968-69 to 1971-72.

In the case of fully-grown animals, the orientation price was raised by 5.9% in 1971-72, 8.3% in 1972-73 and 10.5% in 1973-74. The increase of 8.3% in 1972-73 was decided in two stages; the first from 3.4,1972 to 14.9,1972 (+ 4%) and the second from 15.9,1972 to 13.5,1973 (+ 4%)

In the case of calves the guide price was raised by 3% in 1971-72, 2.4% in 1972-73 and 7.5% in 1973-74. The 2.4% increase in 1972-73 was only decided for the period 15.9,1972 to 13.5,1973.

Trend in average market prices in the Member States

The following table shows the trend in average market prices during each marketing season in relation to the prices fixed:

	<u>Fully grown animals</u>	<u>Calves</u>
1968/1969	95.6%	109.2%
1969/1970	100.5%	112.4%
1970/1971	101.1%	114.7%
1971/1972	102.7%	116.6%
1972/1973	118.1%	138.1%
1973 (May to August)	106.7%	133.4%

(a) Fully grown animals

During the seasons 1968-69 to 1970-71 market prices rose only slightly. In 1971-72 average market prices rose by 7.6%, following in this the increase in the guide prices.

In contrast, average market prices rose in 1972-73 by 24.5%, due to the imbalance of supply and demand for meat and veal on the Community markets since the latter half of 1972. Since May 1973 there has been a certain downward tendency.

It must be emphasized that the prices recorded in each of the Member States have not come any closer to one another since 1968 and that the differences between average prices in Italy and in the Netherlands and Denmark are still nearly 20%.

(b) Calves

During the seasons 1968-69 to 1971-72 market prices of calves still averaged 10-16% higher than the guide prices.

In 1972-73 the average market prices of calves rose by 24.2% in pace with the rise in market prices of beef cattle.

Price differences between the Member States are roughly the same as for fully-grown animals, a maximum in Italy and a minimum in Belgium, France and, since 1.2.1973, Denmark, at about 45% lower than the average Italian prices.

It must be emphasized that the trend in market prices for calves was unaffected by the introduction of guide prices for this category of livestock.

Trend in consumer prices

Consumer prices of beef and veal have in general followed a definite upward trend throughout the period. In spite of difficulties of representativeness and comparability between the Member States, the consumer price index rose on average 32% between 1968 and 1972.

The biggest increase was in 1972; over the Member States as a whole it averaged 14.5%.

Beef and veal consumer prices throughout the period showed a decidedly stronger upward trend than those for foodstuffs in general.

Trend in import prices recorded in third countries

From 29.7.1968 to 31.1.1973, import prices for livestock and fresh or refrigerated meat have been based on market prices in Austria, Denmark, Ireland and the United Kingdom. There was a steep rise of 69.6% in the case of fully grown cattle and 74.8% in the case of calves.

From 1.2.1973 the import price has been determined on the basis of supply prices free at the frontier of the Community in the light of the most representative sales possibilities as regards quality and quantity of products.

The import prices fixed in 1972 and 1973 reflected the disequilibrium of supply and demand on the markets of third countries and inside the Community countries.

Trend on world markets

Apart from some normal seasonal variations, the market prices of beef and veal have followed an upward trend on world markets ever since 1968. For example prices of frozen meat (carcase meat) rose from 54.00 u.a. per 100 kg in 1968 to 100.00 u.a. per 100 kg in 1973.

The upward trend is general, both on importing and exporting markets.

On the principal livestock market in Argentina, prices in Argentinian pesos more than quadrupled during the reference period; on Australian markets the prices of fully-grown animals have risen by only 20% since 1968.

In parallel, the prices on the markets of importer countries have followed a similar trend. For instance, market prices of high quality meat in the United States have risen by over 30% in the last four years.

15. Pigmeat

Introduction

Considered as a production derivative from cereal growing, pigmeat production was temporarily subjected to Community regulation on 30 July 1962 and treated as a single market from 1 July 1967.²

The common organization of the pigmeat market has comprised a system of price controls or intervention with a view to stabilizing prices and a system of trade with third countries based on the observance of sluice-gate prices, the charging of levies and the award of export refunds.

The pigmeat sector includes live pigs, carcass meat and cuts (e.g. ham), bacon, lard, sausages and sausagemeat and practically the whole range of canned meat or meat preparations, including cooked dishes.

The pig season runs from 1 November to 31 October. On 1 February 1973 accession compensatory amounts based on those for fodder crops were set for trade in pork products with the new Member States; as it was so small, the Danish accession compensatory amount was abolished on 1 August 1973.

Furthermore the pigmeat sector is subject to the general regime of currency compensatory amounts calculated on the basis of a maximum purchasing price equal to 92% of the basic price.

Pigmeat production is first by volume of all meat production, with about 40% of the quantities produced.

¹See Tables II.B/15.1 to 15.9 of Part III

²Regulation EEC 121/67 of 13 June 1967, OJ L 117 of 19.6.1967

Pig production in 1972 accounted for over one fifth by value of livestock production, and 12.8% by value of final agricultural production in the enlarged Community. In the original Community the corresponding figure was 12.4%.

In the acceding Member States pig production also plays a big part, especially in Denmark, where it is the leading agricultural production, with more than 40% by value of final agricultural output.

In half the farms of the enlarged Community, or 2.9 million units, pig-raising is practised; the structures of pig production still differ very widely from one country to another, not only in the distribution of breeders, breeder-fatteners and fatteners, but also in the dispersion of production units; in 1972 in fact the average number of pigs per farm in the Community was 23, ranging from an extreme of 120 in the United Kingdom to under 10 in Italy.

However, it must be noted that pig production is subject to a growing process of specialization involving the disappearance of small holdings and concentration of production and especially of fattening, in more profitable larger units.

Expenditure under the Guarantee heading by the EAGGF, amounting to about 98 million u.a. in 1973 for the pigmeat sector, represents only 2.9% of its total Budget.

I. Trend in the market for pigmeat in the original Community 1967-72

During 1967-72 pigmeat production covered 100% of the Community's requirements. The rate of self-sufficiency varied slightly with cyclical movements in supplies.

1. Production

Since 1967 pigmeat production has followed two cyclical trends; thus annual rates of increase in production twice reached about 10% in 1967-68 and 1970-71, but production stagnated in 1969 and 1972.

From the upswing in 1967-69 to the downturn in 1970-72 pig slaughterings rose on average 5% per annum and in 1972 totalled about 72 million head in the Community of Six and over 101 million head in the Community of Nine.

Similarly, pigmeat production rose on average by about 4.5% per annum, to reach 6.3 million tons in the Community of Six and 8.2 million head in the Community of Nine in 1972.

Average weights of slaughtered pigs were about 88 kg in the original Community and only about 65 kg in the acceding countries.

Pig production is mainly concentrated in the bordering areas the North Sea and English Channel, and in Northern Italy.

This specialization of pig production in certain localities is accompanied by a displacement of slaughterings towards production areas.

Pigmeat is chiefly marketed as fresh pork or in the form of manufactured products; hence the pig cycle from slaughtering to distribution is fairly evenly distributed among:

- the small producers, butchers, pork butchers and caterers;
- the industrial sector of curing;
- the commercial sector proper (retailers and modern forms of distribution).

2. Consumption

During the period 1967-72, per capita consumption of pigmeat per annum in the original Community was twice as heavy as that of beef and veal; from about 1 kg/per head per annum it rose during the last three years to 2 kg.

In 1971-72 pigmeat consumption per capita and per annum was 33 kg in the original Community and 32 kg in the Nine.

Total pigmeat consumption in the original Community rose from 5.4 million tons in 1967 to 6.6 million in 1972, or about 4.7% a year.

This heavy domestic demand for pigmeat has doubtless been amplified in recent years by the very big rise in beef and veal prices, and resulted in very high pork prices in 1973.

3. International trade

Intra-Community trade in pigmeat has expanded spectacularly; in terms of carcass meat-equivalent, trade in the original Community rose from 266 000 tons in 1967 to 766 000 in 1972, or precisely an overall increase of half a million tons, i.e. 100 000 tons or + 38% per annum.

In terms of quantity, the original Community's imports and exports from and to third countries are in balance.

In 1972 imports represented the equivalent of 264 000 tons of carcass pig (223 000 tons, not counting lard) and exports 275 000 tons (123 000 tons not counting lard). Thus the balance of lean pigmeat seems to be a negative one of about 100 000 tons.

The chief importing countries were Germany, France and Italy, while the Netherlands and Belgium have not ceased to step up their exports.

Among third countries the main trade partners were:

- (a) Suppliers: Denmark, Sweden, the east bloc countries, in particular Poland and Hungary, and the People's Republic of China.
- (b) Pruchasers: The United Kingdom, Switzerland and the United States of America.

II. Present situation of the pigmeat market in the enlarged Community

1. Adaptation of the market of the three new member countries to the pigmeat market of the original EEC

The compensatory amounts fixed on 1 February 1973 in the pigmeat sector were determined on the basis of those for fodder cereals.

With effect from 1 August 1973 these amounts were reduced proportionately to those of the fodder cereals (6%) and the "accession" compensatory amount thus calculated for Denmark was abolished because the sum involved was insignificant.

2. Economic importance of the pigmeat sector in the enlarged Community

In December 1972 the pig population of the enlarged Community was 68.6 million head, of which 72.6% in the original Community and 27.4% in the three acceding countries.

If the situation in December 1972 is compared with that of December 1969, it may be noted that the increase in the pig population of the enlarged Community has been of the order of only 2% per annum.

In 1973 pig production in the enlarged Community is likely to be only 2-3% higher than in 1972. This being so, it would produce only about 8.4 million tons of pigmeat in 1973.

Because of the lack of availability of pigmeat in Europe a weaker development of consumption is to be expected, but also a self-sufficiency rate below that of 1972, that is to say slightly under par.

The enlargement of the Community would seem to be accentuating the general movement of all the member countries towards structural improvement and concentration of meat-processing enterprises.

In 1973 the development of intra-Community trade will be increased by Danish exports and British imports to such a point that the tonnage of pigmeat traded between the Member States will rise to about 1.2 million tons of pig carcass equivalent.

3. Outlook

The pig production cycle is at present in its upward phase, and the recent evolution of the number of pigs in the enlarged Community makes it legitimate to foresee a certain increase in pig production in the months ahead. In particular, we may note an increase in the number of breeding animals, which should normally be reflected in better supplies to the pigmeat market. However, the volume of the growth of production will depend on the price relationship between the animal and the feedingstuffs which might well slow down, if not stop, the expansion of production in the enlarged Community.

The estimated cost of the EAGGF for the pig sector for 1974 is 88 million u.a., or 2.8% of the total Budget of the Guarantee Section.

III. Prices

Since the common organization of the pigmeat market came into operation on 1 July 1967, the basic price of carcass pig applicable for class II of the Community classification scale for pig carcasses, fixed at 73.50 u.a./100 kg for the 1967/68 marketing year has risen to 86.00 u.a./100 kg with effect from 1 November 1973, i.e. an average annual increase of 3.2%.

In the enlarged Community, the Community market price for carcass pig in September 1973 was at the record level of 112 u.a./100 kg, or a market price more than 30% above the basic price applicable for the market year 1973/74.

Since 1967 pig prices have undergone two cyclical developments of a duration of about three years and with a range between the peaks and hollows of the cyclical curve of the order of 20% for slaughtered pigs and more than 40% for piglets (see graph).

With a view to attenuating the price fluctuations for carcass pig, intervention measures have been taken on the market when the prices fell to the intervention level, particularly in 1968 in the form of purchases of pig carcasses by the intervention agencies and, in 1971, in the form of purchases by public bodies and aids for private stocks.

However, it can be noted that from one pig cycle to the next, instead of a reduction, there has been an increase of about 5% of the range between the peak and the bottom of the cycle.

Moreover, doubtless under the influence of dearer pig feed (fodder cereals, soya cake, fish meals), the increase in market prices between the 1971/72 and the 1972/73 marketing years was above 20%.

Although it is true that the upward trend for pigmeat is less marked than for beef and veal, it must be noted that, parallel with the strong inflationary tendencies since 1970 in all the Member States, the rise in consumer prices has been very sharp: in the course of recent years the average annual increase in these prices has been about 5%.

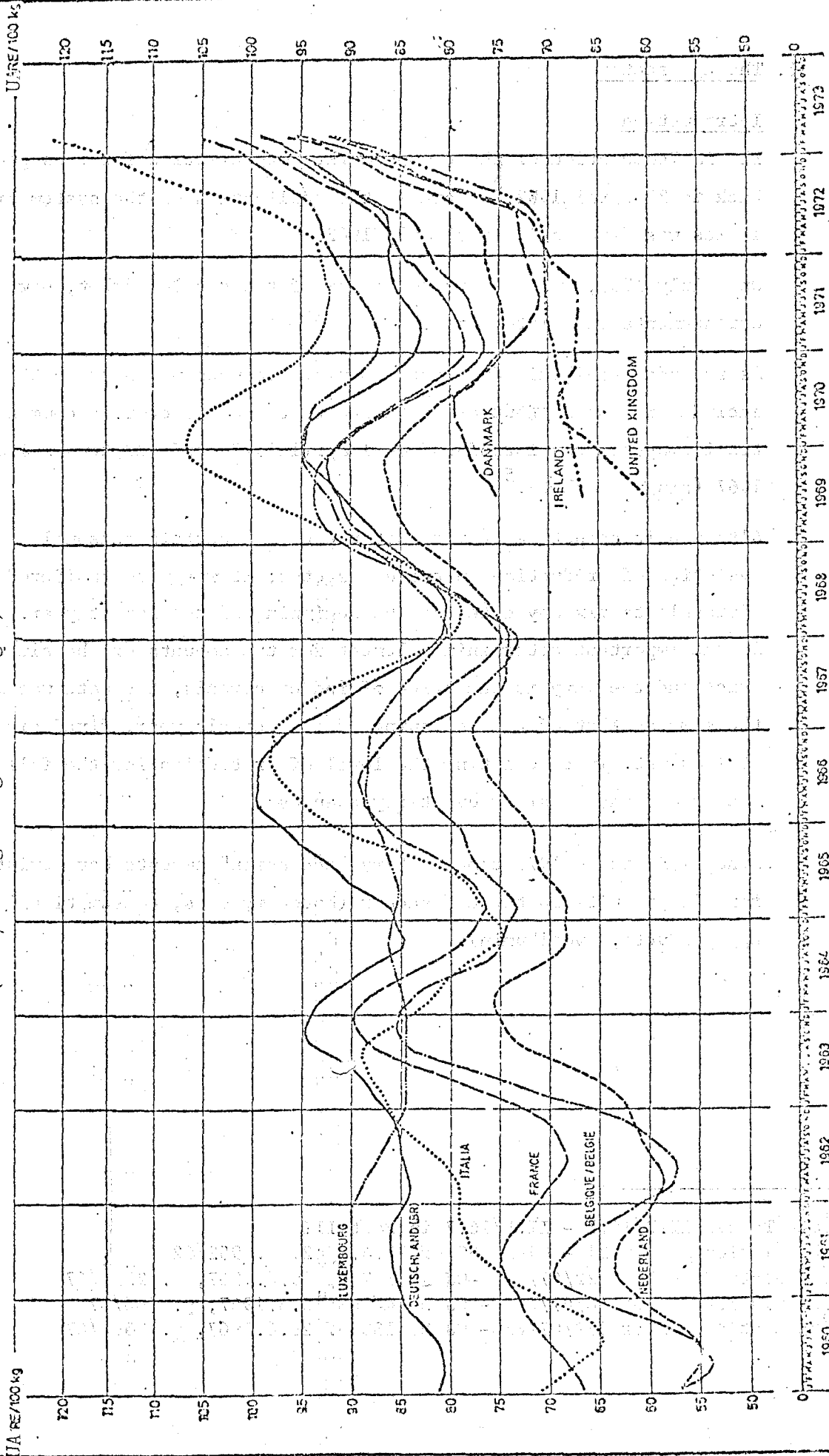
On the world market, the marked rise in price of fodder cereals and of protein-enriched feeds needed for pigs has resulted in a considerable increase in pigmeat prices.

In the enlarged Community we may expect a better marked supply in the future; in 1974 pigmeat production could well be up by 5% on that of 1973.

This recovery of pig production motivated by the present very high market prices both for piglets and carcass pig should result in the months to come in a fall in the market prices of carcasses.

EVOLUTION OF THE PRICES OF PIGS (1) IN THE COUNTRIES OF THE EUROPEAN COMMUNITY

12-month moving averages
(U.A./100 kg slaughtered weight)



- (1) Price of the reference quality
- (2) Calculated after-conversion of the original prices in U.A. at the rate of exchange obtaining in each of the months in question

CE-EG VI-5/2-7310-122

16. The egg sector¹

Introduction

The implementation of the common market organization for eggs goes back to 21 April 1962.² However the application of the system of levies was fixed only on 31 July 1962.

On 1 July 1967, with the introduction of the single market, new arrangements came into force.³

As regards ovoalbumin and lactoalbumin, products which are not included in Annex II but are attached to the egg sector, a common trading system was introduced on 1 April 1967⁴ and adapted on 1 July 1967 (single market).⁵

Although it cannot be denied that there is a certain seasonal evolution of production in the egg sector, it was not considered advisable to fix any date for the beginning of the market year. As the important determining element for the amounts of the sluicagate price and the levy is the price of fodder cereals, the date was made the same as that of the beginning of the cereals year, fixed since 1967 at 1 August, in calculating the level of protection for the following year (save any possible quarterly changes).

Since 1 February 1973 compensatory "accession" amounts have existed for all products in the egg sector (hatchery eggs, consumption eggs, egg products, ovoalbumin).

¹ See Tables II.B/16.1 - II.B/16.7 in Part III

² Regulation Number 21 - OJ No 30 of 20.4.1962, p. 952/62

³ Regulation Number 122/67/EEC - OJ No 117 of 19.6.1967, p. 2293/67

⁴ Regulation Number 48/67/EEC - OJ No 44 of 10.3.1967, p. 646/67

⁵ Regulation Number 170/67/EEC - OJ No 130 of 28.6.1967, p. 2596/67

These compensatory amounts, initially fixed by the Council¹, are adapted on 1 August of each year in the light of the variation of the compensatory amounts applicable to feed grains.

However, the need to avoid fixing a compensatory amount higher than the levy has led in the cereal and, consequently, in the egg sector, to the fixing of "applicable" accession compensatory amounts which are revised each month.

The egg sector is subject to the general scheme of monetary compensatory amounts. The amounts fixed are calculated in the light of those laid down for feed grains.

In 1972 the production of eggs and egg products represented 4.4% of the value of total agricultural output in the enlarged Community. For the original Community this percentage is 4.2%.

Egg production is concentrated in modern undertakings exploiting more than 1 000 laying hens, and sometimes having as many as 1 000 000. This considerable expansion of the size of the stock exploited explains the growing importance of finance in a sector of production where the undertakings often assume an industrial form.

According to the 1973 Budget (12 months) the egg sector represents 0.16%, i.e. 5.4 million u.a., of the expenditures of the Guarantee Section of EAGGF.

I. The development of the egg market between 1968 and 1972 in the original Community

1. Production

The evolution of egg production in the Community between 1962 and 1972 showed a regular annual increase of 3.5-4%, with total production in 1972 reaching 47 200 million eggs, or 2.7 million tons. This increase in production is due much more to the zootechnical progress achieved in the selection of the breeds which has made it possible regularly to increase the average number of eggs laid per hen rather than by any expansion of the stock. The degree of self-supply, which was 92% in 1962, reached 100% in 1969/70, and has since remained at this level. This

¹ Regulation (EEC) No 237/73 OJ

trend covers very differing regional variations. Thus, in Germany and Italy, the rates of increase were particularly high, while in France and Belgium the growth of production was only slow and, finally, in the Netherlands since 1962 we have seen a fall in production which became stabilized in recent years.

2. The utilization of production

Eggs are almost exclusively used for human food. Leaving aside hatchery eggs and losses, 5-10% of the available quantities are processed by specialized firms and sold in the form of egg products to the food industries. The eggs used for this purpose are, as a general rule, products of inferior quality or eggs which cannot be sold in shell because they are either too big or too small. However, short term price falls can also have the effect of increasing the quantity of eggs processed by the egg products industry.

In 1972 the average consumption of eggs in the Community, including those offered in the form of egg products, was 236 units per inhabitant, or 13.2 kg. With 16.7 kg, Germany has the highest consumption, whereas in Italy and the Benelux countries consumption is only 11.5 kg.

These figures do not take into account any possible variations of stocks, in view of the fact that there are no statistics on this point.

Taking into consideration the rise in the degree of self-sufficiency, consumption has increased less strongly than production. On the average the annual rate of increase of consumption since 1962 has been 2.7%. Here, as for production, there are important regional differences.

Apart from the prefixing of the refunds (since 1970 for egg products, and since 1973 for shell eggs) there is in principle no means of taking pressure off the market. The single delivery of 500 tons of dried whole egg powder under the world Food Aid Programme, which was practically completed in 1972, may have helped to ease conditions on the market.

3. International trade

Starting from a deficit situation of 3 000 million eggs in 1962, self-supply was exceeded for the first time in 1970. Shell eggs make up the major part of imports, and among the supplying countries we find several traditional exporting countries, mainly east bloc countries which have undertaken to observe the sluicagate prices. Exports break down into two practically equal parts of shell eggs and egg products. Eggs for consumption are mainly supplied to Austria, whereas hatchery eggs find their chief outlet in North Africa which purchases large quantities.

II. Present situation of the egg market in the enlarged Community

1. Adaptation of the market in the three acceding countries to the egg market of the original Community

Trade relations between the original EEC and the three new member countries were settled by the establishment of "accession" compensatory amounts deducted from the amounts applicable to feed grains which are part of the nutrition of laying hens. However, for Denmark these compensatory amounts were so insignificant that they were abolished with effect from 1 June 1973.

2. Economic importance of the egg sector in the enlarged Community and development of the market in 1973

Total production of eggs in the three new member countries being roughly equal to their supply needs, the situation of complete self-sufficiency, already pointed out for the EEC as originally made up, has not changed. In 1972 total production of the Nine was 3 692 000 tons, which covered 99.8% of total requirements. The lower prices obtained on the egg market in 1971 and 1972 discouraged production, so that in 1973 balance between supply and demand was less completely guaranteed. The imbalance was most marked in the United Kingdom, and this led to an increase in exports of eggs from the Continent to that country. In view of the fact that, outside the Community, exportable availabilities were also limited, the prices on the markets gradually

rose from the spring of 1973 onwards and, in the course of the second half-year, reached an extremely high level.

As regards consumption we see a certain stabilization. The scientific research carried out into the elasticity of demand reaches the conclusion that consumers are less sensitive to variations in the price of eggs, and this leads one to note that changes in consumption are above all dependent on the trend of population.

3. Outlook

Despite its concentration in specialized enterprise, the cyclical movement of production, and, consequently, of market prices still exists in this sector. Taking into account the number of hatching eggs put into incubation during the second half of 1973, this movement points to a trend towards increased production which will be reflected, in 1974, in a fall in prices. It is thus certain that total self-sufficiency will be slightly exceeded and that there will be difficulties in disposing of certain surpluses.

The forecast EAGGF cost for the egg sector for 1974 is 5.1 million u.a., or 0.16% of the total Budget of the Guarantee Section.

III. Prices

In the egg sector there is no guarantee of Community prices. However, in order to maintain the level of these sluicagate prices and levies are calculated on the basis of the price of feed grains, using processing coefficients. However, it has become apparent in recent years that the market prices continue to be lower than the sluicagate price plus the levy.

Egg prices in 1972 were lower than in 1971 but steadier than in 1970.

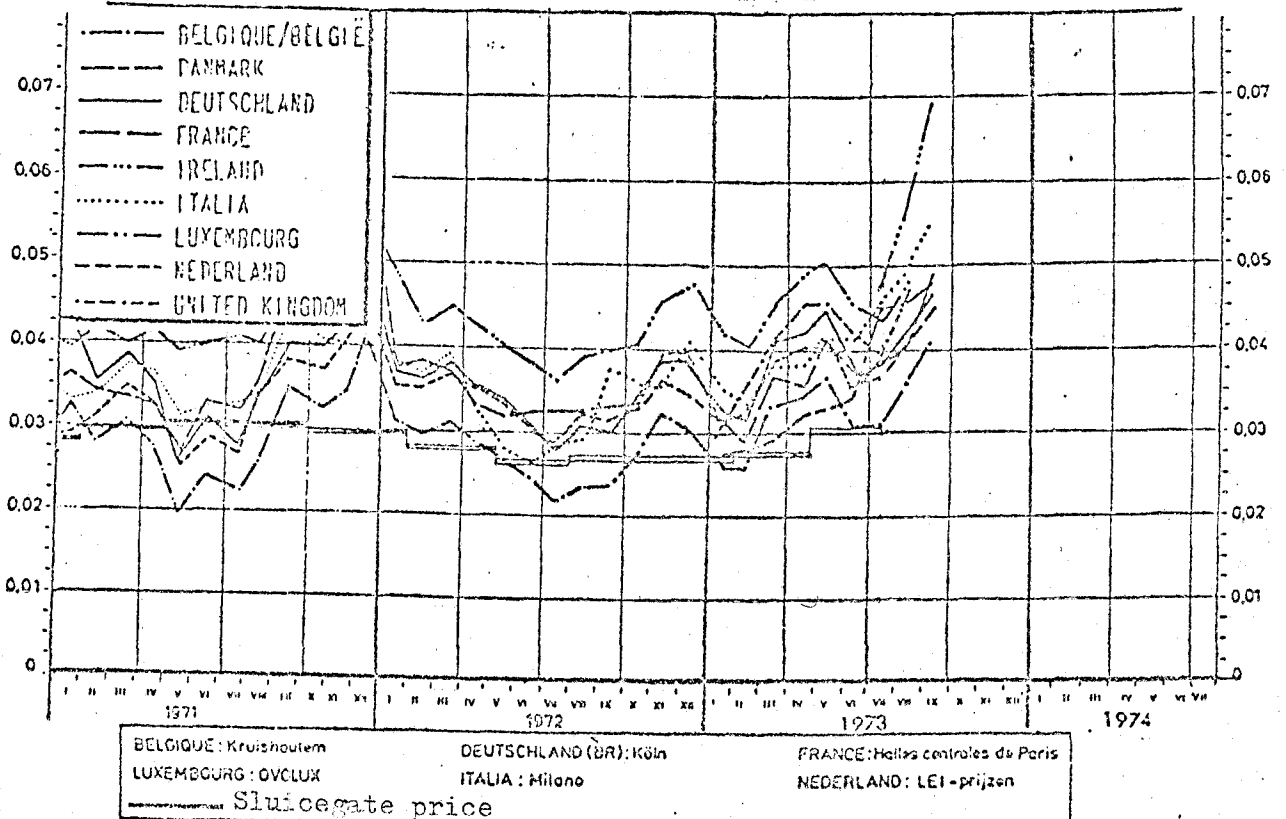
In mid-1972 we must note that the ratio was again below the cost price of the eggs. Thanks to early slaughtering of laying hens, the technique of forced moulting and careful management of the replacement of stock, it proved possible to reduce supplies and thus to obtain a relatively steady price at the end of the year.

In the spring of 1973 a seasonal fall-off in prices could be noted. In the summer these prices had shown a considerable improvement in the Community and on the world market, whereas supply was falling off and at the same time production costs were rising, particularly as a result of higher prices for feedingstuffs.

In the United Kingdom, the egg market was also affected by the need to make up the price difference between the Community as originally composed and the British market.

The upshot of all this is that, at their present price, eggs are still a cheap foodstuff, which, from the outset of the Common Market organization, has been supplied at practically constant prices.

HENS EGGS CLASS A-4 (55-60 GR)
 PRICES ON THE WHOLESALE MARKET AND SLUICEGATE PRICES (MONTHLY AVERAGES)



CE-EG VI.6/2-7318-121

17. Poultry¹

Introduction

The implementation of the Common Market in the poultrymeat sector dates from 21 April 1962.² However the application of the levy system was fixed only on 31 July 1962.

New arrangements³ came into force when the single market was implemented on 1 July 1967.

The important element which determines the amount of the sluicgate price and the levy is the price of feed grains. This being so, the date of the beginning of the cereal year, fixed, since 1967, at 1 August has been adopted in calculating the level of protection for the following year (save any quarterly changes).

Since 1 February 1973 "accession" compensatory amounts have existed for all the products of the poultrymeat sector (live poultry and slaughtered poultry, or parts thereof, and derived products).

These compensatory amounts, which were initially fixed by the Council,⁴ are adapted each year on 1 August in the light of the variation of the compensatory amounts applicable to food grains.

However, the need to avoid fixing a compensatory amount higher than the levy has led, in the cereals sector, and, consequently, in the poultrymeat sector, to the fixing of "applicable" accession complementary amounts which are revised monthly.

¹ See Table II.B/17/1 - II.B/17,6 of Part III

² Regulation No 22 - OJ No 30 of 20.4.1962, p. 959/62

³ Regulation No 123/67/EEC - OJ No 117 of 19.6.1967, p. 2301/67

⁴ Regulation (EEC) No 235/73 - OJ L 29 of 1.2.1973, p. 4

The poultrymeat sector is subject to the system of monetary compensatory amounts save for products for which the rate of customs duty has been bound in the framework of GATT (poultry livers, pressed and preserved fats).

The amounts fixed are calculated in the light of those laid down for feed grains.

The production of poultrymeat and derived products in 1972 represented about 4.3% of final agricultural production.

Even more than the production of eggs, that of poultry and in particular of fattened chickens is concentrated into a small number of undertakings which are generally linked by contract with abattoirs or manufacturers of livestock feed.

According to the 1973 Budget (12 months) the poultrymeat sector represents 0.5%, i.e. 17.3 million u.a., of the expenditures of the Guarantee Section of EAGGF.

I. The evolution of the poultrymeat market in the original Community from 1968 to 1972

1. Production

The production of poultrymeat in the Community more than doubled during the period 1962-1972 and, with an average annual rate of growth of 10.1%, is in the leading place for all forms of agricultural production. Total production in 1972 was 2 150 000 tons, and this rapid expansion is to be explained by the preference of consumers for a lean meat and by the relatively low price of poultrymeat.

Self-sufficiency which was 88% in 1962, reached 100% in 1970, 101% in 1971 and fell back to 100% in 1972. In the course of the last 10 years regional differences have emerged in the rates of expansion, particularly between Belgium (stagnation of production) and the Netherlands (production increased threefold) whereas in other member countries production was to double more or less.

2. Utilization of poultrymeat

Poultrymeat is used exclusively for human food. The net quantities available correspond to total consumption. After taking into account the external trade in live poultry (Italy) and poultry preserves (Netherlands - Federal Republic) we arrive at an average consumption in 1972 of 11.3 kg per head of population but in which, in relation to this average, consumption is clearly higher in France and lower in the Netherlands.

The average annual rate of increase of consumption has been 3.2% since 1962 and thus leads all other forms of meat. In the course of recent years the rate of increase has gone down by some 3.5 to 4%.

The policy of refunds is the only existing measure making it possible to take the pressure off the market.

This policy was rounded off in 1973 by the possibility of prefixing the refunds for various products of the poultrymeat sector.

3. International trade

The relatively small surpluses which have been appearing since 1970 are nothing more than an insignificant balance in relation to identical trade flows of about 50 000 tons yearly.

Furthermore, as regards supply to the market, external trade plays only a secondary role in relation to production. In fact, imports concern special products, such as geese and ducks, which come from the Eastern countries, and poultry cuts, whereas poultrymeat and broilers are exported to European and African countries.

II. Present situation of the poultrymeat market in the enlarged Community

1. Adaptation of the market in the three new member countries to the poultrymeat market of the original Community

Trade relations between the original EEC and the three acceding countries have been settled by the establishment of "accession" compensatory amounts, deducted from the amounts applicable to feed grains used in nourishing the poultry. However, for Denmark, these compensatory were so insignificant that they were abolished with effect from 1 June 1973.

2. Economic importance of the poultrymeat sector in the enlarged Community and evolution of the market in 1973

The complete self-sufficiency of the Community was not appreciably modified by the production of the three new member countries. The Danish surplus pushed EEC production up slightly above requirements. In 1972 the quantity of 2 910 thousand tons brought the degree of self-sufficiency to 101.2%

Poultrymeat production is strongly concentrated and a few tens of thousands of producers cover the requirements of the whole Community. These producers are largely subject to rules established and applied in the setting of integrated production.

Whereas the year 1972 was marked by low prices on the poultrymeat markets, certain factors led, in 1973, to rises at all production and marketing stages. The incidence on supply of the lower number of incubations following the period of low prices in 1972 should be noted.

In addition, the considerable difference in the prices of butchers' meat, in particular beef and mutton, has not disappeared and has sometimes become aggravated and thus exercises upward pressure on the price for poultrymeat.

The volume of products imported into the Community is still low and is limited to certain categories of poultry (geese, ducks and derived products, poultrymeat cuts, preserves, etc.)

3. Outlook

Despite the rise in production costs, due essentially to the increase in the prices of animal feedingstuffs and certain fixed costs, the incomes derived from a favourable market may well incite producers to step up incubation and thus bring about an imbalance in the market in 1974.

However, we may expect from the demographic trend, and above all from the efforts made to increase consumption by placing new products on the market, a certain reduction of the possible difficulties. The estimated cost for the EAGGF in respect of the poultrymeat sector for 1974 is 12.5 million u.a., or 0.4% of the total Budget of the Guarantee Section.

III. Prices

As we have said for eggs, the prices of poultrymeat depend on those for seed grains.

Because of growing demand and shrinking supply, the prices of fattened chickens have become firmer in 1972 and have probably covered production costs.

On the other hand, the price of turkeys has become stabilized at the level of production costs while some culled fowls had to be marketed at lower prices.

In the course of 1973 the general scarcity of meat favoured the demand for poultry and strengthened prices in such a way that, despite the increased production costs, producers pocketed adequate receipts. Poultry, whose price is at present 100 u.a./100 kg is the cheapest meat on the European market, and it may be imagined that in the future consumption needs will grow, in view of the fact that the production of poultrymeat can be adapted twice as fast to demand than that of other meat.

If a fall in the price of poultrymeat should occur, it might be caused by an overrapid increase in production or by other meats becoming available.

18. Fisheries products¹

Introduction

A common organization for the market in fisheries products was set up on 30 October 1970. The system laid down by the basic regulation for this sector has been applicable since 1 February 1971.²

The fisheries year extends from 1 January to 31 December of each year.

As regards "accession" compensatory amounts it should be noted that these are applicable only for one product - plaice - for which Ireland had requested the application of the compensatory amounts when the guide prices for 1973 were being fixed.

The system of monetary compensatory amounts applicable for herrings (fresh, refrigerated, chilled, salted, in brine, dried or smoked) was abolished with effect from 31 July 1972.³

Although the market organization in the fisheries sector covers all products of this sector, for a certain number of fresh, refrigerated or chilled products only specific market intervention measures are provided. The products in question are the following:

- (a) herrings, sardines, norther hog fish, cod, coalfish, haddock, whiting, mackerel, anchovies, plaice or brill, fresh or refrigerated, whole, headless or in pieces, shrimps simply cooked in water;
- (b) sardines, sea dorados, calmars, cuttlefish, frozen, squids;
- (c) tunny, fresh or refrigerated, frozen for industrial processing.

The fisheries products sector represents 0,08% (2.9 million u.a.) in the 1973 Budget (12 months) of the Guarantee Section of EAGGF (intervention only for the products mentioned under (a)).

¹See Tables II.B/18.1 - II.B/18.10

²Regulation (EEC) No 2142/70 of 20 October 1970, OJ L 236 of 27.10.1970, p.5

³Regulation (EEC) No 1602/72 of 28 July 1972; OJ L 170 of 26.7.1972, p.4

I. Evolution of the market for fisheries products from 1968 to 1971 in the original Community

1. Production

The feature of the situation on the Community market is the tendency towards a constant decline in landings: 1968 - 1 717 000 tons; 1971 - 1 562 900 tons, or a fall of 9%. On the basis of the available figures, this trend has also continued in a very clear way for 1972. As demand continues to be steady the Community finds itself in a situation of scarcity.

2. Trade

This situation of scarcity could only be improved by increased imports of the products in question in order to satisfy the requirements of the Community. The development of the imports of the original Community may be shown as follows:

	<u>1968</u>	<u>1971</u>	<u>Change</u>
	293 000 tons	493 000 tons	+ 68.2%
of which fresh refrigerated and frozen fish	132 600 tons	226 300 tons	+ 70.7%

Despite the considerable increase of imports during this period, the percentage of fresh products in total imports did not change (45%). The second place is occupied by preserves, followed by shell fish and fresh molluscs. It should be noted that Denmark has always been the leading supplier of the original Community.

II. Development of the fisheries products market in the enlarged Community

Even after the accession of two member countries which are important producers in the fisheries sector - the United Kingdom and Denmark - the scarcity situation has not changed. The United Kingdom is a country which is a heavy consumer and importer of fish and the major part of Danish production is intended for reduction i.e. for utilization for other ends than human consumption. For the leading products in the fisheries sector the landings situation is as follows:

	<u>1971</u>	<u>1972</u>	<u>Landed weight in tons</u>
Cod	570 138	534 607	- 6.4%
Hog-fish	63 730	49 807	- 22.8%
Plaice	141 845	137 115	- 5.3%
Mackerel	71 522	70 960	- 0.8%
Whiting	81 131	79 955	- 1.4%
Herring	338 456*	349 590	+ 3.3%
Haddock	219 341	196 056	- 11.6%
Coalfish (pollack)	165 090	150 754	- 8.7%
Shrimps	15 227	15 010	- 1.4%

* human consumption only

This reduction in supplies has resulted in a sharp increase of prices for all species. In this way, throughout the Community, increases in market prices of 10-15% and more per annum are not rare. It should, however, be noted that the percentage of these increases differs, particularly in the various ports for the different species. This phenomenon of internal price disparity results from the special nature of the common fisheries market, which, in reality, is a market with imperfect competition. Although per capita consumption of fisheries products increased from 10.8 kg in 1959/60 to 11.65 kg in 1969/70 and 11.95 kg in 1970/71, the decline in the contributions of fresh products is reflected in the quantities of those consumed. Consumption per head of fresh products has fallen by 0.5 kg between 1959/60 and 1970/71, i.e. from 5.1 kg to 4.5 kg.

The result is an increase in consumption of chilled, processed and prepared products. The accession of the three new Member States did not change the scarcity situation in the Community. It is to be feared that this situation will continue in the years to come in view of the fact that demand throughout the world exceeds production.

The estimated cost for the EAGGF in respect of the fisheries products sector is 3 million u.a. (market interventions and export refunds for cod and salted and dried), or 0.09% of the total outlay of the Guarantee Section.

19. Silkworms¹

With effect from the marketing year 1972/73 an aid was introduced for silkworms bred in the Community.² This aid is granted per box of silkworm seed used. The marketing year runs from 1 April to 31 March.

The breeding of silkworms in the Community is practically limited to Italy. The fall in production noted for several years continued in 1972 in such a way that Community production fell to 344 tons of cocoons, as against 750 tons in 1971, i.e. the product of 10 533 boxes set, as against 21 000 in 1971.

As its own production is inadequate, the Community imports cocoons, and semi-finished and finished silk products.

On the basis of the national data, it may be estimated that during the 1973/74 marketing year, 15 450 boxes were set and that these would have given a production of about 1 451 tons of cocoons.

¹See Table II.B/19.1 of Part III

²Regulation No 845/72 of 24 April 1972, OJ No L 100 of 27.4.1972, p.1

20. Products not subject to common market organization

(a) Agricultural alcohol¹

1. In the absence of Community measures,² this sector is in general characterized by a policy of self-supply applied in the Community.
2. According to the degree of importance which the Community countries attribute to the requirements of their agricultural policy, production of agricultural alcohol is subject to national economic provisions which are more or less flexible.

The system of freedom of production and prices applied in the Netherlands, Belgium and in the United Kingdom - and, subject to a few provisions, in Ireland - has led to a concentration of enterprises and the exclusive use of raw materials whose price is the lowest.

By contrast, in Germany, France and Italy and, to a less extent, in Denmark, the production of alcohol is considered as the natural and indispensable extension of the agricultural policy pursued in different sectors of activity. The measures taken in the framework of the action carried out by the monopolies or those based on an appropriate tax system (Italy) have led to the maintenance of agricultural alcohol production at higher prime costs. These Member States have also organized the market for these alcohols by facilitating access to or reserving certain markets for them.

Community production of ethyl alcohol of agricultural origin is on the average in the neighbourhood of 6 100 000 hl. It is thought to be tending to increase but only slowly.

The raw material most usually employed is molasses of sugar beet or of sugar cane. Molasses alcohol represents about 42% of total Community production of agricultural alcohol, sugarbeet alcohol about 22%, while potato or cereals each account for 8% of the total. Production of alcohol of wine or fruit origin is more variable, each fluctuating between 7 and 10%, while sugar-cane supplies only 1% of total production.

¹ See Table II.B/20 to 21 of Part III.

² Commission Proposal (Doc. EEC(72)240 of 1 March 1972 submitted to the Council on 6 March 1972 (Doc. R 451/72AGRI 119 FIN 131).

3. The prices applied depend on the policy followed in the sector, and in the countries operating monopolies, they also depend on the raw material used and the utilizations. In this way, for example, they vary between 24 to 40 u.a./hl. in the Netherlands and Belgium according to the use to which the alcohol is put, while in France they may range, at the purchasing stage, from 16 to more than 60 u.a./hl., and on sale, from 12 to 90 u.a./hl.
4. Intra- and extra-Community trade concerns only small quantities and is often sporadic.

(b) Potatoes¹

1. There is no common market organization in this sector.

However, certain products are already subject to Community rules. These include potato starch,² processed products and potato seedlings.

2. In Italy, the Netherlands and Denmark the market is free and is in no way bound as regards imports or exports. In Germany, France and BLEU, there exists a system of minimum prices applied during the following periods of the year:

Ware potatoes:	France:	throughout the year
New potatoes:	France:	15 May to 30 June
	BLEU:	1 June to 31 August
	Germany:	10 June to 10 August

As regards seed potatoes, France is authorized to apply compensatory taxes in place of minimum prices.

In the United Kingdom the Potato Marketing Board exists to encourage the controlled marketing of ware potatoes by means of a quota system for areas cultivated. The Board is also responsible for operating the guaranteed price fixed by the Government which, where appropriate, makes a deficiency payment to the Board. Import of ware potatoes is forbidden except in the event of scarcity.

In Ireland the Irish Potato Marketing Board controls purchasing and sales prices. There is no limitation on the area cultivated.

¹ See Table II.B/20-b.1 - II.B/20-b.3 of Part III

² EEC Regulation 120/67 of 13 June 1967, OJ L 117 of 19 June 1967, p 2209

³ EEC Regulation 865/68 of 28 June, OJ L 153 of 1 July 1968, p. 8

⁴ Directive 66/403 of 14 June 1966, OJ L 48 of 26 February 1969, p. 7

Directive 69/42 of 18 February 1969, OJ L 48, 26 February 1969, p. 7

Directive 71/162, 30 March 1971, OJ L 87, 17 April 1971, p. 24

Directive 72/171, 20 July 1972, OJ L 171, 20 July 1972, p. 37

Directive 72/287, 26 December 1972, OJ L 287, 26 December 1972, p. 25

3. In 1971 production of potatoes accounted for 6.7% of vegetable production and 2.5% of total agricultural production in the enlarged Community. This latter percentage is higher than that of certain products which are already under common market organizations, such as sugar, tobacco, fats, etc.

The leading producer countries, in decreasing order of importance are:

Germany which is an importer of early potatoes, seed potatoes, etc.

France: exporter

United Kingdom: importer of early potatoes

Netherlands: exporter

Italy: exporter of early potatoes

importer of seed potatoes.

The degree of self-sufficiency in the Community of the Six is not very far from 100%.

4. The general census carried out in France in 1970 shows that about 99% of farms work an area less than 5 ha and account on the whole for 75% of the area under potatoes. Less than 1% of the farms working an area above 5 ha account in the aggregate for 25% of the surface under potatoes. It is probable that South Germany, Italy and Belgium show a similar situation. On the other hand, conditions are different in the Netherlands, the United Kingdom and Denmark.

5. The area under potatoes is declining in the enlarged Community from 3 512 000 ha in 1951/55 to 1 549 000 in 1972 (+ -50%).

Production is also on the downgrade and fell from 61 957 000 tons in 1951/57 to 41 466 000 tons in 1972 (+ 35%).

6. Per capita consumption is also falling. It was 109 kg. per head in 1956/57 and 82 kg. in 1972 in the original Community.

By contrast, the quantities absorbed by the processing industry are increasing and at present account for 5% of gross production in the Netherlands and Germany and 10% in the United Kingdom.

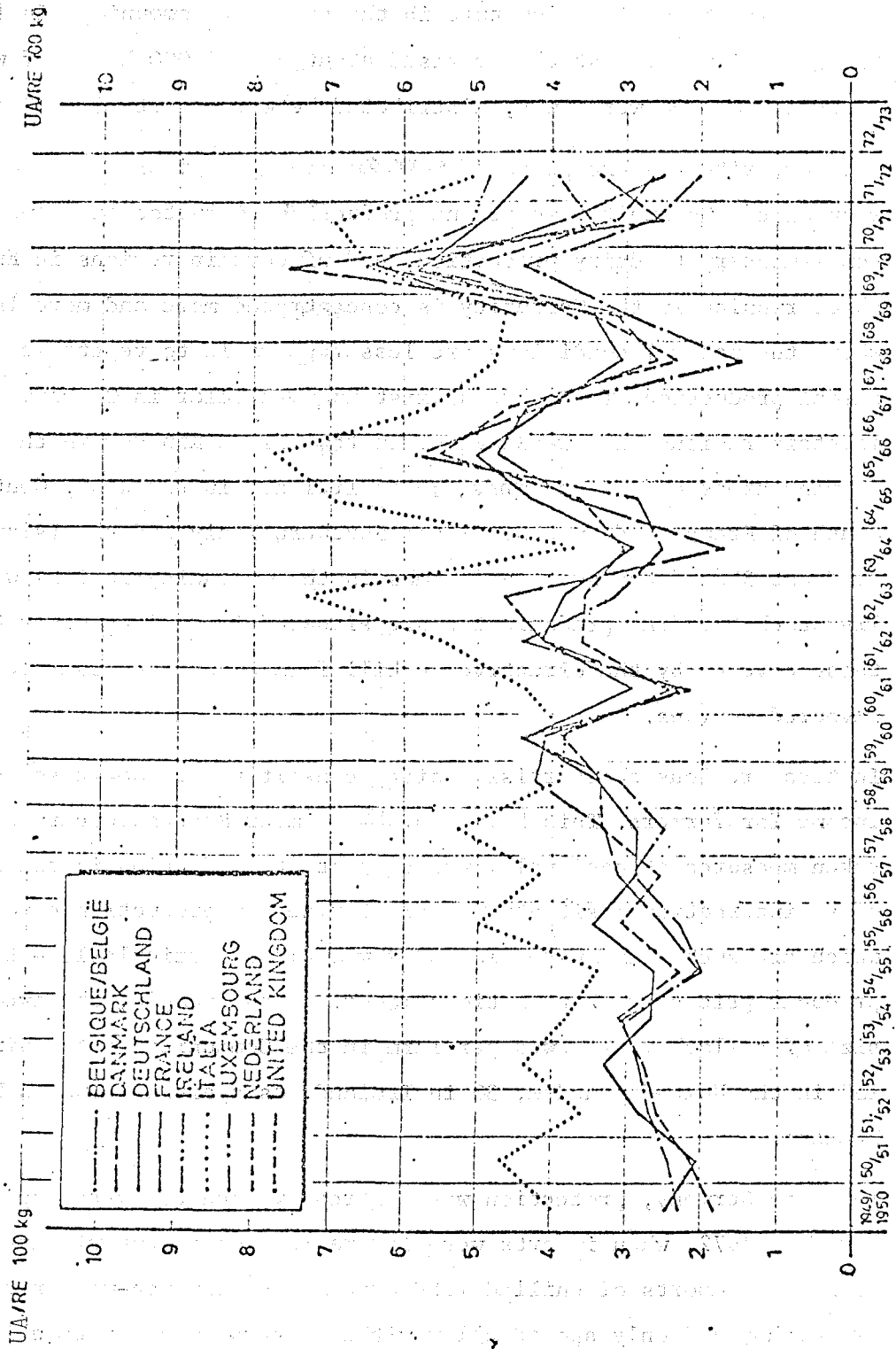
These figures do not include potatoes for making starch nor those processed into alcohol.

7. Trade in potatoes between the original Six was around + 5% of production. The percentage of trade in the sector of potato seedlings and early potatoes is between 10 and 15%. From the point of view of trade in ware potatoes, the three new Member States are of little importance.

8. Prices are very irregular. For one or two years they tend to rise, and then for another one or two years to decline. In order to understand these variations, account must be taken of the influence of weather conditions, the inelasticity of the demand curve, the fragile nature of the product and the structural aspect of production (see graph).

9. As regards future prospects, it would seem that consumption is likely to become stabilized within the limits of present quantities since a continual increase in processed products is foreseen.

PRICES RECEIVED BY PRODUCERS FOR POTATOES FOR CONSUMPTION



Source : EEC Information. Agricultural markets, special number July 1971

CE-53 VI-5/2-7319.120

(c) Mutton and lamb¹

1. The mutton and lamb sector represents about 1.2% of the value of the final production of agriculture in the enlarged Community. In 1971, the Community ovine stock comprised about 41 000 000 head, of which about 28 000 000 were ewes, distributed between about 800 000 farms. However, with the exception of certain grassy regions in the North-west of the Community, where the production of mutton and lamb is complementary to dairy production, and of certain regions in England, sheep running in the Community is concentrated more and more in areas where the natural conditions are less favourable to vegetable and animal production. These areas exist in particular in Germany in mountain regions of low altitude, in the United Kingdom in the hill farming areas and in the uplands, in Ireland, in the West, Centre and South of France and in Central and Southern Italy and the Islands. At least 30% of the sheep and lambs in the Community regions where livestock breeding predominates are situated in regions other than those covered by the directive on hill farming and in other less-favoured regions.

In these regions sheep raising often constitutes the main source of income for farmers. This being so, the Member States concerned have taken measures at national level to protect production in the face of an international situation characterized by production conditions which are such - in Australia and New Zealand particularly - that producer prices are 2 to 3 times lower. As an example, the average size of a flock is 20 ewes per farm in the Community of the Six, 130 in the United Kingdom, 30 in Ireland, as against 1 000 in New Zealand.

2. Thus, in Germany, protection was ensured by a quota system up to November 1972, when imports were liberalized on an experimental basis. In France imports of chilled mutton and lamb from non-member countries are authorized only sporadically within a very small quota while those

¹See Tables II.B/20-c.1 to 20-c.5 in Volume III.

of sheep and lamb on the hoof and of meats other than chilled are allowed only when the price noted on the internal market exceeds a certain threshold. Furthermore, at the time of import a compensatory tax is levied in addition to the customs duties and its level varies in the light of the French internal market price. In addition, this Member State authorizes within a quota, the import into its territory of lean sheep to be fattened. It also grants, under a plan to boost ovine production, certain aids to sheep breeders belonging to producer groupings.

In the other Member States of the original Community there are no quantitative restrictions on imports.

3. As regards the new Member States, no import restriction exists. However, in the United Kingdom the maintenance of domestic production is ensured by the fixing of a standard price. As soon as the market price falls below this standard price, a deficiency payment based on the difference between the market price and the standard price is granted to producers. Furthermore, in this Member State, direct subsidies are paid to breeders in certain less-favoured areas (Hill Sheep Subsidy and Winter Keep Grants). Up to 1971 to 1972 these aids totalled around 50 million u.a. annually.

Since that time this amount has fallen by half as a result of the sharp rise in world prices (wool and meat).

4. At 1 January 1970 in the original Six, intra-Community customs duties were definitively abolished and the CCT level (15% for animals on the hoof, 20% for meats) applied in its entirety.

At present, as regards the new Member States and for imports from non member countries, Denmark does not charge any customs duty, Ireland charges a levy of 11.93 u.a./100 kg (about 12% ad valorem) and the United Kingdom a levy for mutton of 1.98 u.a./100 kg (about 3% ad valorem) and for lamb 3.95 u.a./100 kg (about 3% ad valorem).

In conformity with the provisions of the Accession Treaty, the alignment on the CCT on 1 January 1974 is to be 40% of the difference existing between the present levels and the CCT level.

Under these conditions, the United Kingdom duties should rise from about 3% to around 10% with respect to imports from non-member countries.

5. In 1971 Community production was about 450 000 tons. Over a period of 10 years (1962-1971) a slight downward trend may be seen, despite considerable cyclical variations.

In this way, in 1962 production was about 480 000 tons. This fall is due to the preponderant influence of the United Kingdom (50% of total Community production) where output has fallen back appreciably since 1967, and of Italy (about 8%), where production is constantly declining.

On the other hand, in France (26%) and the Netherlands (2%) production has regularly risen. In Ireland (10%) and Germany (3%), it has remained stable. In Denmark and BLEU, it is still very small.

6. In the course of the period under review Community consumption has varied very little around an average level of 830 000 tons. However, this figure conceals two opposing trends, on the one hand the fall in the United Kingdom, a Member State which had already achieved a very high level of consumption per head (about 14 kg/inhabitant, but now 10), and on the other hand the increase in the other Member States (at present between 0,2 and 3 kg/inhabitant according to the countries and 1,4 on the average) with the exception of Ireland (11 Kg/per inhabitant) where consumption is stationary.

7. In 1971 the enlarged Community was therefore a net importer of about 389 000 tons, or 50 000 tons more than in 1962.

Consequently, the self-sufficiency rate fell from 60% in 1966 to 54% in 1971.

Ireland and the Netherlands are the only Member States which show a surplus balance. As regards the other Member States, only the United Kingdom saw its deficit diminish in the course of this ten year period, when it fell from 350 000 to 320 000 tons.

8. In 1972 the enlarged Community imported 365 000 tons of mutton and lamb and animals on the hoof expressed as carcass weight from non-member countries (390 000 tons in 1971).

The United Kingdom alone accounted for 90% of the Community's imports from the non-member countries. In 1972 this Member State had imported 330 000 tons of all categories, of which 295 000 came from New Zealand (for 1971 the corresponding figures were 350 000 and 310 000 tons). As regards New Zealand, these tonnage represent chilled lamb almost exclusively.

The remaining 10 percent are essentially for by Italy (7%), France (2%) and Germany (1.6%).

The Community exports only very small quantities. On the other hand, intra-Community trade is fairly important and growing. About 50 000 tons in 1972, as against 37 000 in 1971. It consists essentially of an export flow from the United Kingdom and Ireland to France and Belgium.

9. It would seem that a movement towards the harmonization of wholesale prices is in train in the Community. The highest price (France) has increased only little (at least in terms of u.a.) and the lowest price (the United Kingdom) has gone up by 42%. In this way, in 1972 the price level for home-produced meat in the United Kingdom was 54% of the French level. In 1968 this same ratio had been only 39%.

As regards the other Member States, the greater the difference in relation to the French price observed in 1968, the greater has been the price increase in 1972 over 1968.

Attention must also be drawn to the very strong rise in the world price of frozen lamb (plus 50% between 1968 and 1972).

10. For 1973 a possible increase in production is expected in the Community, and mainly in the United Kingdom and Ireland, under the influence of the continuation in 1973 of the rapid pace of price rises which has been experienced since 1972 in the Community and on the world market (it is even possible that the rise might be more vigorous in 1973 than it was in 1972).

As regards consumption the evolution noted should continue in 1973, i.e. with a reduction in the United Kingdom and an increase in the other Member States with the exception of Ireland. This being so, imports of chilled meat from New Zealand should be down appreciably this year again (about 15%).

Synoptic Study

Introduction

The analytical study of the supply situation by sector as presented above does not make it possible to obtain an overall view of the situation of certain products which are closely linked, such for example as the different varieties of meat or fats and oils. For this reason, these products have been grouped below in two synoptic supply balance-sheets.

In making this synthesis and for reasons of homogeneity only one statistical source has been used. It seemed that the supply balance sheets established by marketing year by the Statistical Office of the European Communities were the most adequate on the subject.

It is possible that there may be a few divergences between the figures proposed when studying the different markets and those set out in this synopsis. As regards the "meat" balance-sheet, the divergences are mainly due to the fact that the figures used here are established on the basis of the marketing, and not the calendar year, that they do not include slaughter fats and that offals have been accounted for separately.

This synoptic study mainly deals with the period 1968/69 to 1971/72 and is based on harmonized accounting sources. In view of the fact, on the one hand, that the new member countries were not in the EEC during the period chosen and that, on the other hand, the statistical series of the new members are not harmonized with those of the original EEC, it would have been possible to confine the study to the "Six". However, it appeared useful to add, in a separate paragraph, some quantified information concerning at least the meat situation in the United Kingdom, Denmark, Ireland and the enlarged EEC.

21. Synoptic study of the supply balance-sheet for meats¹

The synoptic balance sheet for meats as a whole includes edible offals, with the exclusion of fats, which have been included in the balance-sheet for fats, save as regards the points concerning the meats balance-sheet in the enlarged EEC (point 4).

I. Gross domestic production of meat in the original EEC

Between 1968/69 and 1971/72 gross domestic production of meat rose by 10.6% from 11.7 million tons in 1968/69 to 12.9 million in 1971/72. However, the amount of 12.9 million tons was already attained in 1970/71. In 1971/72 total production therefore remained at the same level but, within this overall figure, the production of the different meats varied widely. Up to the present it has been easy to class meats according to the relative and absolute variations of their production, but in the course of the last two years the different productions have greatly varied, thus hiding the long term changes which had been previously pinpointed.

The concept of the relative share of each meat in total production is thus too greatly influenced by the wide and often cyclical, variations of the principal meats. However, several important points can be noted when the evolution of the situation from 1967/68 to 1971/72, i.e. over a period of five years, is examined:

- The continuous progress of the meats derived from cereals:
 - pigmeat and poultrymeat
- The crisis in beef and veal
- The consolidation of the development of sheep and goat meat, rabbit meat and game, and the fall in the production of horsemeat.

(a) The trend of the production of meats derived from cereals:

- Pigmeat: This is the most important item in the meat production balance-sheet. For the first time output has topped the five million ton mark. It is a remarkable fact that the production of pigmeat did not cease to increase every year between

¹ See Tables II.B/21.1 to II.B/21.6 in Part III

1965/66 and 1972/73, i.e. over seven years, during which the concept of a cycle at Community level was reflected in a slowdown of production rather than in any fall-off, which had not been the case in 1963 and in 1965. It is possible that the weakness of beef and veal production may have constituted a considerable incentive to the output of pigmeat and thus drawn out the cycle from the quantitative point of view.

- Poultrymeat: Despite a slow down in its growth in 1971/72 (+ 2.2%, as against + 7.3% in 1970/71), poultrymeat production has been developing in remarkable fashion for the last fifteen years. At 2.1 million tons in 1971/72, it represented 16.6% of total meat production in the EEC. Pigmeat and poultrymeat progressed in 1971/72 both in absolute and in relative value. It is still too early to know how far these cereals-derived productions have been disturbed by the recent protein crisis experienced at world level.

(b) The crisis in the production of beef and veal

Beef and veal production reached its peak in 1970/71 with 4.2 million tons and in 1971/72 fell back to 4.1 million. It is probable that it also went down in 1972/73 and will only be able to pick up again in 1973/74. During a period of expansion beef and veal had already been in a state of relative regression in relation to the other meats as a whole and continued a fortiori to be so in 1971/72 and in 1972/73. The deep-seated tendencies hidden by the present disturbances reappear if we add together the relative shares of pigmeat and beef and veal production. We note a fall off of this aggregate despite the continuous progress of pigmeat. With the exception of 1971/72, when the peaks of the pig and bovine "cycles" coincided, this ratio was successively 72.7% in 1966/67, 72.3% in 1967/68, 72.0% in 1968/69, 71.2% in 1969/70, 72.4% in 1970/71, and 70.9% in 1971/72.

(c) The production of the other types of meat

Here the trends seem to be becoming more and more definite:

- The other meats (rabbit and game): This item increased continuously between 1960/61 (216 000 tons) and 1971 (450 000 tons). However, in recent years we note a certain slow down in its rate of growth, which means that, although progressing in absolute terms, the production of the other meats (rabbit, game) is relatively stagnant, since its share in the total balance sheet has fluctuated around 3.5% since 1968/69.
- Sheep and goat meat: This is in slow but clear progress since 1963/64, rising from 153 000 tons in that year to 181 000 tons in 1971/72. The relative share of sheep and goat meats in total meat production in the original EEC has been constant at around 1.4% since 1969/70. The situation is therefore the same as for rabbit and game: absolute growth and relative stagnation.
- The production of horsemeat: This is in constant decline, in both absolute and relative terms. The rise noted in 1968/69 (85 000 tons) and in 1969/70 (90 000 tons) was no more than short-term, since in 1970/71 production fell back to 82 000 tons and in 1971/72 to 68 000 tons.
- The production of edible offals: There is a strong correlation between the production of beef and veal and that of edible offals. Consequently it is normal to note that production fell off slightly in 1971/72 (901 000 tons) in relation to 1970/71 (904 000 tons). However, this fall was lower as a percentage (- 0.3%) than that of beef and veal production (- 4.4%). This may be due in particular to the increase in the offal from poultrymeat in particular.

2. Meat consumption in the original EEC

Between 1967/68 and 1971/72 consumption per capita of meat in the original EEC went up by 12.5% - from 65.7 kg to 73.9 kg. During this period, which was somewhat confused from the point of view of prices and quantities produced, one major point may be noticed: the resistance of per capita consumption to the erratic variations of prices and quantities.

Whereas, between 1967/68 and 1971/72, total meat production went up respectively by 9.7%, 2.9%, 3.4%, 6.9% and 0.1%, per capita consumption showed less considerable but more constant divergences: + 6.5%, + 3%, + 2.5%, + 4.9% and + 1.5%.

As to the consumption of meat per head during the year 1971/72 in relation to 1970/71 the main features are:

- The continuous progress of the growth of meat derived from cereals
- The fall in the consumption of beef and veal
- The relative stability of consumption of all the other categories of meat.

Although, following the example of production, per capita consumption in 1971/72 registered a slowdown of growth, albeit a smaller one, and although, as for production, we find at the level of consumption the first two features mentioned above, on the other hand the relative stability of the consumption of all the other categories of meat is a characteristic feature which naturally has its repercussions on the net external balance. Thus, if we add together the relative shares of sheep and goat meat, horsemeat, rabbit and game and edible offals in the total meat production of the original EEC between 1968/69 and 1971/72, we note that this share fell from 12.7% to 12.4%, whereas the total of these percentages, as regards consumption, remained constant around 14.5%; It is therefore normal that the net balance of external trade in these categories of meat should have risen from 325 000 tons in 1968/69 to 394 000 in 1971/72.

(a) The consumption of meats derived from cereals

This is constantly growing both in relative and absolute terms.

-Pigmeat: Between 1960/61 and 1971/72 per capita consumption of pigmeat in the original EEC rose from 19.5 kg to 27.1 kg, an increase of 39%. This increase has been a continuous one save for a slight setback in 1963/64 and in 1969/70 coinciding in both years with a rise in beef and veal production. In 1972 the production of pigmeat settled down, but in view of the crisis

in beef and veal we may expect that the relative share of pigmeat in meat consumption per head will be maintained or will even increase in 1972/73 also.

-Poultrymeat: Between 1960/61 and 1971/72, consumption of poultrymeat per head in the original EEC rose from 5.4 kg to 11.3 kg, or an increase of 109.3%. This remarkable expansion is tending to run out of steam but there is no reason at present to foresee any fall in the consumption of poultrymeat.

(b) The decline in the consumption of beef and veal in 1971/72

Between 1960/61 and 1971/72 consumption of beef and veal per head rose from 19.7 to 24.8 kg, or an increase of 25.9%. This increase was a continuous one with a slight fall off in 1965/66 and 1971/72. It is probable that this decline will continue in 1972/73, but consumption should pick up in 1973/74 for there is considerable potential demand for this type of meat.

(c) Consumption of other categories of meat

-Rabbit and game: Between 1960/61 and 1971/72 consumption of rabbit and game meat per head of population rose from 1.4 to 2.8 kg, an increase of 100%. This is the only meat consumption, along with that of poultry, whose growth has been continuous from year to year. Between 1967/68 and 1971/72 rabbit and game, like poultrymeat, were the only meats whose per capita consumption grew in absolute and relative terms.

-Sheep and goat meat: From 1967/68 to 1971/72 consumption of sheep and goat meat per head increased continuously by 20%, rising from 1.1 to 1.3 kg. The percentage of the per capita consumption of this meat in total per capita consumption of meat fluctuates around 1.8%.

-Horsemeat: Between 1967/68 and 1971/72 consumption of horsemeat per head fluctuated around 1.1 kg and the relative share around 1.5%.

-Edible offals: Between 1967/68 and 1971/72 consumption of these per capita rose from 5.1 to 5.5 kg, an increase of 5.8%, involving a fall in their relative share in the per capita consumption of meat from 7.8 to 7.4%.

3. The net external trade balance in meat of the original EEC

The net external trade balance in meat is equal to domestic production + the variations in stocks - total human consumption.

This confrontation gives the following results:

- Whereas, between 1967/68 and 1970/71, i.e. in four years, the net external trade balance in meat of the EEC was between 800 and 900 thousand tons, the crisis in beef and veal production meant that, in 1971/72, this balance topped the million ton figure (1.07 million tons) for the first time and the EEC's self-sufficiency ratio fell below 90% (89.4%).
- Net imports of beef and veal reached a peak of 662 000 tons in 1971/72 (61.9%). They constitute by far the largest heading in the net imports of the EEC.
- However the net imports of other categories of meat should not be forgotten. Although net imports of cereal-derived meats (poultry and pigmeat) are on the average close to zero, those of horsemeat, sheep and goat meat, rabbit and game have risen by 69% in four years from 150 000 tons in 1967/68 to 254 000 tons in 1970/71. On the other hand, the net imports of edible offals are roughly constant; they fluctuated between 120 and 145 thousand tons in the course of the same period.
- As regards the breakdown between net imports of living animals (in carcass weight equivalent) and those of slaughtered animals, we note an increase in the percentage of total net imports of meat on the hoof between 1967/68 (38.1%) and 1971/72 (43.2%). However this average conceals movements in the opposite direction. Between 1967/68 and 1971/72, the percentage of net imports of beef and veal on the hoof rose from 39.9% to 45.5%. On the other hand this percentage remained constant over the same period for sheep and goat meat (about 35%), rabbit and game (around 11% on the average) and edible offals (average around 24%). But this percentage is declining for horsemeat, having fallen from 43.6% in 1967/68 to 39.7% in 1971/72.

4. Some thoughts on the synoptic balance-sheet of meats in the enlarged EEC

As the harmonization of the statistics of the new members along the lines of the original EEC has not yet progressed sufficiently, only a few orders of magnitude will be submitted here. Furthermore, it has to be noted that the statistics of meats at present available and used below include slaughter fats and that no breakdown has been made between meats and fats.

(a) Meat production

In 1971/72 meat production in the enlarged EEC is thought to have been about 19 million tons, three-quarters of which was accounted for by the original EEC. This proportion of about 75% is found again in the production of the leading meats: beef and veal, pigmeat and poultry. On the other hand the percentage falls to 41% for sheep and goat meat.

If we examine the production structure of meat in the original EEC and that of the new members we note that it is similar among the Six and the Three for the main meats. About 30% of total meat production represents beef and veal, 40% pigmeat, and 15% poultrymeat. On the other hand, among the new adherents, the percentage of sheep and goat production is 6% of total meat production, whereas this figure is 1% in the original EEC.

(b) Meat consumption

In 1971/72 meat consumption in the enlarged EEC is thought to have been about 20.2 million tons, three-quarters of which was consumed in the original EEC. With respect to the various meats, the original Six account for about 77% of consumption of each of the following: beef and veal, pigmeat, and poultry; the three new members make up 23%. On the other hand, this ratio rises to 30% for the original EEC and 70% for the new members where the consumption of mutton and lamb is concerned.

As regards the structure of meat consumption, it may be said that per capita consumption of beef and veal and pigmeat is slightly higher in the original EEC than that noted among the three new members, that it is roughly the same for poultrymeat and that it is four or five times higher among the Three as regards sheep and goat meat.

(c) External trade in meat

In an enlarged Community the net meat import balance would have been about 1,2 million in 1971/72, i.e. net imports of around 550 000 tons of beef and veal, 350 000 tons of mutton and lamb and 400 000 tons of horsemeat, rabbit, game and edible offals. There would have also been marginal net exports of about 100 000 tons of pigmeat and poultry. These figures are given only as a rough guide in view of the present imprecise statistics, the special nature of the year 1971/72 and the fact that the aggregate quantities produced and consumed in the nine Member States of EEC one year prior to the year of adhesion cannot be compared with what production and consumption will be when the enlarged EEC is completely achieved.

At present it can merely be noted that, while the Six have always been net importers of beef and veal (500-600 000 tons) the Three are net exporters of these products (about 100-200 000 tons), that the Three tend to be net importers of pigmeat (little less than 100 000 tons) and net exports of poultrymeat (about 50 000 tons) and that they are obviously net importers of mutton and lamb for a total of around 300-350 000 tons.

22. Fats and oils¹

It has not been possible to establish a synoptic balance-sheet for the enlarged Community. The statistical harmonization of the supply balance-sheets has not yet been completed, and in particular the breakdown between meat and slaughter fats is not terminated.

1. The balance-sheet of raw fats in the original Community

(a) Study of the global balance

-Total consumption of raw fats is expanding strongly, since it rose from 5 098 000 tons in 1968/69 to 5 713 000 tons in 1971/72, an increase of 12%. Total human consumption went up from 3 811 000 tons in 1968/69 to 4 367 000 in 1971/72, a rise of 15%, while consumption for industrial purposes increased from 1 287 000 tons in 1968/69 to 1 346 000, a rise of 4.6%, thus lower than the growth of total human consumption. It should be pointed out that the latter is not due to population increase only, since the consumption of raw fats per head went up from 20.5 kg in 1968/69 to 22.9 in 1971/72. This increase is thus a regular one while that of the fats used industrially has been more uneven. There was a strong increase between 1963/64 and 1968/69 (+40%), after which the situation remained stationary from 1968/69 to 1970/71, with a fresh increase of 5% between 1970/71 and 1971/72.

-In order to cope with this demand the Community has, on the one hand, stepped up its domestic production and, on the other, expanded its net imports of raw fats.

-Production of raw fats in the EEC rose from 3 679 000 tons in 1968/69 to 4 452 000 in 1971/72, an increase of 21% in three years. However, production of gross fats from domestic raw materials went up from 1 985 000 tons in 1968/69 to 2 388 000 in 1971/72, or an increase of 20%. This increase was a regular one at an average annual rate of about 6%.

¹ See Tables No II.B/22.1 to II.B/22.4 of Part III

- The increase in imports of raw fats into the EEC is either direct in the form of raw fats or in the form of seeds and fruits which are later crushed in the EEC or in the form of fat from animals imported live. Following the large imports of beef and veal in 1971/72 into the EEC, derived imports of slaughter fats rose from 24 000 tons in 1968/69 to 61 000 in 1971/72, i.e. an increase of 154%. Imports of grains and fruits went up from 1 670 000 tons in 1968/69 to 2 003 000 in 1971/72, an increase of 20%. As to imports of gross fats in the natural state, these rose from 2 056 000 tons in 1968/69 to 2 140 000 in 1971/72, an increase of 4%. It may therefore be said that, in the aggregate, gross EEC imports rose from 3 750 000 tons in 1968/69 to 4 204 000 in 1971/72, making an overall increase of 12%. It may thus be noted that between 1968/69 and 1971/72 the vigorous growth in global demand by the EEC for raw fats (+ 12%) has been satisfied on the one hand by stepping up domestic production of grains and fruits by 20%, but also, on the other hand, by a similar 20% increase in gross imports of grains and fruits. Imports of slaughter fats have increased by 154% while gross imports of raw fats in the natural state rose by 4%. As to gross EEC exports, these climbed from 595 000 tons in 1968/69 to 773 000 in 1971/72, an increase of 30%.

(b) Study of the balance-sheet by major groups of raw fats

If the raw fats balance-sheet is broken down between the three major groups, vegetable oils and fats, fats from slaughterings and fats and oils of marine animals, certain substitution movements can be noted:

- At production level the medium term seems to show a decline in the relative share of vegetable fats and oils, which, between 1966/67 and 1970/71 fall from 67.2% to 65.4%, to the advantage of slaughter fats, which rise from 32.2% to 34.2%. However, the year 1971/72, when beef and veal production was low, does not fit in with this trend, since

the respective shares of these two groups rose to 68.2% for the first and fell to 31.5% for the second. It is to be expected that this situation will continue in 1972/73.

- As regards overall consumption, we note a certain constancy in the percentages: 65/66% for the first group, 27/28% for the second, and 5/6% for the third. For technical uses, the relative share of slaughter fats is increasing (43.4% in 1966/67 and 52.7% in 1970/71, with a normal cyclical fall-off in 1971/72: 50.5%). This increase has taken place to the detriment of vegetable fats and oils, since the share of fats and oils of marine animals has been relatively constant (9/10%). As regards human consumption, the percentages continue fairly constant: 73/74% for the first group, 21/22% for the second, and 4/5% for the third.
- As regards the external net balance, no very clear trend is to be discerned and the ranges of variation are wider: 62/66% for the first group, 15/17% for the second, and 18/22% for the third.

2. The balance-sheet for prepared nutritional fats

This balance-sheet is established on the basis of the raw fats analysed above, to which butter is added in order to obtain a balance of pure fats at EEC level. In view of the fact that, with the exception of butter which is dealt with in another chapter, external trade in prepared food fats concerns only 1.5% of production, we will here analyse only the total human consumption of prepared fats. This analysis shows:

1. A constant progress of the share of consumption oils: 34.8% in 1965/66 and 39.6% in 1971/72, which is reflected in an increase of per capita consumption from 8.0 kg in 1965/66 to 10.9 kg in 1971/72;
2. An appreciable fall in the relative share of butter in total consumption: 23.3% in 1965/66 and 19.4% in 1971/72. This fall became apparent particularly in 1970/71 and 1971/72 (20.1% and 19.4%, as against 22% in 1969/70), which is reflected in a diminution of per capita consumption from 5.4 kg of pure fats in 1965/66 to 4.8 kg in 1971/72.

- A return, in 1971/72 of the relative share of margarine and prepared fats to the level reached in 1967/68 (25.2%) whereas this share had fallen to 22.3% in 1969/70. Whereas per capita consumption of margarine and prepared fats had been constant since 1965/66 at around 6.1/6.2 kg, it rose to 6.5 kg in 1971/72.
- As regards fats produced by slaughtering, their relative share fluctuates with the pig and bovine cycles. Between 1965/66 and 1969/70 it was around 16.5%, but it rose to 17.7% in 1970/71 and 15.8% in 1971/72, which moreover links up with the average of 16.5%. As regards per capita consumption we note an increase from 3.8 kg in 1965/66 to 4.7 kg in 1971/72.
- In all, per capita consumption of nutritional fats (margarine, slaughter fats and oil) rose from 17.8 kg in 1965/66 to 23.3 kg in 1971/72, while, during the same period, consumption of butter per head declined from 5.4 to 4.8 kg.

C. STRUCTURES¹

1. Agricultural structures

This Chapter brings together the analyses of the utilization of land, the dimensions of farms, the different types of exploitation, the livestock, the marketing structures, the population working in agriculture and social security.

The integration of the United Kingdom, Denmark and Ireland has obviously altered the average features of the Community. The only purpose of the comparisons made is therefore to situate the agricultural structures of these countries in relation to the general physionomy of the original and enlarged Communities.

I. Utilization of the land²

In 1972 the total area of land in use (SAU - Surface agricole utilisée)* in the EEC was 94 051 000 ha, while woods and forests covered 31 361 000 ha,

The agricultural land in use in the Community of Nine fell between 1969 and 1972 by 3 245 000 ha, or 3.3%, while the area of woods and forests went up during the same period by 442 000 ha (+ 1.4%). The rate of decline was particularly high in Italy (9.4%), followed by the Netherlands (4.4%), the United Kingdom (3.2%) and Luxembourg (2.2%).

Arable land covered 47 441 000 ha in 1972, i.e. half the agricultural area in use in the Community of Nine. Between 1969 and 1972 the arable land in the Community of Nine shrank by 2 500 000 ha (5.1%). However, the general trend noted conceals considerable divergences. The area of arable land increased in Ireland (5%), in Germany (0.5%), whereas the strongest diminution was noted in Italy (18%). The proportion of arable land in relation to the area in use is still very high in Denmark (90%) and low in Ireland (30%). Between these two extremes the other countries can be classed into two groups: one in

¹See Tables II.C/1.1 and II.C/3.5 in Part III

²See Tables II.C/1.1 and II.C/1.2 in Part III

* Utilized agricultural area

which the arable land accounts for 50-60% of the agricultural area in use (Germany, Italy, France, Belgium) and the other in which the percentage is below 50% (Luxembourg, United Kingdom, Netherlands).

On the average the proportion of arable land continued to fall from 55% in 1969 to 54% in 1972 for the Community of Six and in the Community of Nine from 51% in 1969 to 50% in 1972. Germany and Ireland are exceptions to this rule, while in Italy the proportion fell from 59% in 1969 to 54% in 1972.

Meadowland and permanent pasture covered 41 745 000 ha in 1972, or 44% of the agricultural area in use in the Community of Nine. Between 1969 and 1972 their area fell by 809 000 ha, or 1.9%, which is a smaller proportion than for the arable land. On the average the reduction was smaller in the countries of the Community of Six, particularly because in Italy meadowland and permanent pasture went up by 1.3%, while in the United Kingdom they shrank by 12% between 1969 and 1972. In Belgium, Luxembourg, Ireland and Denmark, the areas permanently under grass have practically not varied.

The percentage of the area of meadowland and permanent pasture in relation to the agricultural area utilized in the Community of Nine did not vary between 1969 and 1972, whereas the average in the Community of Six increased (38% in 1969, 39% in 1972). With the exception of Germany, the proportion of meadowland and permanent pasture in each of the Six is increasing, particularly in Italy (27% in 1969 and 30% in 1972). In the three new Member States the percentage of land permanently under grass is declining, with the exception of Denmark (10%), where this area has increased by 3 000 ha. In this latter country fodder production is essentially from temporary grassland and forage crops.

The area under cereals (including rice growing) in 1972 was the same to all extents and purposes as in 1969, i.e. 26 307 000 ha for the Community of Nine. The total for the Europe of the Six went down by about 1%. The areas in question have increased in Denmark (+4.4%), Ireland and France (+ 3.9%), the United Kingdom and Germany (+ 2.9%). On the other hand, in the Netherlands (-18%) and in Italy (-10.1%) the areas under cereals have gone down sharply.

Root crops covered 4 411 000 ha in 1972. This was a drop of 513 000, or 10.4%, in relation to 1969, thus confirming the trends noted in earlier periods. The Netherlands (+3%) are the only exception to this development which is particularly pronounced in Italy (-20%), Ireland (-15%) and France (-14%).

In 1972 potatoes covered 1 480 000 ha in the Community of Nine. Of this total, 1 172 000 ha was accounted for by the original Six, i.e. nearly 80%. The areas under potatoes in the Nine have fallen by 287 000 ha, or 16.5%. The decline has been most rapid in Italy (37%), followed by Belgium (22%), France and Ireland (20%), Germany (14%). In the Netherlands, on the other hand, the area has increased by 4 000 ha (2.8%).

The area planted with sugarbeet in the Community of Nine went up from 1 473 000 ha in 1969 to 1 549 000 in 1972, or about 5%. Only Italy (-15.1%) is an exception to the general tendency. The increase, which is very strong in Ireland (+36%) is of the order of 10% in Belgium, Germany, France and the Netherlands.

Oilseeds, which, in 1972 represented only 556 000 ha in the Community of Nine, are in continual progress. Between 1969 and 1972 their area increased by more than 27%. This general expansion is mainly due to the increase of the areas in France (+ 56 000 ha), Germany (+ 32 000) and Denmark (+ 11 000). These States together represent 92% of the area planted with oilseeds.

The decline of green fodder (12 218 000 ha in 1972, as against 13 169 000 in 1969, or a fall of 7.2% for the Community of Nine) is being confirmed. This total is only the upshot of widely differing trends. In the two countries where the area under green fodder is considerable, France (- 8.7%) and Italy (- 17%) these products are declining, whereas they are increasing in the United Kingdom (+ 11.4%), Ireland (+ 9%) and diminishing in Denmark (- 13.5%). In the other countries where the area under green fodder is relatively small the increase is very considerable, particularly in the Netherlands (+40%).

In 1972 dried vegetables no longer represented any more than 500 000 ha for the Community of Nine, as against 728 000 in 1969, or a decline of more than 31%. This general diminution is mainly due to Italy (316 000 ha in 1972), where the area under dried vegetables went down by 9% between 1969 and 1972.

Fruit trees fell back by 5.9% between 1969 as a result of the decline in areas in France, Italy, Germany, the Netherlands, Belgium and Great Britain.

Contrary to what had been noted between 1968 and 1971 the area of vineyards went up by 2.8% for the Community as a whole between 1969 and 1972 (the three new countries have no vineyards) and reached 2 639 000 ha in 1972. This increase represents a fall of 48 000 ha in France (3.6%) and a rise of 108 000 (8.6%) in Italy and 9 000 (9.4%) in Germany.

II. Structure of holdings¹

In 1970 the number of farms in the enlarged Community was 5 706 000. Between 1967 and 1970 the number fell by 3.9% in the Community of Six, whereas the average size of holdings increased by only 1.3 ha.

This increase was mainly to the benefit of farms of 50 ha and over, without the extra area being sufficient to modify their structures on the average. Similar facts may be noted for the period 1970-72 in those Community countries whose 1972 statistics are available.

In 1970 the average area of farms in the Europe of the Six was about 13 ha, the corresponding average being 15.5 ha for the enlarged Community. Between the highest average - that of the United Kingdom with 57 ha - and the lowest, Italy with 7.5 ha, the gap is of the order of 1 to 7. Between these two extremes the other States may be classed into two groups: France, Luxembourg and Denmark, where the average size is above 21 ha, and the Netherlands and Belgium, where it is between 11 and 15. With 17.5 ha, Ireland occupies an intermediary position.

The class of farms of between 1 and 5 ha accounted for 6 138 000 ha in the Community of Nine (or 6.9% of total utilized agricultural land) in 1970. It included 2 430 000 farms (42.6% of all farms in the Europe of the Nine). Of these, 1.5 million, or 61.2% of the farms of 1 to 5 ha are in Italy, 16.7% in Germany and 13.4% in France, whilst the share of the other States in the number of farms of 1 to 5 ha in the Community is below 1.2%.

In relation to the others, the class of farms of 1 to less than 5 ha is largest in Italy (68.4% of all farms), Germany (37.5%), Belgium (33.9%). It is in Denmark (11.9%) that it is smallest.

¹See Tables II.C/1.3 and II.C/1.4 of Part III

Farms of 1 to less than 5 ha dominate in a general way. The rate at which they are diminishing is all the higher the more numerous they are.

The classes of farms of 5 to less than 10 ha and of 10 to 20 ha are equally important in the Nine, i.e. about 1.07 million of each. They cover respectively 7.6 and 15.1 million hectares. The shares of Italy (36.2%), France (23.5%) and Germany (21.8%) are particularly large in the 5-10 ha class. France (33.3%), Germany (25.1%), Italy (17.1%) together have 75% of the farms between 10 and 20 ha.

In each of the States these two size classes together represent in general between 40 to 50% of all farms, except in Italy and the United Kingdom. The two classes have roughly the same numbers in Germany, Belgium and Great Britain. Save in Italy, the 10-20 ha class in the other States is more important than that of farms of 5-10 ha.

Between 1967 and 1970 these two classes of farms fell back together in all the States. The rate of decline was particularly high in Luxembourg (8%). At the other end of the scale, it was low in the United Kingdom (2.6%).

Farms between 20 and less than 50 ha covered 25.3 million ha (28% of the agricultural land in use in the Nine) in 1970. They numbered 845 000 (15% of the total for the Europe of the Nine). The share of France (47.3%) in this class is very important.

Farms of 20 to less than 50 ha make up the most numerous class in Denmark (30.6%), Luxembourg (37.7%) and France (26%).

The evolution of this size class between 1970 and 1972 varies according to the countries. Numbers are increasing in Germany (+3.8%), the Netherlands (+2%), while they are falling in the other countries,¹ particularly the United Kingdom (-1.8%).

¹The 1972 statistics are not known for Italy, Belgium and Ireland.

Farms of 50 ha and over cover 34,5 million ha (39% of the utilized agricultural land of the Nine). Their number is only 296 000, or 5% of the total for the Nine. The share of France (40.7%) and of the United Kingdom (28.8%) in this class is remarkable, while in the other States this share is much weaker.

With the exception of the United Kingdom (27.3% of all farms in the country) there are relatively few holdings of this size in the Member States. But in those States for which it has been possible to obtain statistics this class of farm is on the increase (save in the United Kingdom: -0.3%). This is the only class for which the agricultural area used went up notably between 1967 and 1970 (+10% for the Europe of the Six).

III. Regional differentiation in the structure of the farms

However rudimentary it may be because of the insufficient number of reliable data, an examination of the trend of farm structures at regional level proves to be interesting. In particular, such an examination should concentrate on the regions in which structural modernization has to cope with more difficult problems because of a considerable surplus of active agricultural population and, at the same time, a less developed general economic system.¹ These priority agricultural regions occupy about 35% of the Community's useful agriculture area, but their distribution is not uniform. They represent almost the whole of Ireland, a large part of Italy, an important fraction of France and Denmark, while in the other Member States their territorial extent is appreciably smaller.

Although the criteria of delimitation adopted have made it possible to select relatively comparable regions within the Community, the evolution of the structures of the farms shows very remarkable differences.²

¹ These are agricultural regions which have priority in relation to the proposed Council regulation on financing by the Guidance Section of the EAGGF of projects which are part of regional development operations (No C 90/1/19 of 11.9.71). The list of these regions was submitted by the

² Commission to the Council in the proposal for a regulation COM(73)1750
² In analysing the structural evolution of the regions in question the national censuses between 1960 and 1970 were used.

As regards the trend of the number of farms and of their utilized area, we note in most of the regions in question, a reduction in the number of holdings of from 1 to 20 ha and even 1 to 30 ha. However, so far, this traditional evolution has been accompanied by a reduction, clearly less marked, in the farms of more than 50ha and mainly benefitted the 20 to 50 ha class. At present the new fact is the decline, in numerous regions, in the number of farms of 20 to 50 ha. These regions are mainly to be found in Italy on the hills or mountains, but also on the plains.

Leaving aside this new trend, one may also note between priority agricultural regions - which are the only subject of this examination - marked differences in the pace of change, particularly as regards the agricultural area utilized by the farms whose numbers are declining.

The priority agricultural regions may be classed into three groups:

- (i) The first, in which the rate of shrinkage of the utilized agricultural area of these farms is less than 1.5% annually, mainly concerns Ireland (all regions except Dublin) and a considerable fraction of the Italian territory chosen;
- (ii) the second group, the feature of which is an annual rate of reduction of between - 1.5% and - 3%, includes the remainder of the territory of Italy which could be included in the priority agricultural regions, about one third of the same type of territory in France and a few regions in Germany;
- (iii) a third group, where the decline is more than 3% per annum, includes the remainder of the priority agricultural regions of France and those of the other Member States.

Even in this major category of regions the process going on therefore tends clearly to widen the differences in terms of degree of evolution of structures.

In particular if we consider that these regions are typical of a great part of the territory of two Member States it would seem right to conclude that the structural evolution of the agriculture of these two countries is much slower even in relation to the less developed regions of the other countries.

IV. Modes of exploitation¹

In the enlarged Community 63% of the total agricultural area utilized is exploited by direct farming, as against 30% on lease and 2.7% share-cropping. The latter category exists only in Italy (8.9% of the utilized agricultural area) and in France (2.3%). In Ireland and Denmark direct exploitation is practically the only form of utilization, whereas in Belgium 71% of the utilized agricultural area is farmed under lease. In the Federal Republic of Germany and Italy, more than 70% of the agricultural area utilized is farmed directly, while the percentage is 65% in Luxembourg. In France, the Netherlands and the United Kingdom both types of exploitation are found in equal proportions.

V. Livestock²

The number of bovine animals rose from 71.9 million head in 1970 to 74.1 million in 1972 for the Nine as a whole. This increase follows the fall-off noted between 1968 and 1970. In all, the growth of the cattle population between 1968 and 1972 was 1.9%. In the territory of the Community of the Six the number of bovine animals went down by 2.8% during this period.

The development is not the same in all the countries, but since 1970 numbers have been constant or increasing, except in Germany (-1.4% between 1970 and 1972). Relative growth was particularly high in the

¹See Table II.C/1.5 of Part III

²See Table II.C/1.6 of Part III

United Kingdom, Ireland, the Netherlands and Luxembourg. In addition to Germany, only Denmark and, in particular, Italy (-12.4%) have not recovered their 1968 level.

Milking cows numbered 30 027 000 in 1972. This was 1.6% less than in 1968, but 1.6% more than in 1970. In a general way the numbers have gone down in the Community of Six with the exception of the Netherlands and Luxembourg. On the other hand they have increased regularly since 1968 in the United Kingdom (11% between 1968 and 1972) and Ireland (19% between 1968 and 1972).

The number of pigs in the Europe of the Nine is 68.7 million head. Its progress seems to have stopped between 1970 and 1972, when the number fell back by 1.5%. Nonetheless, the total is 15% above that of 1968.

The slowdown is very marked in Italy (-11% between 1970 and 1972), in Ireland (-12.8%) and Luxembourg (-21.4%), while in Germany the figure is -4.4%. On the other hand, Belgium (+12.1%), the United Kingdom (+3%), the Netherlands (+2.2%) and France (+1.4%) have stepped up production. In Denmark there was no change.

VI. Numbers working in agriculture¹

The decline in the agricultural working population speeded up in the period 1971/72. For the Community of Six it represented 6.3% of the working population, as against 3.4% in 1970/71 and 6.1% in 1969/70. The corresponding figures for the Community of Nine are 5.9%, 3.5% and 5.0%.

¹ See Tables II.C/1.7 and II.C/1.9 of Part III. As these Tables are established in the setting of the general social statistics and on the basis of a random enquiry into the work forces, the figures are difficult to compare with those of Tables II.C/1.3 and II.C/1.4, which are from agricultural censuses.

In absolute figures the number for the Community of Six was 564 500 persons and, for the Community of Nine, 601 500 for the period 1971/72.

Naturally, the rates of departure from the land vary according to the Member States. While they were highest in Denmark, with 10.2%, Italy, with 8.1%, and Germany, with 7.1%, they were lowest in the United Kingdom (0.7%), the Netherlands (1.6%) and Ireland (2.2%).

For the other Member States of the Community of Nine this rate fluctuates between 4 and 6%.

A. As regards the proportion of farmers, family labour and wage-earners leaving the land, it may be noted in general in recent years that there has been a speed up as regards farmers and family labour, particularly in the three new Member States. In these three countries, during the period 1969-72, the total number of farmers and family labour went down by 9.5%, whereas the total of wage earners went up by 1%. This was reflected in an aggregate decline in the working population in agriculture of 5.5%. However, in 1972, the total number of wage earners on the land also declined in these countries.

In the Six all categories declined in the period 1969-1972. The rate of reduction of the total number of farmers and family labour was 19% and that of wage earners 10%, so that the overall decline in the agricultural working population for the period was 17%.

B. If we consider the trend of the working population in agriculture in the light of age categories, there does not seem to have been any outstanding change since 1969.

The available data² show that in Germany, France and Belgium, the proportion of workers above 65 years of age declined in 1971 in relation to 1970. On the other hand, in Italy this proportion rose from 5 to 5.3%, and in Luxembourg from 13.1 to 13.8%.

¹With effect from 1971 there has been a new system of calculation in the United Kingdom which may affect the percentages mentioned.
²No data are available for the three new Member States.

The numbers in the age bracket between 14 and 24 in France, Italy and Belgium are declining in relative terms, so that in 1971, in these countries the share of this category in the population fell from 11 to 10.3%, 10.3 to 10% and 12 to 10.5% respectively in relation to 1970. In the 25-34 age group, it was Germany, Italy and France which showed a relative decline.

Summing up, the problem of the ageing of the agricultural population will become worse in the future, particularly in view of the fact that the proportion of persons in the 45-54 age groups has increased fairly sharply.

VI. Marketing structures in agriculture¹

(a) By means of horizontal integration

At the present time there are various forms of horizontal integration in agriculture, cooperatives, producer groupings, circles of producers, farmers' unions, farm products' marketing agencies, etc.

The Commission does not have detailed figures on horizontal integration for all the Member States except in respect of the cooperatives, which, moreover, are the most widespread form of integration in agriculture.

Cooperatives

Cooperatives exist in all the member countries, but wide divergences may be noted as regards their economic power, size, functioning, legal status, nature of participation, rules of conduct, etc.

The economic importance of the cooperatives differs from one country to another, but also from one agricultural sector to another.

In this way, in the Netherlands and Denmark, they occupy a specially important place in the economy. On the other hand, in the United Kingdom, despite the age of the first cooperatives,

¹ See Tables II.C/1.10 and II.C/1.11 of Part III

which go back to the end of the last century, they have only a secondary role in the sale of farm products, probably because of the existence of marketing agencies for certain of the latter.

Milk - a highly perishable product - is the one most widely marketed by cooperatives in all the EEC countries. In Ireland all milk production is collected by the cooperatives, which have a special licence for this purpose. At the same time, they process 80% of the milk collected.

In the Netherlands and Denmark almost all milk production is collected by the cooperatives.

Other sectors of perishable products where concentration is considerable are fruit and vegetables. Very wide variations may be noted between the percentages of the vegetables sold by the cooperatives of the different countries. These range from 100% in the Netherlands to 5% in Italy, with variations between 10 and 50% in the other countries. The same is true of fruit.

Cereals, which are easy to stock and the production of which in certain countries is traditionally the business of small farms, are also largely marketed by cooperatives (70% in France and the Netherlands).

Pigmeat and poultry products are also marketed by cooperatives to a certain extent and following variable percentages. In this way, 92% of the pigmeat marketed in Denmark goes through cooperatives, while in Belgium this percentage is only 9%. The variable percentages of the marketing of these products are due to the fact that these sectors are often closely linked to the industries which supply the inputs to stock-breeding.

Sugarbeet is rarely marketed by cooperatives. Since it is a product solely intended for processing, trade through cooperatives is practically nil in those countries which have a non-cooperative processing industry.

On the other hand, sale through cooperatives exists in countries like the Netherlands (63%) where the cooperatives themselves do the processing.

(b) By contracts

Any contractual links which a farmer may have established beforehand for the processing and/or marketing of his products are considered as a contract. It may be a matter of a simple sales contract or of a contract of longer validity comprising various obligations for the farmer. There exist contracts whose clauses may give rise to vertical semi-integration.

Table II.C/1.11 of Part III, based on estimates by experts shows the percentage of agricultural production sold under contract in the EEC. It has not been possible to make a distinction between the multiple forms of contracts which very often vary for one and the same product within a single country. The majority of sales under contract are limited to a few agricultural sectors, but there are others in which such sales are less frequent or even non-existent.

Sugarbeet, being a product intended for processing, is sold in practically all the Community countries solely, or almost solely, under contract. Peas, the production of which is in demand for preserving firms, also show a very high percentage of sales under contract (the totality of production in Denmark and Belgium and almost all production in Germany, France, the Netherlands and the United Kingdom).

In the sector of poultry (fattened) production and marketing are frequently organized by contracts or agreements between the industry and compound animal feedingstuff firms, enterprises engaged in selection or breeding, and slaughtering firms. On the other hand in the consumer eggs' sector contractual links with suppliers of compound

animal feedingstuffs, selection and breeding enterprises and centres putting the goods up for sale are definitely less frequent, inter alia, because a considerable part of output is marketed direct by the producer to the consumer or sold on public markets.

Table II.C/1.11 does not show any very high percentage of sales under contract for pigmeat. However, it is certain that the contractual link in the case of this product is becoming more and more the rule.

VIII. Social security¹

The degree of cover of the farming community by social security provisions is not only of a certain importance as an element in the formation of income. The treatment received in this field can also play a sometimes determinant role in the farmer's decision as to his occupational future and thus in the continued existence of the farm itself.

Social security in agriculture comprises not only cover for illness, maternity and industrial accident hazards, but also invalidity and old age insurance, with possible payment of a survivors pension and family allowances.

The compulsory cover of risks in favour of farmers is seen to be expanding from year to year and the gaps between the Member States are contracting.² However, Belgium has no insurance against accidents to farmers at work, while in the Netherlands invalidity insurance for these persons still does not exist.

National participation in the financing of social security in agriculture is on a considerable scale and varies widely from country to country. In relation to the net added value at factor costs of agriculture, it represents 25.3% in Luxembourg, 15.3% in France, 8% in Italy, 7.5% in Germany, 5.2% in Belgium and 0.8% in the Netherlands. It takes the form of transfers from the other branches of activity to the agricultural sector of the taxes so used (in the case of France) or of State subsidies. The gap between benefits and contributions is

¹ See Tables II C/1.12 to C/1.14 of Part III

² This part VIII concerns only the Community of Six for the lack of data on the three new Member States.

tending to widen, and financial balance is becoming increasingly precarious. This situation is essentially due to the progressive decline in contributions (exodus from agriculture) and to the improvement, on the whole, of the national social security laws in favour of self-employed farmers. Any increase in contributions to restore this balance would seem to be difficult, taking into account also the small incomes of farmers in relation to those of the other economic operators and of the surplus of inactive persons in the sector.

The data available show that, with the exception of the Netherlands where farmers pay through their own subscriptions for practically all the social security benefits (90.5%), in the other Member States their direct participation in the financing of social benefits is only 7.9% in the Federal Republic, and Italy. France, Belgium and Luxembourg occupy intermediate positions, with 23.9%, 30% and 26.6% respectively.

As regards old age insurance for farmers, it would seem that all the Member States have a system in favour of these persons but that the levels of pensions paid vary considerably, being highest in the Netherlands (2 098 u.a.), followed by Belgium (1 248 u.a.), France (1 161 u.a.), Germany (787 u.a.), Luxembourg (570 u.a.), and finally Italy (499 u.a.).¹

In a few countries these pensions are supplemented by extra benefits. In France, the amount of pension is increased in the light of the points acquired by payment of the cadastral subscription. In Luxembourg, the pension is increased by 16% in line with the subscriptions paid, plus a supplement of 64 u.a. for each dependent child. In Italy the pension is only a minimum which will be increased in the future in light of the number of years of subscriptions, for the system of pensions for self-employed farmers is a relatively recent innovation.

¹The figures are based on the situation at 31 December 1972 and concern couples.

2. Forestry structures in the EEC¹

(a) Distribution of the areas concerned

Among the Nine, France has the largest share of the wooded area of the Community, i.e. 45% out of a total of 31 million hectares, followed by Germany, with 23%, Italy 20% and the United Kingdom 6%. The five other member countries account for only 6% of the whole.

Forest density at the national level on the other hand is less widely divergent and fluctuates around an average of 20%, being 32% of the national territory in Luxembourg, 29% in Germany, 25% in France, but only 4% in Ireland, 7% in the Netherlands, and 8% in the United Kingdom.

The breakdown of the wooded area of the Community of Nine in terms of forms of property is as follows: 61% of private forests, 21.2% of forests belonging to authorities in public law and 17% of State forests. The fluctuations around the average of 61% for private forests are relatively small if we except France with 73.6% and Ireland with 12.5%.

Germany has 43% of the State forests in the EEC, France 27% and the United Kingdom 14%, whereas three countries account for the greatest share of the forests belonging to collectivities in public law and private forests, i.e.:

France:	respectively	35% and 53%
Italy:	respectively	32% and 20%
Germany:	respectively	28% and 17%
making in all:		95% and 90%

(b) Forestry structures in terms of ownership and classes of area

As a general rule it may be pointed out that the structures are definitely more favourable in the State forests than in those belonging to collectivities in public law. As to the private forests, the structures leave a good deal to be desired

¹See Tables III.C/1.1 and II.C/2.1 of Part III.

The average wooded area of the State forests varies from 108 hectares (Luxembourg) to 1 628 (Denmark) and that of the other collectivities in public law from 34 hectares (Netherlands) to 167 (France), whereas in the Member States the private forests on the average do not exceed 8 ha (Denmark). In Luxembourg, the average area of the private forests is only 2 ha, in Italy and Belgium 3, in France and Germany 4 and in the Netherlands 7.

Whereas the private forests represent 61% of the wooded area, it should be emphasized that ownership is extremely parcelled. In this way, apart from Ireland and the United Kingdom, 94.5% of the private owners hold wooded areas of less than 10 hectares.

3. Structures of fisheries¹

(a) The fishing fleet

If we compare the latest available data concerning the development of the fishing fleet, i.e. the figures for the years 1969 to 1972 (provisional figures), we note that the number of vessels making up the Community fleet and the overall gross tonnage have remained relatively stable, save for a slight increase in 1972. It is estimated that in the latter year the nine Member States together had about 52 700 units for a total tonnage of 1 250 000 GRT.

However, these figures give only a very general and superficial picture for they refer to all the boats registered in the EEC of which in reality only a part are effectively in service. Furthermore, the fishing fleet, particularly in France, Italy, Denmark and Ireland, is made up of many small boats of less than 5 tons which often carry out seasonal fishing. The very high number of these vessels partly distorts the picture given by the official statistics of the total fishing fleets.

An estimate which would tend to leave aside local fishing boats (-5 tons gross) gives a more realistic idea of the fishing fleet, i.e. for 1971, 24 580 units, of which 23 267 vessels of between 5 and 150 tons gross, carrying on inshore or artisan fishing, and 1 313 vessels of more than 150 tons gross engaged in deep-sea fishing.

As regards the evolution of the fishing fleet it may be noted that the number of vessels in service has in general fallen off at the same time as the average gross tonnage and also engine power were increasing. In France, the laying off of salting vessels has continued and speeded up, in particular as a result of the entry into force of the common measures adopted by the EEC Council of Ministers concerning the conversion of the cod fishing sector.

¹See Tables II.C/3.1 - II.C/3.5 of Part III.

In certain Member States like Belgium, the Netherlands, Ireland and Denmark, which have only a small number of large shipping vessels, the artisan family enterprise is the most widespread form of exploitation of the fleet.

In the other Member States, although the family enterprises on an artisan scale are very numerous (particularly in Italy and France) and play a basic role in supplies of fresh fish, there are considerable high seas fishing fleets which are relatively concentrated in the more important fishing ports. For these fleets we note a trend towards the concentration of shipowners' associations which goes hand in hand with more extensive horizontal and vertical integration. Furthermore, in view of the difficulties of access to the traditional fishing grounds (Iceland, the South Atlantic) we note a trend to bring into service large fishing vessels (2 000 - 4 000 tons gross) which can stay at sea longer (4 to 6 months) in areas very far from the Community. These are generally multipurpose ships equipped with advanced technical media for the catching, processing and preserving of the fish and having improved living conditions for the crews.

This requirement for better conditions of navigation, catch, work on board and comfort for the crews, along with the considerable increase in costs of building, equipping and managing fishing vessels, implies increasingly large investment. This fact renders the problem of renewing the fleets very acute, -fleets which in certain sectors, and in particular that of inshore fishing, are very old.

(b) The fishing grounds worked by the EEC fleets

On the basis of the estimate of the average number of fishing vessels on the high seas and nearer to the coasts in position on the various fishing grounds during 1971, and excluding all boats engaged in coastal or local fishing, it may be noted that it is in the North Sea, the Irish Sea and the North East Atlantic that the major part of the EEC fleet operates.

The problem of fishing zones is at present being examined at international level.

The Community is participating in this examination in the context of the preparatory work for the conference on maritime law (Seabeds Committee) whose aim is to draw up a draft international convention concerning the international regime governing the seas and oceans and particularly the regime for fishing.

(c) Crews

Although the tonnage of the fleet has remained practically the same during recent years there has nevertheless been a small but general decline in the number of seamen employed on fishing vessels. This number was 158 000 in 1969, 153 000 in 1971 and is still falling.

This phenomenon is due to different factors, the most important of which are:

- (i) the reduction in the number of boats in service
- (ii) increased mechanization on board
- (iii) a certain unpopularity of the calling because of the difficulties of life on board a fishing boat.

If the present trend continues in this field - and this is probable in view of the low profitability of certain old fleets whose crews are often paid on a share basis, it will not only have an unfortunate effect on the qualitative level of the crews, but also on the economic results of the sector.

(d) The industry on land

In the processing industries sector we may note in the course of recent years:

- (i) an increase in the volume of the fish used for the preparation of frozen products
- (ii) a certain stabilization of the tonnage used for preserves. In 1972 a deficit of raw materials, accompanied by relatively high prices, became manifest and the result, in a large number of industries, was a comparative stagnation of production.

D. AGRICULTURAL INCOMES¹

In March 1973 the Commission submitted to the Council a report on agricultural incomes in the enlarged Community.² The information gathered since then mainly concerns the 1972 results of the accounts of agriculture, the "1971" results of the farm accountancy data network and certain provisional "1972" results of the same network.

Mention should be made of the difficulties in assessing agricultural incomes. The comments and reservations expressed in the report mentioned above continue to be completely valid for this Chapter.

1. Macroeconomic data concerning agricultural incomes³

In order to get a better view of the development of incomes in agriculture a method has been adopted which allows for the fact that the accounts of agriculture include, for a certain number of Member States, indications not only regarding the net added value, but also incomes in agriculture. These accounts give the components of the net added value at factor costs, i.e. the "remuneration of wage-earners" and the "net operating surplus". The latter is subdivided into "leasing" and "share-farming", "interest" paid and "other incomes". The total of the items remuneration of wage earners and other incomes gives a pointer to the "earned income", although this concept does not entirely correspond to that of the earned income used in the accounting information network, in which account is taken in particular of an interest calculated on the invested capital and also of a rental value on the land capital directly exploited. Taking this reservation into account, the "earned income" thus defined makes it possible to assess the development of incomes on the macroeconomic level. In view of the fact that this information is lacking for Italy, the United Kingdom, Ireland and Denmark, the analysis for these Member States has been based on the trend noted of net added value at factor costs, a concept which is moreover fairly close to that of the "earned income" defined above.

¹ See Tables II.D/1.1 to II.D/3.10 of Part III

² See document SEC(73) 900 of 7 March 1973

³ See Tables II.D/1.1 to II.D/1.4 of Part III

The earned income and the net added value at factor costs have been expressed in annual labour units (LU* = MEU).¹

In nominal terms and expressed in national currency the "earned income" per LU in 1972 in relation to that of 1971 jumped ahead considerably. However, this favourable trend was not on the same scale in all the Member States. This income increased by 20.6% in the original Community,² by 27% in Belgium, by 20-21% in France, the Netherlands and Luxembourg and by 19.5% in Germany. The figures concerning the net added value per LU show the same trends but at a slightly lower level. The favourable trend observed above is appreciably the same for the other Member States for which the data of the agricultural income per LU are lacking, for the net added value at factor costs per LU rose in 1972 by 11.4% in Italy, 16.4% in the United Kingdom, 21.1% in Denmark and even 36.3% in Ireland.

It should be noted further that in Italy the increase in the net added value at factor costs by LU in 1972 (11.3%) was well below the average of the original Community (17.3%) despite the high rate of decline in the population working in agriculture in 1972 (-8.1%)

The noteworthy increase in agricultural incomes in 1972 results in particular from the favourable price conditions for agricultural products and the increase in labour productivity. As it is expressed in nominal terms this increase is certainly influenced by inflationary trends weighing on the Community. It should be recalled that the price index of the gross domestic product in the original Community went up by 6.2% in 1972 and 35% during the 1968-72 period. The increase in "earned income" should therefore be assessed in real terms. By eliminating the influence of the general increase in prices, it is possible to estimate the rise in agricultural incomes in terms of purchasing power.

¹The number of LU for the different years has been estimated on the basis of the results of the Community enquiry into the structure of farms in 1966-67 by applying to this the annual rates of variation of agricultural employment on the basis of the national employment statistics by occupational status and sector of activity.

²Leaving aside Italy for which data are lacking. For the three new member countries, the values are expressed per agricultural worker in employment.

* Unité de travail annuelle.

The increase in "earned income" by LU in real terms in the original Community may be estimated at about 14% in 1972. This figure may be compared with the 19% in Belgium, 14% in France and Luxembourg, 13% in Germany and 10% in the Netherlands. The increase might be 5% in Italy, 7% in Denmark, 10% in the United Kingdom, and 26% in Ireland.

Between 1968 and 1972 the earned income per LU (or for those Member States for which this figure is not available, the net added value per LU¹), increased by 66.3% in Belgium, 64.7% in France, 53.9% in Italy, 47.9% in the Netherlands, 45.3% in Luxembourg and 42.9% in Germany. For the original Community the increase was 56.6%. During this period, in the three new Member States, agricultural incomes per worker also rose appreciably, i.e. 59 and 60% respectively in the United Kingdom and Denmark, and even 87% in Ireland.

For this same 1968 to 1970 period the rise in real terms of agricultural incomes per LU or per farm worker also varied greatly according to countries. While it may be estimated at 31 and 35% respectively in Belgium and France, it was 23% in Italy², 15% in Germany and Luxembourg and 12% in the Netherlands. Compared with these rates, the increase was the lowest (+8%) in Denmark³ and the highest in Ireland (45%)³, the United Kingdom reaching 22%.³

Macroeconomic analysis of the trend of "agricultural incomes" per LU or per farm worker leads to the general conclusion that the year 1972 has been very favourable in the Community, although the scope of this trend varied greatly according to Member States.

¹ Italy, United Kingdom, Ireland, Denmark

² Calculated on the basis of the net added value at factor costs

³ Calculated on the basis of the net added value at factor cost per agricultural worker in employment.

2. Agricultural incomes at regional level¹

The information available as regards agricultural incomes at regional level is still as fragmentary as ever. Only the gross domestic product (GDP) of the agricultural sector in the wide sense (agriculture, forestry and fisheries) is known in a relatively satisfactory manner for the large regions for the six old Member States in 1970.²

No nearer aggregates of earned income at regional level for the Community as a whole are known.³

The gross domestic product at regional level results from often approximate estimates which do not allow of any exact assessment of the absolute situation in each region. However, the data available on this matter give a general idea of the disparity of incomes between the regions. This regional disparity makes itself felt both within the agricultural sector (intra-sectoral disparity) and between agriculture and the other sectors (inter-sectoral disparity).

As regards intra-sectoral disparity, the GDP per working person varies in relation to the Community average (= 100) roughly speaking from one to four (50-200) between the 55 regions considered in the original Community.

In 1970 the regions in the lead as regards gross domestic product per active worker were the Paris Basin, Nord-Picardie, Champagne, Languedoc and Upper Normandy in France, Belgium and the Netherlands, Schleswig-Holstein in Germany, Lombardy and Liguria in Italy.

The regions which, on the other hand, were characterized by a relatively low agricultural GDP per worker were the Marches, Molise, Apulia, Calabria and Val d'Aosta in Italy, Limousin and Midi-Pyrénées in France, Rhineland-Palatinate, Bavaria and Baden-Württemberg in Germany.

¹ See Tables II D/2.1 to II D/2.2 of Part III.

² This is a regional breakdown of the GDP using all the available statistics

³ This will be the case as long as the farm accountancy data network of the EEC has not covered the major part of the agricultural sector.

The regional agricultural disparity also appears when we refer, not to the GDP per worker but to the GDP per hectare. If we leave aside the German city states (Bremen, Hamburg and Berlin) for which such a criterion is meaningless, the gaps in relation to the average of the original Community (about 300 u.a./ha of utilized agricultural area) range from 1 to 6.

As regards the disparity between the agricultural sector and the other sectors, when this is expressed in relation to the GDP per worker it is also widely different according to the regions.

The 55 regions considered are fairly widely distributed around the average Community rate of 43%, the extremes being 30% on the one hand and 100% on the other.

However, it is not always the regions most backward as to the absolute level of the GDP per worker in agriculture which are the most marked by the imbalance between agriculture and the other sectors.

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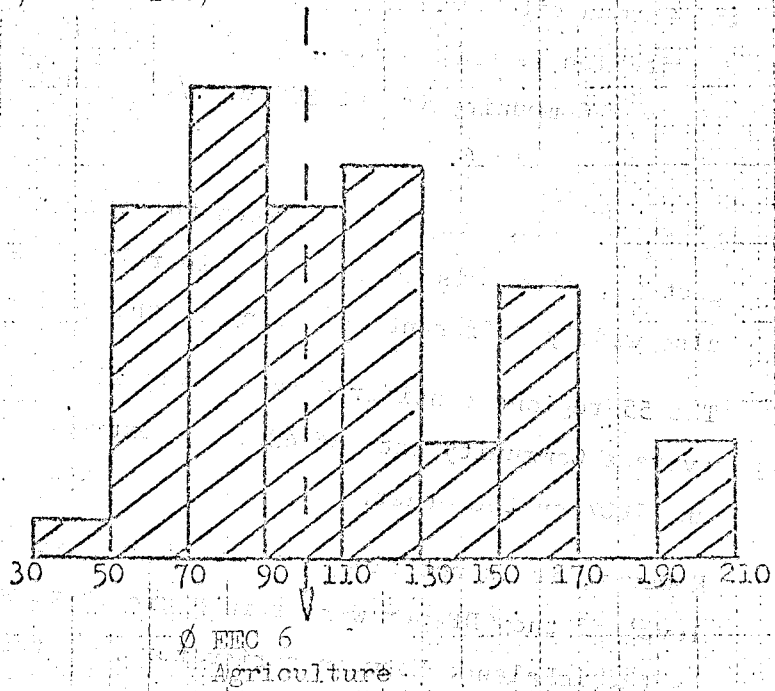
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The data available do not make it possible to go any deeper in this analysis which refers to major administrative regions of the old Member States. A more sophisticated and homogeneous regional division from the agricultural point of view would probably have brought to light even much wider diversity, hence the interest of not remaining at this stage and of endeavouring to deepen our knowledge of the subject.

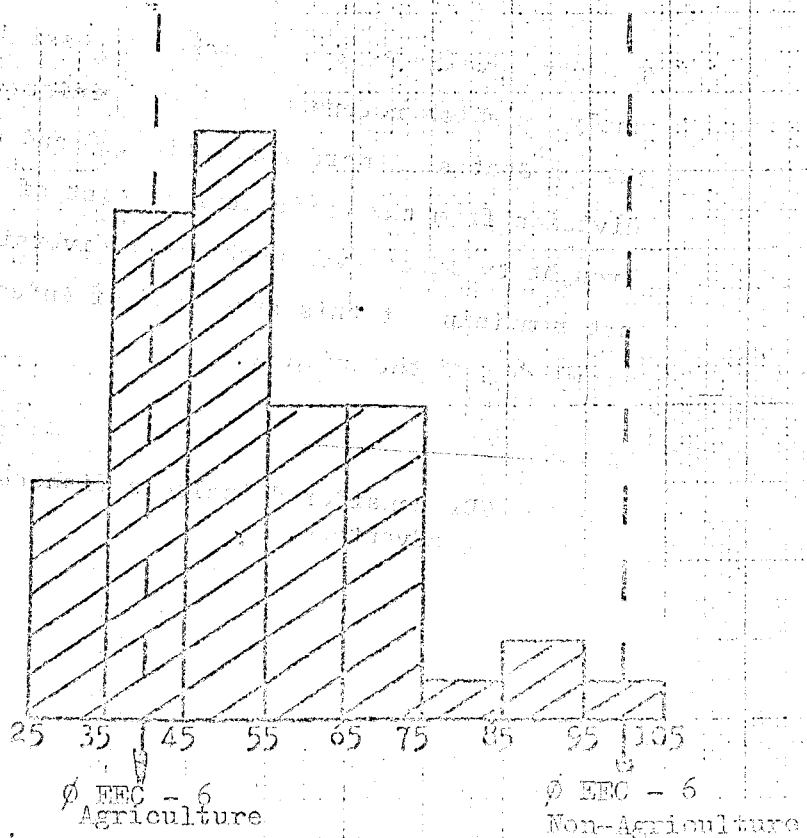
¹As the GDP considered includes fisheries certain coastal regions are at an advantage.


BREAKDOWN OF THE MAJOR REGIONS OF THE COMMUNITY OF SIX ACCORDING TO THE RELATIVE LEVEL OF THEIR GROSS DOMESTIC PRODUCT (GDP) PER GAINFULLY-EMPLOYED PERSON

Intra-sectoral disparity
 (Agricultural GDP : ϕ EEC = 100)



Inter-sectoral disparity
 (Agricultural GDP x 100 : ϕ EEC = 43)
 Non-agricultural GDP



Legend :  = 1 Region

3. Incomes at the level of farms¹

The data of the EEC farm accountancy data network (FADN) concerning the "1971" accounting year are all available and have been processed at Community level. They make it possible to obtain objective knowledge of the incomes in the various types of farms observed during that year of reference and to extend the examination of the trend of incomes by type of farms over 4 successive accounting exercises "1968", "1969", "1970" and "1971".²

As a reminder it will be noted that:

- (a) The field of observation of the accounting network for the nine Member States in the 1970s covered about 5 million farms, but the network was only set up in the three new Member States in 1973. Furthermore the whole of the field of observation corresponding to the six old Member States has not so far been totally covered by the accounting samples. The reservations made on the subject of the representative nature of the accounting results in the last report on agricultural incomes³ are therefore still fully valid.
- (b) The definitions and the classification of the farms used in presenting the last report³ have also been used in this Chapter.
- (c) By type of farm is meant a body of farms whose production is of a simple or multiple nature, in each case well defined.

¹ See Tables II D/3.1 to II.D/3.10 of Part III

² "1968" corresponds to the accounting year (1968/69), "1969" = (1969/70)

"1970" = (1970/71), "1971" = (1971/72)

³ See doc SEC(73)900 of 7 March 1973.

To the definitive and complete accounting results for "1971" may now be added more recent, but still partial and provisional results, mainly derived from rapid processing of certain data concerning the accounting year "1972". These results make it possible to assess the recent development of the situation as regards incomes in the main types of farms in the Community.

Furthermore, certain fragmentary non-accounting data concerning the agricultural year "1973" already available can be utilized to assess the direction of the present trend as regards both outputs and inputs.

A. Evolution of farm incomes by type of farm in the course of the accounting exercises "1968" to "1971".

The graph below makes it possible first of all to note that the earned incomes per LU in the course of the four accounting exercises considered are at absolute levels which greatly differ from each other according to the types of farms examined.

These differences in the level of income must not all be attributed to the type of production. In fact they have several causes, one of the principle ones being differences in the size of the farms according to the type of farming considered. For example, the farms corresponding to the "General Farming" type have an average area which is clearly higher (about 50 hectares) to that of farms of the "Bovine Animals" type (about 20 hectares) .

Expressed in units of production¹ - a dimensional unit which is closer to economic reality than area - this difference, although somewhat attenuated is still considerable. The number units of production per farm of the "General Farming" type is about 55 whereas it does not

¹A unit of production corresponds to the average standard gross production of hectare of wheat in the Community.

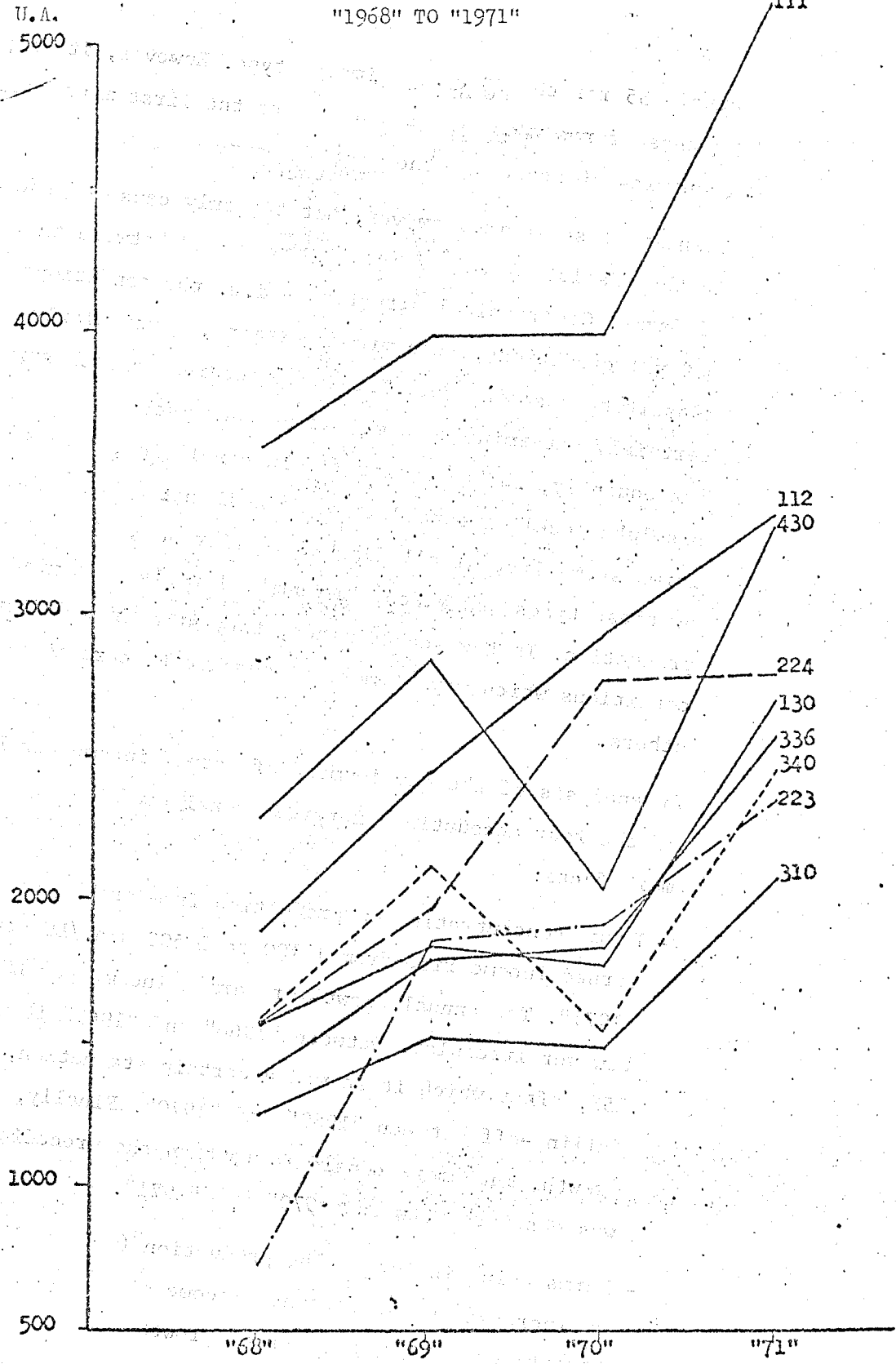
attain 35 for the "Bovine Animals" type. However, it is precisely in those farms whose size is close to the first mentioned that economies of scale are the most pronounced.

Economy of scale is, however, not the only cause of the differences in the absolute level of income thus noted between the various types of farms. Geographical situation - i.e. the conditions of the milieu: natural conditions, economic conditions, particularly prices, constitute a second one. The two preceding causes (structure and milieu) certainly determine to some extent the system of production and, consequently, the type of farm. In conclusion, the differences in absolute level of earned income per LU noted between various types of farms stem first of all from the differences of structure characteristic of these types and which, "in sum", largely determine their choice of production. In the second place, they stem from differences in economic conditions which may be more favourable to certain products than to others.

An analysis of the development of earned income per LU in the course of the four accounting exercises considered brings out the following main facts:

- Farms concentrating on production from arable land have seen their earned income rise from 1 100 to 1 500 u.a./LU between "1968" and "1971". The annual growth of earned income per LU in these farms was however irregular. Between "1968" and "1969" it was between 10 and 15%, after which it showed a certain stagnation, or even a slight falling-off between "1969" and "1970". Finally, a fresh period of growth, much more considerable than the preceding one (+ 30 to + 50%) was observed between "1970" and "1971".
- Farms going in for bovine production (milk and/or meat) registered an increase in their earned income of 800 to 1 200 u.a./LU between "1968" and "1971". The annual growth of earned income on these farms follows the same trends as those noted for farms concentrating on production from arable land. However, it was slightly higher between "1968" and "1969" (by 20 to 30%).

EVOLUTION OF EARNED INCOME/LU BY TYPE OF FARM
"1968" TO "1971"



- | | |
|-------------------------------|-------------------------------|
| 111 : General agriculture | 223 : Fruit-growing |
| 112 : Horticulture | 310 : Herbivora - arable land |
| 130 : Arable land - herbivora | 340 : Herbivora - granivora |
| 224 : Viticulture | 430 : Granivora - herbivora |
| 336 : Bovine livestock | |

Graph II.D/3.1

- Farms engaging in combined production from grain-eating animals (pigs and poultry) and grass-eating animals (cattle) saw their earned income rise by about 1 000 u.a./LU between "1968" and "1971". However, this development was very irregular, since there was first a rise of the order of 30% between "1968" and "1969" then a fall of the same volume between "1969" and "1970", and finally a fresh rise - a clearly higher one (+ 60%) - between "1970" and "1971".
- Earned income in horticultural undertakings went up to roughly the same extent as in farms concentrating on production from arable land (+ 1 450 u.a./LU between "1968" and "1971"). But the growth of this income was much more regular, although it is showing a slight tendency to slow down.
- The increase in earned income in fruit-growing undertakings was about 1 600 u.a./LU between "1968" and "1971", the bulk being concentrated in "1969" (+ 1 100 u.a./LU) and "1971" (400 u.a./LU).
- Wine-growing undertakings also experienced an increase in earned income of about 1 200 u.a./LU for the period considered ("1968" - "1971"). This growth was more particularly pronounced in "1969" (+25%) and in "1970" (+40%).

In this way, the microeconomic results for the period considered confirm the general trend for earned income to rise as revealed by the examination of the macroeconomic data. However, these results show somewhat differing trends according to the types of farming, and these lead to some qualification of the general conclusion of paragraph 1.

In addition, the increase in agricultural earned income per LU has on the whole been more appreciable during the last year considered than earlier. This being so, the trend of earned income per LU in the various types of farming between "1970" and "1971" needs to be analysed more closely and in greater detail.

B. Evolution of farm incomes per type of farm between "1970" and "1971" according to the results of a constant sample of accounting farms for the original Community

In order to avoid the distortions due to changes in accounting farms from one year to the next (erosion of the sample) and to take into consideration better the impact of structural developments, the evolution of earned income per LU between "1970" and "1971" will be examined on the basis of a constant sample.¹ This constant sample comprises about 6 200 accounting farms. It represents only a little under 2 million farms² in the original Community, and may therefore not be considered as perfectly representative of the whole of the agricultural sector of that Community. It may, however, be supposed, in view in particular of the experience noted in certain Member States, that, despite the special nature of the farms observed³ the trend shown by this sample are fairly close to those of agriculture as a whole, particularly when they confirm those indicated above by the sample which corresponds to the groups of farms represented in the course of the four accounting years "1968" to "1971" (see Graph II.D/3.1).

In "1970" the average level of earned income in the farms represented by this constant sample was about 2 000 u.a./LU. The earned income in the same farms in "1971" amounted to more than 2 500 u.a./LU, the increase from one year to the next thus being 25%. This rise in the earned income per LU in the whole body of farms considered confirms - and amplifies somewhat - the tendency indicated by the macroeconomic data. The general increase in earned income per LU results from a considerable rise in the productivity of labour. Added value has increased by 1 000 u.a. per farm as a result of a sharp increase in production, while the labour applied has slightly diminished (-0.05 LU per farm).

¹ "Constant sample" means a body of farms which have participated in the Community accounting observations both in "1970" and in "1971". The classification of these farms is based on their characteristics as revealed in the first of the two accounting years considered.
² The term "farms" is used here in its broad sense; it thus also includes horticultural undertakings.
³ These farms all keep accounts and doubtless do not fail to take advantage of the fact to improve their management.

The increase in the productivity of labour has gone hand in hand with a rise in working capital of about 750 u.a. per LU. This rise partly corresponds, it is true, to the increase in asset values stemming from higher prices for means of production, particularly livestock.

The increase in earned income in agriculture has, however, manifested itself differently in accordance with the types of farms or even the region.

Earned income per LU has shot ahead considerably (+ 2 600 u.a./LU) in farms concentrating on pig production, where it has practically doubled (+ 95%) between "1970" and "1971", and in farms going in for general agriculture (1 300 u.a./LU), where it has gone up by one-third (+ 34%). On the other hand, certain farms specialising in permanent crops have seen their earned income stagnate or even decline. This was the case for wine-growing (-287 u.a./LU) and the cultivation of oilseeds and plants (-585 u.a./LU).

Between these two extremes may be found the great mass of farms whose main or secondary activity is cattle production (herbivora), of which there are more than 2.5 million in the Community. The earned income of these undertakings has improved roughly by 500 - 900 u.a./LU according to the particular branches of bovine production. This category of farms is so important numerically that it deserves, on its own, a more detailed analysis the results of which are given in the following paragraph.

C. Farm incomes in undertakings concentrating on cattle production

The results of an analysis of the "1971" accounting data concerning all farms concentrating on cattle production, compared with those of a similar analysis made last year on the basis of the "1970" data,¹ reveal certain interesting facts.

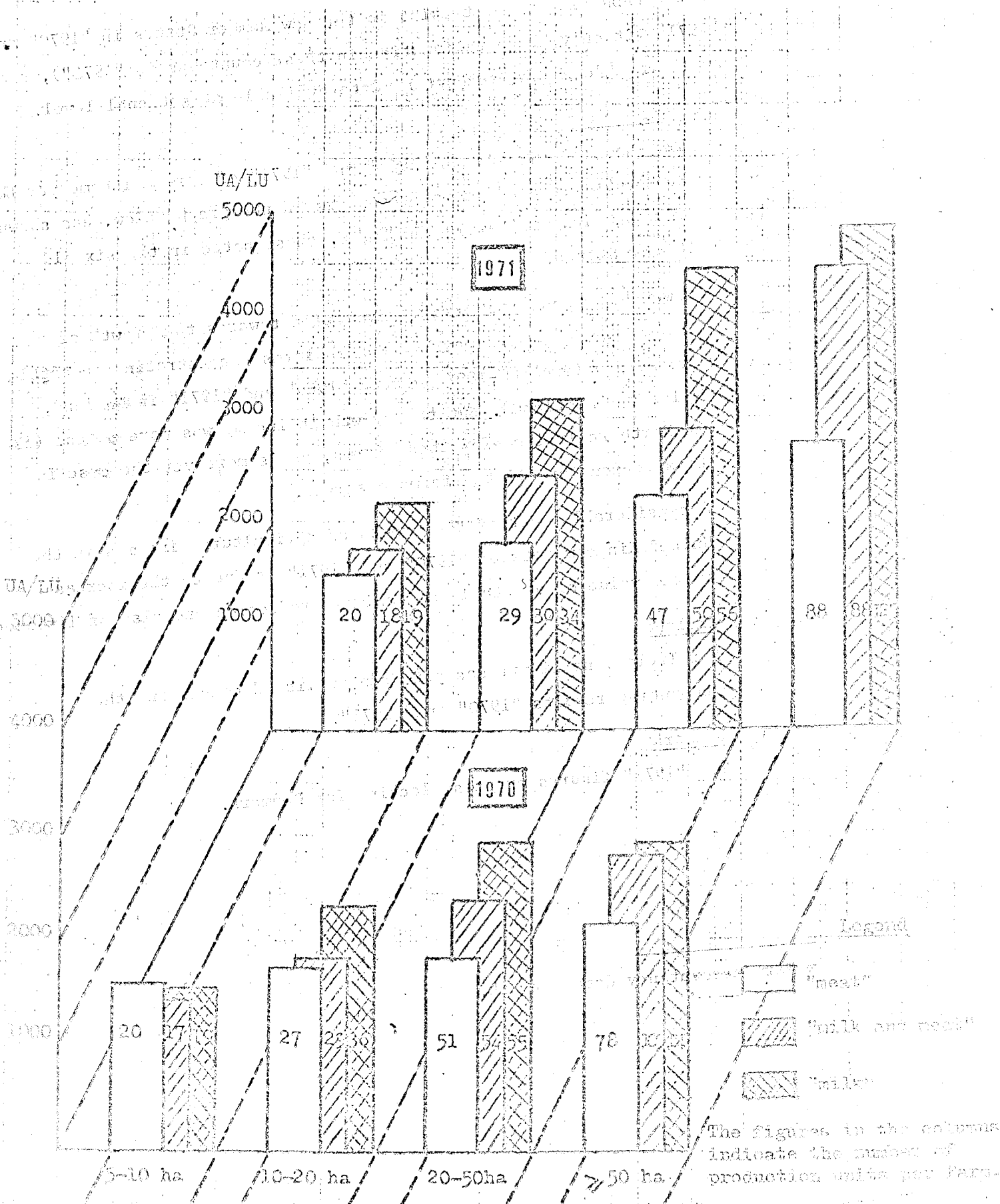
Earned income per LU went up between "1970" and "1971" more rapidly in livestock farms concentrating specifically on dairy production than in the other cattle farms, particularly those going in for mixed "milk - meat" production and farms specializing in the production of beef and veal. The income gap which, in "1970", already favoured the dairy farms has continued to widen in "1971", as may be seen from Graph II D/3.2 below.

Moreover, this trend has made itself felt in the same direction irrespective of the size of the bovine undertakings considered. However, it was more marked in the big farms.

Earned income per LU in farms concentrating on cattle production is also considerably influenced by the milieu, i.e. the region in which the farms are situated. Certain areas are always at the top of the list as regards earned income per LU irrespective of the size of the farms considered, while others are always at the bottom.

¹ See: Report on agricultural incomes in the enlarged Community Doc SEC(73) 900 of 7 March 1973.

EARNED INCOME PER LU IN "1970" AND IN "1971" IN THE THREE SUB-CLASSES :
 "MILK", "MILK AND MEAT" AND "MEAT"



Graph II.D/3.2

D. Development of incomes between "1970" and "1971" in the three new Member States

As the FADN^{*} did not yet exist in the new Member States in "1970" and "1971" (it only began to function in these countries in "1973"), use has been made of the accounting data available at national level.

(a) United Kingdom

The development between "1969" and "1971" of earned income per LU in the United Kingdom as it appears in the graph below, has shown trends which are fairly similar to those noted in the six old Member States.

However, an even more marked evolution towards the growth of earned income per LU may be seen in farms concentrating on cattle production (from 80-100% between "1969" and "1971" in England, Wales and Scotland). But the growth in income was more modest (13%) in Northern Ireland for these farms, as is moreover the case in this region for all the farms observed.

A considerable part of the growth of agricultural incomes in the United Kingdom between "1970" and "1971" is due to the increase in the value of vegetable and animal production and also of livestock/

(b) Ireland

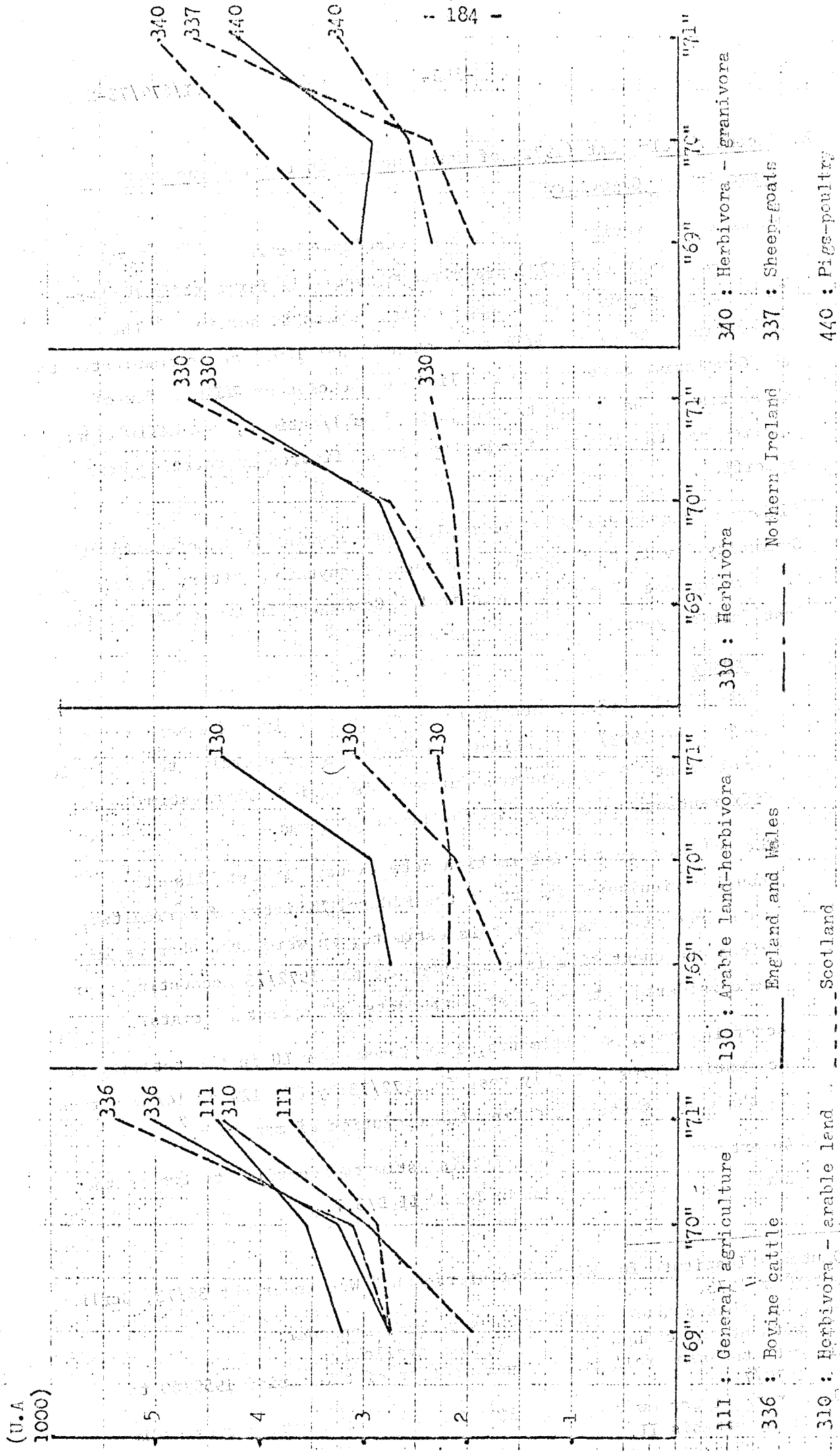
For Ireland no figure has yet been published concerning the accounting results "1970" and "1971".

(c) Denmark

The "1971" figures are also lacking for Denmark.

* Farm accountancy data network.

EVOLUTION OF EARNED INCOME/LU BY TYPE OF FARMING FROM "1969" FOR ENGLAND AND WALES, SCOTLAND AND NORTHERN IRELAND



N.B. The farms are classed according to the national system of classification which does not completely correspond to the Community system

E. Recent development (1972) of farm incomes in the various types of farms in the Community

Partial and provisional accounting results concerning the "1972" accounting year (1972/73) are already available for certain Member States. The majority have been obtained by rapid sorting of the accounting data of the FADN made at national level and communicated to the Commission Services by the liaison agencies of FADN. A few of these results have been the subject of publications, the definitions applied and the limits of validity of the figures in question being specified.

Although these results are incomplete and lacking in homogeneity at Community level, they provide for lack of anything better, an idea of the development of farm incomes in the Community in the course of the last farming year.

(a) Germany

Although the 1972/73 accounting year ended only a few months ago (on 30 June 1973) an estimate is available¹ concerning the probable development of farm incomes during this period. This estimate is differentiated according to the types of farms.

The holdings in the information network used to establish the annual agricultural report of the Federal Ministry of Agriculture has served as a basis for this estimate, in which the changes in prices and quantities in the course of the 1972/73 accounting year are considered both as regards products and operating costs.

According to these estimates, farm income per LU in the totality of accounting farms probably rose in 1972/73 by 8%, 12% or 14% according to three hypotheses regarding the evolution of manpower.²

An extract of the results of this estimate according to two of the three hypotheses is given in Table II D/3.7.

¹"Deutsches Institute für Wirtschaftsforschung" Wochenbericht 36/73, Berlin September 1973.

²Three hypotheses have been chosen as regards manpower:

- I. without any change in the manpower available;
- II. with the same fall in manpower as that of the period 1959/60 to 1970/71
- III. A rate of manpower decline 30% lower than the rate corresponding to hypothesis II.

However, this favourable development differs according to the types of farms. The increase in income is particularly remarkable for farms concentrating on production from arable land, production of grass-eating animals and mixed operations (without any dominant type). On the other hand, farms engaged in cattle production are thought not to have benefited as much from the increase in income, and this despite the rise in the prices of slaughter cattle, as a result of the fact that this increase has not been able to offset the decline in the quantities sold and the sharp rise in the prices of animal feedingstuffs.

(b) France

Rapid processing of the "1972" accounting data for France gives a general idea as to the development of incomes during that year.¹

The disparities in family agricultural incomes between types of farms and regions are still very considerable.

The lowest family incomes - below 3 600 u.a.² - have been observed in the western part of the country for the categories of farms concentrating on cattle production (milk) and having an area of 5-10 ha, and in the centre for the same type of operations in the 10-20 ha size class.

On the other hand, the highest incomes have been noted in the types of farms engaged in general agriculture in the large farms categories. We may also note that farms concentrating on cattle production have also obtained good results once they are of large size and particularly if they are specialized in meat production, in which family incomes above 18 000 u.a. are not rare for "1972".

¹ First results for the 1972 accounting year (rapid sorting and constant sample "1971" - "1972") by the French liaison body with FADN (Central Office of FADN).

² 100FF=18.0044 u.a.

Size of farms being equal, the results obtained by cattle undertakings concentrating on meat production seem to be as high, or even slightly higher, than those of dairy farms. However, it is again the mixed "milk-meat" farming which in "1972" procured the best levels of family income.

Viticulture for the production of quality wine has again obtained very good results. On the other hand, those undertakings producing wine for ordinary consumption have registered a clearly lower income.

The result by accounting areas for the farms in one and the same category are still very disparate; natural conditions have therefore played a not insignificant role in "1972" with respect to income disparities in agriculture.

(c) Italy

Rapid processing of the "1972" accounting data of the information network in Italy supplies an initial pointer to the development of agricultural incomes in this country.¹

Farms concentrating on production from arable land and bovine animals have shown an expansion of their hectare output as a result of rising prices and increased yields, which, however, have varied according to the crops. The net product per hectare has also gone up practically everywhere. Expressed per labour unit, the increase in the net product is therefore considerable. Furthermore, a reduction has been noted of the gaps between the highest and lowest results in relation to those noted last year.

Farms concentrating on cattle production combined with production from arable land show trends similar to the above.

¹ Sorting carried out by the Italian liaison agency with FADN (INEA)

The farms concentrating on fruit-growing show wide divergences both, as regards gross output per hectare and working time, particularly in relation to the nature of the fruits produced and the region considered. It is in the farms specialising in citrus fruit production and in certain fruit undertakings that the best results have been obtained as regards earned income per LU.

For wine-growing undertakings, the year "1972" has been rather mediocre because of the very unfavourable weather conditions, particularly during the summer. Yields were lower than those of the preceding year and the wine produced was of less good quality. Although the labour charges in the undertakings have declined, income per LU in these farms has generally declined, save for a few regional exceptions.

The horticultural undertakings, which employ a very important capital in land and which have a strong manpower density, registered, in "1972", a general increase in earned income per LU, due mainly to the reduction of their work charges.

As regards oil-producing undertakings, the only data at present available concern those in Northern Italy, which are far from being representative of all oil crops in this country. The earned income per LU in these undertakings is clearly higher than that of "1971", this trend being mainly due to the reduction of the number of working hours in these farms. It will be remembered that the earned incomes achieved in this type of farm was lower in "1971".

The farms concentrating on cattle production have experienced a practically general improvement in the situation of earned incomes per LU. The production of meat, milk and milk products has profited by higher prices. In general, the earned income situation per LU is clearly better than it was during the preceding year.

(d) The Netherlands

As examination of the situation of farms in the course of the year "1972" has been undertaken on the basis of a constant sample of accounting farms.¹

The increase in revenue registered in "1971" occurred again for the majority of the type of farms in "1972". The maintenance of this trend is largely due to the increase in the prices of certain agricultural products, in particular potatoes, cattle and pigs.

The farms concentrating on general agriculture in the Southwest of the Netherlands and in the Polders have registered an increase in earned income per farmer of 4 250 and 6 250 u.a. respectively.²

In the other regions income has been roughly at the same level as in "1971".

Farming which combines production from arable land and that of cattle has also registered an increase in income as a result of the high prices of beef and veal and calves. The "Dairy production" heading has also increased as a result of the growth in the number of dairy livestock and a rise in milk prices of about 2.5%.

Farms concentrating on a combination of arable land production and livestock independent of the soil (pigs, poultry) profited in "1972" from the cyclical rise in pig prices (15%) which more than offset the increase in the prices of animal feedingstuffs (6%). Furthermore the number of pigs on these farms went up.

Grazing farms registered very variable incomes from one region to another, but these were slightly higher because of the increase in prices both of beef and veal and of calves and milk. Costs for animal feedingstuffs also increased particularly in certain regions, and the density of the cattle stock also rose appreciably in all the regions of the Netherlands.

As regards mixed and grassland farms of small dimensions, the income trend is similar. It is in particular stronger in those cases where breeding independent of the land is relatively important. However,

¹Sorting and analysis made by the Dutch Liaison agency with FADN.
²100 florins = 28,3864 u.a.

despite all this, the income level in these farms is still lower than that in the large undertakings.

(e) Belgium

The provisional "1972" results of the Belgian agricultural accounts, which result from processing about one-third of the accounts of the RICA sample¹ point to a very considerable increase in farm incomes for this new accounting year, which ended on 30 April 1973.

In "1972" the earned income per LU increased by about 1 685 u.a.², or 35% in relation to the previous accounting year. After the bad results of "1970", Belgian farmers have thus experienced two good years in succession.

The considerable increase in farm incomes in "1972" results in particular from a rise in products (17%), while costs have gone up by only 10%. The increase in products is mainly due to bovine output (62%), in the second place to pig production (32%) and, to a subsidiary extent, to crops (6%). Farmyard production and various products, on the other hand, show a slight fall. As to charges, their increase derives largely from the rise in manpower costs (the hourly wage selected for the upgrading of family work has been increased by 15.5% between "1971" and "1972" but also from the item "Animal foodstuffs purchased".

These excellent average results do not, however, seem to have made it possible to reduce the gaps between the incomes of the various groups of farms, or even between the different regions. Incomes went up by 33% in farms of 10-20 ha, but by 37% in those of more than 20 ha. The gap between regional incomes has remained the same between the two accounting years.

Despite this general trend for incomes to rise, there were still, in "1972", 14% of farms whose earned income per LU had declined in relation to "1971". Thus, the results as regards individual farm are still very widely scattered.

(f) Luxembourg

No "1972" figures are available for this country.

¹ Sorting by the Belgian Liaison Agency with FADN

² Notes of the IEA No 36, September 1973

² 100 Belgian francs = 2.05519 u.a.

(g) New Member States

As regards the new Member States (United Kingdom, Denmark and Ireland) the accounting data available are fragmentary and always difficult to compare with those used for the old Member States. However, these data enable us to note a trend fairly similar to that registered in the six old Member States, that is, for "1972" (1972/73 accounting year), the maintenance, and even an increase in the growth of the farm incomes registered in "1971". This development is due in particular to the general increase in the price of products, an increase whose chief cause would seem to result from the rise in prices on the world market. For the three new Member States this farming year has been marked by assession to the European Communities. However, this event took place only towards the end of the farming year in question.

The accounting data at present available for "1972" (1972/73 accounting year) make it possible to consider that this year has given results even better than those of the preceding one. This improvement in agricultural income is based on three essential factors:

- an increase in the prices of products which is, by and large, higher than that of the prices of the factors of production;
- a rise in the yields of crops and livestock;
- a reduction in manpower costs, set off to some extent by a rise in those of mechanization and livestock.

The trend observed in "1972" in relation to the preceding year also results to a large extent from fluctuations of a cyclical nature.

The general improvement in agricultural incomes in "1972" was not identical in all types of farms nor a fortiori in all regions. It is the farms concentrating on general agriculture, and more particularly, the large farms, which have most profited from this improvement, but cattle enterprises concentrating on meat production have also seen their income pick up very well, in the same way as certain types of special operations, such as viticulture for the production of quality wines.

F. "1973" farm incomes

As far as may be judged from the provisional data at present available, the yields of the current accounting year, as regards both vegetable and animal production, have so far been very good on the whole. Prices, in particular those for means of production, have gone up sharply but in varying degree according to regions, particularly in the course of recent months.

The ex-farm prices noted for September 1973 in the five regions of the Member States in which Commission operation models have been set up¹ confirm this clear upward trend and a certain worsening of the product factor price relationships. The increases registered in relation to the corresponding prices of the spring of 1972 are more and more disordered. They vary considerably from one region to another, as is generally the case in a period when prices are rising rapidly.

Even more than the "1972" and "1971" farm incomes, those of "1973" seem likely to be influenced by economic factors, in particular by the price factor. For this reason it is particularly difficult to establish a valid forecast of the trend of incomes for the current accounting year. At this stage all that can be said is that there is for "1973" the prospect of a certain reduction in the growth of agricultural incomes and at the same time a wider disparity in income.

¹ Models of analyses of multicrop-livestock and sheep-breeding farms
(Internal information concerning agriculture No 37, January 1973).

4. CONCLUSIONS

The year "1971" (1971/72) has enabled agriculture to restore the levels of its incomes, which had been jeopardized by the mediocre results of the preceding year. The year "1972" (1972/73) has considerably strengthened farm incomes and thus opened new prospects to agriculture, including those in the milk and beef and veal sectors.

The considerable increase in farm incomes since "1970" has, however, not made it possible to reduce appreciably the large gaps in this field which still continue to exist between countries, regions and types of farming. So far there is nothing to lead us to believe that the year "1973" will make it possible to reduce these disparities.

Helped by the introduction of the arrangements for observing agricultural incomes, the Commission has thus been in a position, this year - eight months after having submitted to the Council its first report on agricultural incomes - to draw up a new report on the income position. It has been able to accomplish some progress in the study of this important element, but there is still much ground to be covered before it will be possible to have available complete and up-to-date information on agricultural incomes in the enlarged Community.

The implementation of the data accounting system (FADN) in the new Member States in "1973" and the recent Council decision to double the number of accounting farms by 1978, will no doubt help to facilitate the task in this field.

E. FINANCIAL ASPECTS OF THE COMMON AGRICULTURAL
POLICY AND OF THE NATIONAL AGRICULTURAL POLICIES¹

Whatever be the details of their implementation, agricultural policies involve a certain amount of public spending. The development of the common agricultural policy has led to a gradual transfer of these expenditures from the national Budgets to the Community Budget.

For some time now the major part of the expenditures relating to the agricultural markets has been on charge to the Community Budget through the intermediary of the Guarantee Section of the EAGGF. On the other hand, spending on structures in the wide sense of this term continues to be mainly borne by the national Budgets as its takeover by the Guidance Section of EAGGF is still on a limited scale. Thus, there is still some point in examining the expenditures borne by the Budgets of the Member States.

This report supplies a certain number of basic data classed as far as possible in terms of the common market organizations and the economic nature of the measures carried out.

It should be recalled that by virtue of Article 10 of Regulation No 729/70 on the financing of the common agricultural policy¹ the Commission is required to submit each year to the Council and the European Parliament "a financial report on the administration of the Fund during the preceding year and, in particular, on the state of its resources and the nature of its expenditure and the conditions for achieving Community financing".

Under this head the Commission, on 11 April 1973, submitted the first report, concerning 1971, and also including a summary of all the EAGGF data since the beginning.³ The Commission will shortly send the Council and the Parliament the second report concerning the operations in 1972.

The present part of this Report will deal in succession with the expenditures of the Guarantee Section of EAGGF, those of the Guidance Section, and the spending covered by the National Budgets.

¹ See Tables II E/11 to II E/3.3 of Part III

² OJ No L 94 of 28 April 1970, page 13

³ Doc SEC(73)1259 Final of 6 April 1973.

1. Expenditures of the Guarantee Section of the EAGGF¹

(a) The following outlay is borne by the Guarantee Section in implementation of Article 1(2) of Regulation (EEC) No 729/70.

- The expenditures on refunds on exports to third countries.
- The expenditures on intervention to stabilize the agricultural markets.

In principle, this outlay has been financed in its entirety by the Community since 1 July 1967 through the intermediary of the EAGGF (Guarantee Section). However, there continues to be one exception to this rule, i.e. spending on intervention for buying in, stocking and marketing, the financial rules for which are still such that the amounts under certain expenditure heads continue to be calculated on a standard basis for the time being. In addition, the financial fixed assets consecutive upon the purchases of the goods continue to be borne by the Member States and EAGGF intervenes only to cover net losses which correspond to the balance of expenditures and receipts incurred through the totality of operations required by this category of intervention, taking into account variations in the values of the stocks between the beginning and the end of the financial year.

Since 1 January 1971 the financing has been done through monthly advances. This means that the questions relating to the provision of ready funds have also been transferred to the Community with the exception of those concerning the purchase of the products, as pointed out above.

(b) Table II E/1.1 in Part III shows the expenditures of the Guarantee Section, classed by common market organization for 1972, 1973 and 1974.

It should be noted that these are years and not Budget periods, as the two concepts do not tally with each other for the periods 1972 and 1973. Because of the enlargement of the Community, the month of January 1973 (about 179 million u.a.) was attached for Budget purposes to the financial year 1972. The calendar years have been reestablished for this report so that the expenditures indicated for 1972, 1973 and 1974 shall cover equal 12-month periods.

For 1972 the expenses are those actually incurred by the Member States and taken over by EAGGF. On the other hand, for 1973, we are dealing

¹ See Tables II E/1.1 to II E/1.5 of Part III

with forecasts as they follow from the addition of the expenditures for January 1973 to the appropriations of the 1973 Budget, including supplementary Budget number 4. For 1974 the appropriations are as agreed by the Council on 21 September 1973, in the setting of the 1974 draft Budget.

In 1972 the gross expenditures of EAGGF (Guarantee Section) amounted to about 2 330 million u.a. The appropriations for the 1973 financial year (1 February 1973 to 31 December 1973) increased by January expenditures come to about 3 821 million u.a., while those entered on the 1974 draft Budget are about 3 502 million, or 320 million less. Three sectors share about 80% of the spending: the milk products sector (25-30% according to years), cereals (20-40%) and fats (10-14%). If we add to these three sectors, sugar, pigmeat, tobacco and fruit and vegetables we come close to 95% of the expenditures.

The variations observed or expected after 1972 stem from factors making for increases and factors for reductions.

- The main factors increasing expenditures are:

- . the expansion of milk products surpluses,
- . the increase in aids, in particular to skim milk,
- . the enlargement of the Community,
- . the events in the monetary field.

- The main factor tending to reduce expenditures is:

- . the world boom in the cereals and oil-seeds sectors.

(c) The means brought to bear by the Common Market organization to stabilize agricultural markets assume different forms: export refunds, stocking, aids,

Expenditures on refunds (plus those for exports of ghee¹ in the context of the special measures for the marketing of butters bought in) amount to 954 million u.a. in 1972 and will reach 1 155 million in 1973, i.e. about 41 and 30% respectively of the total expenditures.

Expenditures on stocking in the strict sense vary from 226 million u.a. in 1972 to 298 in 1973.

¹Ghee: a fat of butyric origin used in the Middle East countries. It has a very pronounced and highly appreciated rancid taste. European Ghee is butteroil with the addition of a denaturing product to give the required taste for export.

The most important part of the expenditures is represented by interventions on the internal market consisting of different compensatory price aids in relation to world prices and, where appropriate, in relation to substitute products:

in 1972 1 077 million u.a., or 46% of the total outlay
in 1973 2 266 million u.a., or 59% of the total.

This latter total includes the compensatory amounts under the head of intra-Community trade (206 million u.a. for accession compensatory amounts and about 130 million for monetary compensatory amounts) which are destined to disappear.

- (d) It should be noted that, although the agricultural policy generates expenditures, it is also a source of Budget revenue. Levies and agricultural contributions charged in 1972 (about 800 million u.a.), those which it is at present possible to expect for 1973 (about 550 million u.a.), and those planned for 1974 (about 487 million u.a.).

At present two sectors in particular bring in Budget resources:

- the cereals sector, where the levies were about 500 million u.a. in 1972, but where however their level has gone down sharply following the high levels reached by world prices.
- the sugar sector, where production and stocking contributions have varied in course of these three years between 150 and 180 million u.a.

The fall in levies observed is above all due to the rise in world cereals prices which began during the second half of 1972, but also to the monetary happenings and for certain sectors, to enlargement.

- (e) In order to place the market expenditures more accurately in the overall economic context, these expenditures may be related to the sum of the gross national products of the different Member States making up the Community. It is then seen that Guarantee Section expenditures represent about 0.4% of this sum.

2. Expenditures of the EAGGF Guidance Section¹

(a) The financing of the common structures policy is borne by the Guidance Section of EAGGF. Contrary to the case with the Guarantee Section, Community spending on structures is complementary to that of the Member States. The Guidance Section partfinances three categories of measures:

- The grant of capital subsidies to projects for the improvement of agricultural structures in the setting of Regulation No 17/64/EEC
- The financing of special measures intended in particular to improve the functioning of certain common market organizations
- The financing of common actions decided upon by the Council in implementation of Article 6 of Regulation (EEC) No 729/70.

To take into account in 1973, the enlargement of the Community, the annual appropriations for the Guidance Section were raised from 285 to 325 million u.a. by Regulation (EEC) No 2788/72 of the Council, dated 28 December 1972.¹

(b) Breakdown of the expenditures by types of actions

- Financing of projects to improve agricultural structures

As regards financing of projects, the work of the Guidance Section is behindhand by about one year.

In this way, during 1972, the projects relating to the year 1971 were examined and an amount of 200 million u.a. allocated to them. In 1973 those relating to the year 1972 (150 million u.a.) came up for examination. In 1974 the 1973 projects (170 million u.a.) will be financed.

¹ See Tables II.E/2.1 to II.E/2.2 of Part III.
² OJ E.C. No L 295 of 30 December 1972 page 1

This type of Community intervention makes it possible to ensure a channelling of the investments which, being at once massive and selective is favourable to the functioning of the common agricultural policy.

- On the one hand, thanks to the size of the available financial resources the volume of the investments which will benefit by Community aid is high and makes it possible to act both in sectors and varied regions. Between 1964 and 1971 more than 3 000 million u.a. of investments were helped by the Fund. Of this amount, 700 million on average was made available for 1970 and 1971.

- On the other hand, the number of projects introduced is definitely higher than the number of those financed (in all 4 690 have been lodged and 2 932 financed). In this way, the Commission is able to choose only those projects which are most appropriate from both the technical and the economic angle.

- Financing of special measures

The aim of the outlay for this category of measures in the wide sense of the word is to improve the functioning of the common agricultural policy and in particular that of certain common market organizations. Although some measures are of general economic scope (enquiries into structures for examples), others are more directly linked to the stabilization of certain markets (slaughtering of cows and non-marketing of milk and dairy products, grubbing-up of fruit trees, aid to groupings of producers).

- Financing of joint actions

Although the Council has already agreed a certain number of joint actions, there was no outlay under this head in 1972 and 1973. Most of the expenditures will arise from reimbursement to the Member States and these must have implemented the planned measures before the Fund can intervene.

To provide for the expenditures for the common action already agreed or to be agreed, the Council, on a proposal from the Commission, has continued to earmark certain appropriations from the annual endowment of the Guidance Section. Under this head, 85 170 000 u.a. were set aside for the year 1972 in accordance with the provisions of Council Regulation (EEC) No 847/72 of 24 April 1972¹ thus bringing up to

¹OJ Number L 100 of 27 April 1972.

438 384 300 u.a. the credits placed in reserve for the joint actions for the years 1969 to 1972.

(c) Breakdown of the expenditures according to economic nature

Up to the present the bulk of the expenditures of the Guidance Section can be broken down into the following categories:

- measures of aid to general investments (financing of projects to improve agricultural structures);
- measures linked with the improvement of certain common market organizations (special measures)

Taking into account the adoption by the Council of a certain number of joint actions and proposals submitted to it by the Commission, two new categories of expenditure are likely to develop in the years to come:

- measures for the modernization of farms, having effect both on material investments and on training of workers (Directive 72/15, 160, 161/EEC);¹
- measures aimed at helping certain agricultural regions in difficulty (creation of jobs in priority agricultural regions, aids to agriculture in less favoured regions).

¹ OJ N° L 96 of 23 April 1972

3. Total expenditures^{1 2}

(a) The evolution in 1972 of total expenditures in the original Community

For 1972 the total amount of national and Community public expenditures including subsidies, interest subsidies, social expenditure transfers, spending financed by the profession by means of quasi-fiscal levies is estimated at about 8 100 million u.a.³

Amon the five categories of measures financed by public resources, i.e. market support expenditure, expenditure on structures, miscellaneous expenditure (including the reduction of certain means of production), veterinary and plant health measures, controls of quality and varieties, natural disasters), monetary compensation measures and social expenditures, the observations made in earlier Reports are confirmed in 1972, that is to say the preponderance of spending on structural action social action and market support. The amounts allocated in 1972 to these three categories of spending were respectively 2 500, 2 400 and 2 300 million u.a.

In order to make a value judgement on the evolution of these expenditures over recent years account has first to be taken of the inflationary trends which have affected - in uneven fashion - the economies of the six member countries.

¹ See Tables II.E/3.1 to II.E/3.3 of Part III

² These are public expenditures for the carrying out of national and Community agricultural policies, including forests but excluding fisheries.

³ The amount is probably underestimated because it leaves out of account the considerable development of social expenditures in 1972.

As monetary depreciation has been on a very large scale during the last three years, it may be considered that the increase in the real volume of public expenditure is appreciably less than the amounts in current prices would lead us to believe. It is probable that the rise of 6% between 1971 and 1972 has in fact been absorbed by the rise in costs. The rise in the prices of the gross domestic product was 6% in 1972. It will further be noted that the amounts allocated by the Federal German Republic to its farmers as compensation for revaluation are in the nature of a payment for loss.

Account will be taken of an important reservation concerning the calculation of the development of support expenditures. The actual expenditures of a Budget year often overlap two or more financial years. This being so it is difficult to assess the real volume of increase in expenditures from one given year to the next.

As regards the evolution of total expenditures between 1971 and 1972 in each of the Member States, we can note in a general way a very marked alignment of the national policies of certain member countries on the Community policy.

For 1972 Belgium has considerably stepped up the financing of the measures to ensure the early departure of farmers from the land and the increase in the size of the farms remaining.

As regards the programmes for the renewal of supervisory staff and improvement in equipment and buildings financed by the Investment Fund, a rise in the expenditures must also be reported in this country, by reason in particular of the increase in the interest subsidy from 3 to 5%.

For the financial year 1972 the agricultural Budget of Luxembourg shows a fairly sharp increase, although this is of an exceptional nature. The measures planned are aimed at a better organization of the production sector by setting up and developing producer groupings.

In France we note a very considerable increase in expenditures connected with the departure of farmers from the land and a marked rise in the subsidies paid to the Caisse nationale de crédit agricole (National agricultural credit Fund) intended to cover the difference between the rates of subsidized loans granted to beneficiaries and the cost of the resources collected by the Fund on the financial market (bonds and five year bills).

The special loans granted through the channel of agricultural credit in France comprise:

- Short-term loans, i.e. operating loans granted to co-operatives and Sociétés d'intérêt collectif agricole (SICA - collective agricultural interests companies) for the stocking, putting up for sale and processing of agricultural products;
- Medium-term loans, i.e. equipment loans for the stocking and processing of agricultural products and loans for dwelling construction;
- Long-term loans to public authorities for infrastructure and collective facilities.

The Netherlands are continuing their efforts at rationalization by promoting the departure of farmers and the modernization of the remaining farms, both as regards operation and infrastructure.

As was pointed out last year, the 1971 financial year marks a pause in the financing of Italian agriculture by the central Government, and this despite the fact that two recent laws have organized the renewal of the financing of the "Cassa per proprietà coltivatrice" (Fund for farming properties) and the "Fondo di rotazione" for the purchase of farming businesses. From now on it is the regions which are responsible under the law for collecting the necessary financial resources and distributing the aid to agriculture. It would be premature to pass an overall judgement on this new organization in view of the fact that the Italian regions have not yet put into force all the measures planned and the Commission has not yet completed the examination of those already working.

In Germany we may also note a reorganization of powers as between the Bund and the Laender.

This reorganization has not had any appreciable effect on the overall volume of the aid which, in 1972, increased at a pace comparable with that of the earlier years.

(b) The structure of public spending in favour of agriculture in the Nine States of the enlarged Community

It has seemed profitable to complete the above analysis by a choice of budgetary indicators which are more precise and throw light on certain aspects of public interventions in the various countries of the enlarged Community, i.e.:

- The expenditures in respect of early retirement and occupational changes.
- The expenditures on production structures.
Investments on the farm (construction and improvement of buildings, formation of peasant, property payment of registration dues in the event of purchase).
- Expenditures on market structures.
Investments in connection with marketing and processing of farm products, operations and starting aids for producer groupings, quality control, etc.
- Expenditure for agricultural infrastructure.
Water supply and irrigation works, rural roads, land improvement and restructuration.
- Expenditures for public services.
Rural electrification, drinking water, waste water, improvements to villages, roads.
- Expenditures to reduce the cost of certain means of production, chiefly detaxation of fuel, fertilizer subsidies, repayments of the labour tax and reduction of taxes on the cadastral income.
- Expenditures for the development and conversion of certain forms of production.

¹ The Budget indicators do not make it possible to strike a balance of all support from the public sector in favour of agriculture. However, they do allow of an initial examination of certain outstanding features of the different policies. Here we are dealing solely with subsidies interest rebates and quasi-fiscal taxes allotted and certain forms of detaxation... (credits, guarantees and State participations excepted).

The analysis of these data has been extended to all the countries of the enlarged Community. Those categories of measurement which will disappear in the fairly near future because of the Accession Treaty (in particular the deficiency payments) and be replaced by measures planned in the common market organizations for the different agricultural products have not been selected as significant indicators.

In order to facilitate the comparison between Member States, the budgetary expenditures relating to these different headings have been related to the net added value of agriculture in these countries:

(1) The examination of these indicators leads to the following initial observations:

- In a general way a very wide diversity in the national situations with respect to each heading may be noted.
- Early retirement: the highest coefficients are observed in France (1.7%) and the Netherlands (0.7%). In the other countries the figures are around 0.1 to 0.2%.
- Production structures: The highest coefficients are to be seen in Luxembourg (7.3%), the United Kingdom (5.9%), Germany (4.1%) and Ireland (3.2%).
For the other countries these coefficients range from 0.1% in Denmark to 1.8% in Italy.
- Market structures: The Luxembourg coefficient is particularly high (6.7%), while that for Germany is 1.9% and the other countries range from 0.1 to 1%.
- Infrastructure: The highest coefficients are those for Germany (5.5%) and for the Netherlands (5.2%), the other countries ranging from 2 to 3.7%, with Denmark as an exception (0.1%).
- Rural public services: The highest coefficients are in Germany and France (2.8 and 1.9%), the other countries being between 0.1 and 1.3%.

- Reduction of the costs of certain means of production: Under this head the Irish coefficient appears exceptionally high (14.5%) while the United Kingdom figure is 5.8%.
For the other countries the range is from 0.2 to 2.5%.
- Reorientation of production: Here too the highest rates are to be found in the United Kingdom (3.2%) and Ireland (4%), the other countries ranging from 0.2 and 0.6%.

(2) Analysis of these indications by country brings out the following trends in particular:

In the United Kingdom the coefficients are particularly high as regards expenditures concerned with production structures, the reduction of costs and reorientation.

In the Federal German Republic they are particularly high for production structures, infrastructures and public services.

In France they are high for measures concerning early retirement and public services.

Italy does not spend anything under the head of early retirement. The figures are generally average under the other heads.

In the Netherlands the coefficients are fairly low under all heads, with the exception of spending on infrastructure, for which the coefficient is among the highest.

The Belgian coefficients are relatively low for all headings.

In Luxembourg they are very high for production and market structures and average in the other fields.

In Denmark the coefficients are low for all the headings.

In Ireland they are among the highest for the reduction of costs and the reorientation of production and also for production structures. They are low for the other fields.